

**INTERIM
REPORT**

PENGANA INTERNATIONAL EQUITIES LIMITED

INTERIM REPORT

ACN 107 462 966

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**31 DECEMBER
2018**



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CHAIRMAN'S REPORT

Dear fellow shareholders,

I'm pleased to present the Pengana International Equities Limited (ASX: PIA, "PIA" or "the Company") Financial Report for the six months ending 31 December 2018.

Financial performance

The Company posted a net loss of \$6.8 million for the six months ending 31 December 2018. This compares to a profit of \$20.7 million in the prior comparable period.

Investment performance

Although the international equities investment strategy delivered an after costs return of -3.3% over the period, it was 1.3% above the pre-costs return of the strategy's benchmark, the MSCI World Total Return Index, Net Dividends Reinvested, in A\$ ("MSCI World").

It is pleasing to note that our investment manager's strategy, which is designed to generate long-term consistent returns whilst reducing both volatility of returns and the risk of losing capital performed well particularly in the last quarter when markets were exceptionally volatile.

The investment team has been consistent in its application of the strategy since it commenced management of the portfolio in June 2017. The benefit to shareholders is particularly striking when the MSCI World fell 11% in the December 2018 quarter, the biggest quarterly drop since the quarter ending March 2009. In this quarter, the international equities investment strategy delivered a negative return of -4.7%.

As indicated in the monthly performance newsletters in the months leading to 31 December the team positioned the portfolio defensively; increasing cash exposure, increasing portfolio insurance (put options) and reducing the exposure to expensive Information Technology stocks, one of the worse performing sectors in the quarter.

Fees and expenses

We remain focused on expense control, with total costs for the period of \$3.2 million down by 18.9% when compared to the previous correspond period.

Share price

The Company's Total Shareholder Return for the six-month period to 31 December 2018 was a negative 6.2%, taking into account the share price which closed the period at \$1.06 (down from \$1.16 at 30 June 2018), the price of the options which closed the period at \$0.001 (down from \$0.008 at 30 June 2018) and the 3.5 cents per share dividend paid on 28 September 2018.

Dividend

The directors have declared an interim dividend of 3.5 cents per share fully franked at a 27.5% rate, with a record date of Friday, 12 April 2019 and a payment date of Tuesday, 7 May 2019.

The directors are aware of the value that many shareholders place on the consistency of dividends and despite the loss in the current period have declared that a dividend be paid from the Company's Profit Reserve, which had a balance of \$97.6 million at 31 December 2018.

The company is committed to franking future dividends to the maximum extent possible, however, the Company's ability to fully frank future dividends will largely rely upon the realisation of capital gains from its investments.

Board changes

The Board appointed Russel Pillemer as PIA's Managing Director.

Russel joined the Board of PIA in June 2017 as a non-executive Director and was elected by shareholders at the Company's AGM in October 2017. Russel is also the Managing Director of Pengana Capital Group Limited and an executive director of Pengana Investment Management Limited, the Company's Investment Manager. This appointment reflects Russel's management responsibilities in the operations of PIA.

Russel will continue to receive no remuneration from PIA and he has no fixed term employment contract with the Company.

Outlook

The market as a whole has improved since the end of the 2018 calendar year with the more economically sensitive positions (such as banks, industrials and emerging markets) performing strongly and the more defensive positions declining. In this period, the defensive positioning of PIA's portfolio has eased slightly, with cash and put option positions decreasing and exposure to Emerging Market sensitive sectors increasing.

The value of PIA's investments has improved since 31 December 2018 so that at 15 February 2019 the pre-tax NTA per share was \$1.20. This represents an increase of 5.0%.

Roadshow

The Investment Manager will once again be conducting a roadshow across Australia in late April/early May, giving shareholders an opportunity to meet and ask questions of the team that manages the Company's portfolio. Invitations with the details of the roadshow will be posted on the ASX and emailed to all shareholders who have provided us with their email address in the coming weeks.

Email is the fastest, most cost effective and preferred method of shareholder communication. Shareholders who have provided their email to Computershare receive invitations to the roadshow, the company's newsletters and insights as well as notifications of ASX announcements made by the company.

To keep your email address updated and current on your Computershare account, update your communication preferences at www.computershare.com.au/easyupdate/pia and select "Email" for delivery of "Company Information" or alternatively call 1300 855 080 or +61 3 9415 4000 (outside Australia), Monday to Friday AEDT 8:30am to 8:00pm.

