

Genetic Signatures Limited
Appendix 4D
Half-year report

1. Company details

Name of entity: Genetic Signatures Limited
ABN: 30 095 913 205
Reporting period: For the half-year ended 31 December 2018
Previous period: For the half-year ended 31 December 2017

2. Results for announcement to the market

				\$
Revenues from ordinary activities - total	up	40%	to	\$3,455,878
- Sale of goods	up	57%	to	\$2,254,488
(Loss) from ordinary activities after tax attributable to the owners of Genetic Signatures Limited	up	3%	to	(\$1,749,234)
(Loss) for the half-year attributable to the owners of Genetic Signatures Limited	up	3%	to	(\$1,749,234)

Dividends

No dividend has been declared for the half-year ended 31 December 2018.

Comments

Genetic Signatures Limited ("Genetic Signatures", ASX: GSS) recorded total sales revenue for the half-year ended 31 December 2018 ("1H FY19") of A\$2,254,488, up 57% on the previous corresponding period.

The strong revenue growth was driven by an increase in both existing product sales and the successful release of two new products over the last 12 months. In August 2018, Genetic Signatures announced a major new contract with a large Australian pathology service provider and launched two new products, the second generation *EasyScreen*TM Respiratory Pathogen Detection Kit and the Genetic Signatures Automation System (GS1-HT).

Genetic Signatures continues to progress its sales expansion across North America and Europe in 1H FY19. During the period, the Company has made significant operational progress internally and is continuing to bolster its European efforts with its expanding sales force in Europe. Recent appointments are expected to help drive increased European customer interest in the near-term.

The Company also made progress towards gaining approvals for existing and new products in key global markets. FDA clearance is being sought for its *EasyScreen*TM Enteric Protozoan Kit in the US, with FDA clearance anticipated in 2019. The US represents a significant market opportunity for Genetic Signatures as it looks to continue executing on its US commercialisation strategy and focus on the ASR offering.

In December 2018, the Company achieved European registration (CE-IVD) for the *EasyScreen*TM Respiratory Pathogen Detection Kit, permitting sales across Europe. Australian registration (TGA) was submitted during the half and is expected to follow in FY19. These regulatory approvals, in conjunction with the August 2018 signing of a large domestic customer for the Respiratory Kit positions the Company well to generate further interest in the kit both domestically and internationally.

Progress was also made for European and Australian approval of its *EasyScreen*TM STI Detection Kit that detects 12 of the most commonly encountered sexually transmitted infections, a number of which often go undiagnosed. Genetic Signatures is anticipating CE-IVD and TGA approvals in 2H CY 19.

Development of other *EasyScreen*TM Kits, such as those for Meningitis and Atypical Respiratory Detection continue, and the Company is also in the early stages of developing additional kits to broaden the Company's portfolio.

Genetic Signatures' continues to remain focused on achieving strong revenue growth, progressing significant international opportunities and extending its product range. Collectively, this supports the Company's long-term goal of continuing to

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target health conditions where faster and more accurate diagnosis plays a pivotal role in improving community health, globally.

The Company received a Research and Development Tax Concession (grant income) of A\$2,574,928 (inclusive of \$14,167 in interest) from the Australian Federal Government for the half year ended 31 December 2018.

At 31 December 2018, the company held A\$8,820,729 in cash.

The loss for the consolidated entity after providing for income tax amounted to \$1,749,234 (31 December 2017: \$1,700,234).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	11.4	13.8

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Details of associates and joint venture entities

Not applicable.

7. Audit qualification or review

Details of review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half Year Report.

8. Attachments

Details of attachments (if any):

The Half Year Report of Genetic Signatures Limited for the half-year ended 31 December 2018 is attached.

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9. Signed

A handwritten signature in cursive script that reads "John Melki".