On behalf of the Board, I would like to thank all our shareholders for your ongoing support.



Frank Gooch
Chairman
Pengana International Equities Limited
21 February 2019

DIRECTORS' REPORT

Your Directors present their report on Pengana International Equities Limited ("the Company") for the half-year ended 31 December 2018.

Directors

The names of Directors in office at any time during or since the end of the half-year are:

Francis Gooch	Non-Executive Director and Chairman	
Julian Constable	Non-Executive Director	
David Groves	Non-Executive Director	
Russel Pillemer	Non-Executive Director	(Appointed Managing Director on 21 February 2019)

Directors have been in office since the start of the financial year to the date of this report, unless stated otherwise.

Principal Activities

The Company is a listed investment company that invests, with an ethical screen, predominantly in international equities. The portfolio is managed by Pengana Investment Management Limited ("PIML"), a wholly owned subsidiary of Pengana Capital Group.

The investment strategy adopted by PIML is designed to generate consistent long term returns whilst reducing volatility and the risk of losing capital.

PIML's performance is benchmarked against the MSCI World Total Return Index, Net Dividends reinvested in Australian dollars ("MSCI World").

Investment Performance

There are three broad performance measures commonly used by listed investment companies.

- Gross Portfolio Performance is calculated by reference to returns including dividends paid, but before deduction of tax and costs such as management and performance fees and corporate expenses. Adjustments are also made for movements in capital.

The Gross Portfolio Performance for the half year ended 31 December 2018 was -2.5%, while the MSCI World index returned -4.6% over the same period.

- The Net Portfolio Performance includes the effect of costs but not tax, and is a measure comparable to the performance disclosed by unlisted managed funds.

The Net Portfolio Performance for the half year ended 31 December 2018 was -3.3%.

- The Total Shareholder Return is the combination of the movements in share and option prices and dividends paid over the period.

The Total Shareholder Return for the half year ended 31 December 2018 was -6.2%.

All measures of performance ignore the value of the franking credits attached to the dividends paid in the period.

Operating results

The Company's total investment loss was \$6.7 million for the six months to 31 December 2018, down 132% from the investment income of \$20.7 million posted for the half-year ended 31 December 2017.

Management fees were down from \$2.1 million for the period ending 31 December 2017 to \$1.9 million for this period. A performance fee of \$441,000 was accrued as at 31 December 2018. This accrual reflects a net portfolio out-performance of 1.2% for the period from 1 July 2018 to 31 December 2018. Performance fees are payable at 30 June each year. Corporate expenses for the period were \$391,000, down from \$416,000 for the period to 31 December 2017.

This resulted in a loss after tax of \$6.8 million for the six months to 31 December 2018, a decrease of \$18.8 million from a profit of \$12.0 million for the half-year ended 31 December 2017.

Significant changes in the state of affairs

There were no significant changes in the state of affairs during the half-year.

Dividends

On 14 August 2018, the Board declared a final fully franked dividend of 3.5 cents per share franked at 27.5% (2017: 3.5 cents per share franked at 30%).

The dividend reinvestment plan was operational during the period and 660,310 new shares were issued raising \$771,411.

DIRECTORS' REPORT (CONTINUED)

After balance sheet date events

On 21 February 2019, the Board declared a fully franked interim dividend of 3.5 cents per share franked at the rate of 27.5% for the period, to be paid on 7 May 2019. The level of franking will depend on the number of options converted into shares prior to 12 April 2019, the dividend record date. If less than 20.5m options are exercised, the dividend will be fully franked. If more options are exercised the franked amount per share will reduce. Any change to the franking amount will be advised the business day following the record date.

Other than the above, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this financial report that has significantly or may significantly affect Company's operations, the results of those operations or the Company's state of affairs in future years.

Rounding of amounts

The Company is of a kind referred to in the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain areas, to the nearest dollar (unless stated otherwise).

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is set out on the following page and forms part of this report.

Signed in accordance with a resolution of the Board of Directors.

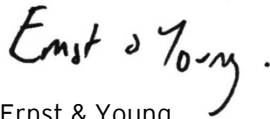


Francis Gooch
Chairman
Sydney
21 February 2019

Auditor's Independence Declaration to the Directors of Pengana International Equities Limited

As lead auditor for the review of Pengana International Equities Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.