Signed _____

Date: 25 February 2019

John Melki
Managing Director and CEO
Sydney

Genetic Signatures Limited

ABN 30 095 913 205

Half Year Report - 31 December 2018

Genetic Signatures Limited
Directors' Report
31 December 2018

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'Group') consisting of Genetic Signatures Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

Directors

The following persons were directors of Genetic Signatures Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Nickolaos Samaras
John Melki
Phillip Isaacs
Michael Aicher
Anthony Radford AO

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of the research and commercialisation of identifying individual genetic signatures to identify diseases and the sale of associated products into the diagnostic and research marketplaces.

Comments

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Genetic Signatures Limited
Directors' report
30 June 2015

The Company received a Research and Development Tax Concession (grant income) of A\$2,574,928 (inclusive of \$14,167 in interest) from the Australian Federal Government for the half year ended 31 December 2018.

At 31 December 2018, the company held A\$8,820,729 in cash.

The loss for the consolidated entity after providing for income tax amounted to \$1,749,234 (31 December 2017: \$1,700,234).

Significant changes in the state of affairs

An appointment of a highly experienced Chief Financial Officer, Peter Manley, was made in October 2018. Mr Manley has extensive experience as a finance professional in the life sciences industry having served as Chief Financial Officer and company secretary for both AtCor Medical Holdings Limited (now Cardiex) and Sirtex Medical Ltd.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 3.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



John Melki
Managing Director & CEO

25 February 2019
Sydney

**Genetic Signatures Limited
Auditor's independence declaration**



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Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY MARTIN COYLE TO THE DIRECTORS OF GENETIC SIGNATURES LIMITED

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

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Genetic Signatures Limited and the entities it controlled during the half-year period.

A handwritten signature in black ink, appearing to read 'Martin Coyle'. The signature is stylized and cursive.

Martin Coyle
Partner

BDO East Coast Partnership

Sydney, 25 February 2019

Genetic Signatures Limited

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31 December 2018

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Genetic Signatures Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Level 12
680 George Street
Sydney NSW 2000

Principal place of business

7 Eliza Street
Newtown NSW 2042

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 February 2019.

Genetic Signatures Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

	Note	Consolidated	
		31 Dec 2018	31 Dec 2017
		\$	\$
Revenue and other income	2	3,455,878	2,458,190
Expenses			
Raw materials and consumables used		(788,606)	(521,171)
Employee benefits expense		(2,397,917)	(1,857,267)
Directors' and Consultancy fees		(182,251)	(262,693)
Depreciation and amortisation expense		(222,313)	(301,516)
Rental expenses relating to operating leases		(138,544)	(151,783)
Scientific consumables		(648,282)	(454,142)
Travel and accommodation		(160,479)	(110,256)
Other expenses		(666,720)	(499,381)
Finance costs	3	-	(215)
Loss before income tax expense		(1,749,234)	(1,700,234)
Income tax expense		-	-
Loss after income tax expense for the half-year		(1,749,234)	(1,700,234)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency difference on translation of foreign operations		(7,541)	(11,978)
Other comprehensive income for the half-year		(7,541)	(11,978)
Total comprehensive income for the half-year		<u>(1,756,775)</u>	<u>(1,712,212)</u>
Loss for the half-year is attributable to:			
Owners of Genetic Signatures Limited		(1,749,234)	(1,700,234)
		<u>(1,749,234)</u>	<u>(1,700,234)</u>
Total comprehensive loss for the half-year is attributable to:			
Owners of Genetic Signatures Limited		(1,756,775)	(1,712,212)
		<u>(1,756,775)</u>	<u>(1,712,212)</u>
		Cents	Cents
Basic earnings per share	9	(1.68)	(1.64)
Diluted earnings per share		(1.68)	(1.64)

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

Genetic Signatures Limited
Consolidated statement of financial position
As at 31 December 2018