Ernst & Young



Graeme McKenzie
Partner
21 February 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended:		31 December 2018 \$'000	31 December 2017 \$'000
	Note		
Revenue			
Interest received		416	122
Dividend received		3,249	1,309
Change in fair value of investments	2	(10,341)	19,278
Total investment (loss)/ income		(6,676)	20,709
Management fees	6	(1,861)	(2,142)
Performance fees	6	(441)	(793)
		(2,302)	(2,935)
Expenses			
Directors' fees		(76)	(76)
Audit fees		(32)	(42)
Brokerage expenses		(475)	(554)
Disbursements, mailing and printing		-	(2)
Share registry fees		(83)	(66)
ASX listing fees		(55)	(47)
Legal and professional expenses		-	(18)
Custody and administration fees		(53)	(66)
Other expenses		(92)	(99)
		(866)	(970)
Total expenses		(3,168)	(3,905)
(Loss)/ profit before income tax		(9,844)	16,804
Income tax benefit/ (expense)	3	3,024	(4,802)
Net (loss)/ profit after income tax		(6,820)	12,002
Other comprehensive income/ (loss) for the half-year, net of tax		-	-
Total comprehensive (loss)/ income for the half-year		(6,820)	12,002
Basic earnings per share (cents per share)		(2.72)	4.91
Diluted earnings per share (cents per share)		(2.72)	4.91

The statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

As at:		31 December 2018 \$'000	30 June 2018 \$'000
	Note		
Assets			
Cash and cash equivalents		40,508	41,230
Trade and other receivables		586	2,339
Financial assets	5	250,149	269,218
Deferred tax assets	3	<u>1,439</u>	<u>258</u>
Total assets		292,682	313,045
Liabilities			
Trade and other payables		811	7,095
Financial liabilities	5	-	1,103
Current tax liabilities		109	-
Deferred tax liabilities	3	<u>49</u>	<u>4,009</u>
Total liabilities		969	12,207
Net assets		<u>291,713</u>	<u>300,838</u>
Equity			
Issued capital		314,803	308,278
Profit reserve		97,643	106,473
Retained losses		<u>(120,733)</u>	<u>(113,913)</u>
Total equity attributable to shareholders of the Company		<u>291,713</u>	<u>300,838</u>

The statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the half-year ended:		Issued Capital \$'000	Profit Reserve \$'000	Retained Earnings/ (losses) \$'000	Total \$'000
	Note				
Balance at 1 July 2017		304,806	99,047	(113,913)	289,940
Profit for the half-year		-	-	12,002	12,002
Transfer to profit reserve		-	11,920	(11,920)	-
Transactions with shareholders in their capacity as owners:					
Dividend reinvestment plan issues		759	-	-	759
Options exercised		36	-	-	36
Costs incurred on option issue		(176)	-	-	(176)
Dividends paid	4	-	(8,547)	-	(8,547)
Balance at 31 December 2017		305,425	102,420	(113,831)	294,014
 Balance as at 1 July 2018		 308,278	 106,473	 (113,913)	 300,838
Loss for the half-year		-	-	(6,820)	(6,820)
Transactions with shareholders in their capacity as owners:					
Dividend reinvestment plan issues		771	-	-	771
Options exercised		5,759	-	-	5,759
Costs incurred on option issue		(5)	-	-	(5)
Dividends paid	4	-	(8,830)	-	(8,830)
Balance at 31 December 2018		314,803	97,643	(120,733)	291,713

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

For the half-year ended		31 December 2018 \$'000	31 December 2017 \$'000
	Note		
Cash flows from operating activities			
Proceeds from sale of investments		180,196	171,450
Payments for purchase of investments		(177,993)	(170,829)
Brokerage expenses		(475)	(554)
Dividends received		3,195	1,323
Interest received		289	110
Other income received		62	36
Management fees paid		(1,862)	(2,231)
Performance fees paid		(315)	-
Income tax paid		(939)	-
Payment to suppliers		<u>(557)</u>	<u>(433)</u>
Net cash inflow/ (outflow) from operating activities		<u>1,601</u>	<u>(1,128)</u>
Cash flows from financing activities			
Payments for costs incurred on option issue		(5)	(176)
Proceeds from exercise of options		5,759	36
Dividends paid	4	<u>(8,059)</u>	<u>(7,788)</u>
Net cash outflow from financing activities		<u>(2,305)</u>	<u>(7,928)</u>
Net decrease in cash and cash equivalents		(704)	(9,056)
Cash and cash equivalents at the beginning of the half-year		41,230	26,104
Translation of foreign cash held		<u>(18)</u>	<u>10</u>
Cash and cash equivalents at the end of the half-year		<u>40,508</u>	<u>17,058</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This interim financial report is for Pengana International Equities Limited (the "Company") for the half-year ended 31 December 2018. The Company is a for profit entity limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded.