	Consolidated	
	31 Dec 2018	30 Jun 2018
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	8,820,729	8,954,775
Trade and other receivables	692,554	761,957
Inventories	1,229,364	1,181,059
Current tax asset	1,100,000	2,560,761
Total current assets	<u>11,842,647</u>	<u>13,458,552</u>
Property, plant and equipment	1,413,278	1,149,969
Total non-current assets	<u>1,413,278</u>	<u>1,149,969</u>
Total assets	<u>13,255,925</u>	<u>14,608,521</u>
Liabilities		
Current liabilities		
Trade and other payables	884,216	773,910
Provisions	481,631	425,008
Total current liabilities	<u>1,365,847</u>	<u>1,198,918</u>
Non-current liabilities		
Provisions	15,128	10,547
Total non-current liabilities	<u>15,128</u>	<u>10,547</u>
Total liabilities	<u>1,380,975</u>	<u>1,209,465</u>
Net assets	<u>11,874,950</u>	<u>13,399,056</u>
Equity		
Issued capital	46,827,908	46,777,792
Reserves	1,132,048	957,036
Accumulated losses	(36,085,006)	(34,335,772)
Equity attributable to the owners of Genetic Signatures Limited	<u>11,874,950</u>	<u>13,399,056</u>
Total equity	<u>11,874,950</u>	<u>13,399,056</u>

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

Genetic Signatures Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2018

Consolidated	Issued capital \$	Share based payment Reserves \$	Foreign currency translation reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2017 <i>restated</i> *	46,777,792	871,043	(5,242)	(31,158,463)	16,485,132
Loss after income tax expense for the half-year	-	-	-	(1,700,234)	(1,700,234)
Other comprehensive income	-	-	(11,978)	-	(11,978)
Total comprehensive loss for the half-year	-	-	(11,978)	(1,700,234)	(1,712,212)
Contributions of Equity, net of transaction costs (note 4)	-	-	-	-	-
Forfeiture of share-based payments	-	(76,500)	-	76,500	-
Share Based Payment	-	108,360	-	-	108,360
Balance at 31 December 2017	<u>46,777,792</u>	<u>902,903</u>	<u>(17,220)</u>	<u>(32,782,197)</u>	<u>14,881,278</u>

Consolidated	Issued capital \$	Share based payment Reserves \$	Foreign currency translation Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018	46,777,792	987,534	(30,498)	(34,335,772)	13,399,056
Loss after income tax expense for the half-year	-	-	-	(1,749,234)	(1,749,234)
Other comprehensive income	-	-	(7,541)	-	(7,541)
Total comprehensive loss for the half-year	-	-	(7,541)	(1,749,234)	(1,756,775)
Contributions of Equity, net of transaction costs (note 4)	50,116	-	-	-	50,116
Forfeiture of share-based payments	-	(30,651)	-	-	(30,651)
Share based payment	-	213,204	-	-	213,204
Balance at 31 December 2018	<u>46,827,908</u>	<u>1,170,087</u>	<u>(38,039)</u>	<u>(36,085,006)</u>	<u>11,874,950</u>

* Refer to FY2018 annual accounts for details on restatement

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

Genetic Signatures Limited
Statement of cash flows
For the half-year ended 31 December 2018

	Consolidated	
Note	31 Dec 2018	31 Dec 2017
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	2,302,346	1,436,644
Payments to suppliers and employees (inclusive of GST)	(4,872,236)	(4,312,675)
Interest received	91,970	146,090
R&D grant	2,560,761	1,598,300
Interest and other finance costs paid	-	(215)
	<u>82,841</u>	<u>(1,131,856)</u>
Net cash provided by / (used in) operating activities		
Cash flows from investing activities		
Payments for property, plant and equipment	(259,462)	(326,735)
Net cash used in investing activities	<u>(259,462)</u>	<u>(326,735)</u>
Cash flows from financing activities		
Proceeds from issue of shares	52,000	-
Share issue costs	4 (1,884)	-
	<u>50,116</u>	<u>-</u>
Net cash provided by financing activities		
Net (decrease) in cash and cash equivalents	<u>(126,505)</u>	<u>(1,458,591)</u>
Cash and cash equivalents at the beginning of the financial half-year	8,954,775	13,192,960
Effects of exchange rate changes on cash and cash equivalents	(7,541)	(11,976)
	<u>8,820,729</u>	<u>11,722,393</u>
Cash and cash equivalents at the end of the financial half-year		

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

Note 1. Significant accounting policies

Basis of preparation of half-year report

These general purpose financial statements for the half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The half-year report does not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the company during the half year reporting period 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 half year reporting period, except for two new standards adopted for the current 6 month period which are detailed below.