The financial report for the half-year ended 31 December 2018 is a general purpose financial report and has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. It is presented in Australian dollars (\$) and was approved by the Board of Directors on 21 February 2019. The Directors have the power to amend and reissue the financial report.

This half-year financial report does not include all the information and disclosures normally included in the annual financial report. Accordingly, this report should be read in conjunction with the 30 June 2018 Annual Report, any public announcements made in respect of the Company during the half-year ended 31 December 2018 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. Where necessary, comparative figures have been reclassified to conform to any changes in presentation made in the half-year financial report.

AASB 9: *Financial Instruments* is effective from 1 July 2018. AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has also introduced revised rules around hedge accounting and impairment. The Directors do not expect this to have a significant impact on the recognition and measurement of the Company's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not changed from the previous requirements, and the Company does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Company's investments are held at fair value through profit or loss, the change in impairment rules will not impact the Company.

AASB 15: *Revenue from Contracts with Customers* is effective from 1 July 2018 and will replace AASB 118 Revenue which covers contracts for goods and services and AASB 111 Construction Contracts which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer, so the notion of control replaces the existing notion of risks and rewards.

The Company's main sources of income are interest, dividends and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the Directors do not expect the adoption of AASB 15 to have a significant impact on the Company's accounting policies or the amounts recognised in the financial statements.

NOTE 2: CHANGES IN FAIR VALUE OF INVESTMENTS

	Half-year ended	
	31 December 2018	31 December 2017
	\$'000	\$'000
Change in the fair value of listed equities	(12,338)	23,407
Change in the fair value of derivative financial instruments	2,015	(4,139)
Changes in the fair value of foreign cash held	(18)	10
Total changes in the fair value of investments	(10,341)	19,278

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: INCOME TAX BENEFIT/ (EXPENSE)

	Half-year ended	
	31 December 2018	31 December 2017
	\$'000	\$'000
a. Reconciliation of income tax and accounting profit/ (loss):		
(Loss)/ profit before income tax expense	(9,844)	16,804
Prima facie income tax benefit/ (expense) on net profit at 27.5% (2017: 30%)	2,707	(5,041)
Adjustments to prior periods	(79)	9
Foreign withholding tax	396	197
Franking credits	-	33
	3,024	(4,802)
b. The major components of income tax benefit/ (expense) are:		
Current income tax (expense)	(2,116)	-
Current tax adjustment for prior periods	-	(137)
Deferred income tax	5,140	(4,665)
	3,024	(4,802)
c. Deferred tax liabilities relate to the following:		
Unrealised gain on investments	-	(5,688)
Other temporary differences	(49)	(28)
	(49)	(5,716)
d. Deferred tax assets relate to the following:		
Unrealised losses on investments	1,104	1,133
Costs associated with the issue of shares	183	296
Other temporary differences	152	250
	1,439	1,679

The Company's Aggregated Turnover, as defined in the Treasury Laws Amendment (Enterprise Tax Plan) Bill 2017 for the year ended 30 June 2018 amounted to \$41.9m. The ATO considers the financial year 2017/18 Aggregated Turnover to be the best indicator of likely Aggregated Turnover for financial year 2018/19. As Aggregated Turnover for financial year 2017/18 was below \$50m, the forecast tax rate for financial year 2018/19 is 27.5%, a reduction from the tax rate of 30% in financial year 2017/18. This forecast tax rate results in a franking rate of 27.5% for dividends paid during financial year 2018/2019.

Whilst the forecast tax rate and franking rate are 27.5%, the actual tax rate for financial year 2018/19 will be determined by the Aggregated Turnover for financial year 2018/19. In the event that this is greater than \$50m the tax rate for financial year 2018/19 will be 30%.

NOTE 4: DIVIDENDS

	Half-year ended	
	31 December 2018	31 December 2017
	\$'000	\$'000
a Dividends paid		
Final fully franked dividend, franked at 27.5%, of 3.5 cents paid 28 September 2018 (2017: 3.5 cents, franked at 30%)	8,830	8,547
	8,830	8,547
b Dividend reinvestment plan		
Final fully franked dividend, franked at 27.5%, of 3.5 cents paid 28 September 2018 (2017: 3.5 cents, franked at 30%)	(771)	(759)
	(771)	(759)
Net dividends paid in cash	8,059	7,788

On 21 February 2019, the Board declared a fully franked interim dividend of 3.5 cents per share franked at the rate of 27.5% for the period, to be paid on 7 May 2019. The level of franking will depend on the number of options converted into shares prior to 12 April 2019, the dividend record date. If less than 20.5m options are exercised, the dividend will be fully franked. If more options are exercised the franked amount per share will reduce.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: FAIR VALUE MEASUREMENT

The following table provides an analysis of financial instruments held as at reporting date that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurement are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of financial assets such as listed investments held at fair value and exchange traded index options that are traded in active markets are based on quoted close prices.

Fair value of forward foreign exchange hedging contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

There has been no transfer between levels from the previous reporting period.

31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets	\$'000	\$'000	\$'000	\$'000
Listed investments at fair value	247,870	-	-	247,870
Exchange traded index options	2,279	-	-	2,279
Total	250,149	-	-	250,149
Financial liabilities				
Forward foreign exchange hedging contracts	-	-	-	-
Total	-	-	-	-
30 June 2018	Level 1	Level 2	Level 3	Total
Financial assets	\$'000	\$'000	\$'000	\$'000
Listed investments at fair value	267,537	-	-	267,537
Exchange traded index options	1,370	-	-	1,370
Forward foreign exchange hedging contracts	-	311	-	311
Total	268,907	311	-	269,218
Financial liabilities				
Forward foreign exchange hedging contracts	-	1,103	-	1,103
Total	-	1,103	-	1,103

The carrying amount of cash, trade and other receivables and trade and other payables approximate their fair values.

NOTE 6: RELATED PARTY TRANSACTIONS

Transactions between related parties are on arm's length commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	Half-year ended	
	31 December	31 December
	2018	2017
	\$'000	\$'000
a. Pengana Capital Group Limited		
The Company reimburses Pengana Capital Group Limited for any expenses that are paid on behalf of the Company as appropriate under the Company's constitution.	125	135
b. Pengana Investment Management Limited (Investment Manager)		
Management fees paid and payable as governed by the Investment Management Agreement	(1,861)	(2,142)
c. Pengana Investment Management Limited (Investment Manager)		
Performance fee is accrued as governed by the Investment Management Agreement. Performance fee is calculated and accrued daily, payable on 30 June.	(441)	(793)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: STATEMENT OF OPERATIONS BY SEGMENT

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Chief Investment Officer of the Investment Manager in assessing and determining the allocation of resources.

The Company operates in one business segment, being investment in securities.

NOTE 8: SUBSEQUENT EVENTS

On 21 February 2019, the Board declared a fully franked interim dividend of 3.5 cents per share franked at the rate of 27.5% for the period, to be paid on 7 May 2019. The level of franking will depend on the number of options converted into shares prior to 12 April 2019, the dividend record date. If less than 20.5m options are exercised, the dividend will be fully franked. If more options are exercised the franked amount per share will reduce. Any change to the franking amount will be advised the business day following the record date.

The after tax NTA of the Company at 15 February 2019 was \$302.6m, an increase of 3.74% or \$10.9m from the \$291.7m recorded at 31 December 2018.

Other than the above, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this financial report that has significantly or may significantly affect the Company's operations, the results of those operations or the Company's state of affairs in future years.

NOTE 9: CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2018 and 30 June 2018 that required disclosure.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Pengana International Equities Limited, I state that:

- a. the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of its financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
 - ii) complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of the Company.

On behalf of the Board



Francis Gooch
Chairman
Sydney
21 February 2019

Independent Auditor's Review Report to the Members of Pengana International Equities Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Pengana International Equities Limited (the Company), which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Company is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Company's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

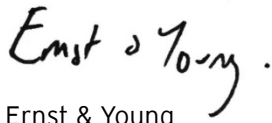
Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



Graeme McKenzie
Partner
Sydney
21 February 2019