These financial statements have been prepared on the going concern basis which contemplates the consolidated entity's ability to pay its debts as and when they become due and payable for a period of at least 12 months from the date of authorising the financial report for issue.

New, revised or amending Accounting Standards and Interpretations adopted

i. AASB15 – Revenue from contracts with customers

The consolidated entity has adopted AASB15 – *Revenue from contracts with customers* for the current financial year. This has resulted in changes to accounting policies but has not resulted in any change to prior year comparative figures.

Sale of Goods – Test Kits and Consumables

The Group manufactures and sells test kits for use in pathology laboratories. It also purchases disposable items for resale that are used by the pathology laboratories in conjunction with the test kits. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer's specified location, the amount of revenue can be measured reliably, and it is probable that payment will be received by the Group.

Sale of Goods – Equipment

The consolidated entity provides equipment to customers if required which may be as an outright sale or be a placement of Group owned assets at a customer site for which the customer may pay an agreed fee per test. Where the equipment is sold the sale is recognised when control of the products has transferred, being when the products are delivered to the customer's specified location, the amount of revenue can be measured reliably, and it is probable that payment will be received by the Group. In the event the Group supplies Group owned equipment, the asset's ownership does not transfer to the customer. Instead the customer may be charged a fee per test that is recognised at the same time as the Test Kit is recognised. In the event the customer ceases to use Genetic Signatures products these assets will be withdrawn.

Sale of Goods – Service

If a customer has purchased or is using Group owned equipment there may be a service charge levied to maintain the equipment. Revenue is recognised in the period that the service is rendered.

ii. AASB9 – Financial Instruments

The consolidated entity has adopted AASB9 – *Financial Instruments* for the current financial year. This has resulted in a change to accounting policy with regards impairment but has not resulted in any change to prior year comparative figures.

Impairment

The Group applies the AASB9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Trade receivables and contract assets have shared credit risk characteristics and, as such, the expected loss rates for trade receivables are a reasonable approximation of loss rates for contract assets. Losses incurred in the last 3 years represent less than 0.01% of receivables and are immaterial. Therefore, no impairment has been recorded.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Genetic Signatures Limited
Notes to the consolidated financial statements
31 December 2018

Note 2. Revenue

	Consolidated	
	31 Dec 2018	31 Dec 2017
	\$	\$
<i>Sales revenue</i>		
Sale of goods	2,254,488	1,434,125
Interest	94,672	119,360
	<u>2,349,160</u>	<u>1,553,485</u>
<i>Other income</i>		
Government Grant (R & D tax concession)	1,101,273	900,383
Other income	5,445	4,322
	<u>1,106,718</u>	<u>904,705</u>
Revenue and other income	<u><u>3,455,878</u></u>	<u><u>2,458,190</u></u>

Note 3. Expenses

	Consolidated	
	31 Dec 2018	31 Dec 2017
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Cost of sales</i>		
Cost of raw materials & consumables	788,606	521,171
<i>Finance costs</i>		
Interest and finance charges paid/payable	-	215
<i>Rental expense relating to operating lease</i>		
Minimum lease payments	138,544	151,783
<i>Superannuation expense</i>		
Defined contribution superannuation expense	138,593	125,356

Note 4. Equity – Share issue costs

Share issue costs paid during the half-year were as follows:

	31 Dec 2018	31 Dec 2017	Consolidated	
	Shares	Shares	31 Dec 2018	31 Dec 2017
			\$	\$
Proceeds from the issue of shares				
– employee share option exercise	100,000	-	52,000	-
Share issue costs			(1,884)	-
Net proceeds from the issue of shares	<u><u>100,000</u></u>	<u><u>-</u></u>	<u><u>50,116</u></u>	<u><u>-</u></u>

Genetic Signatures Limited
Notes to the consolidated financial statements
31 December 2018

Note 5. Contingent liabilities

The consolidated entity does not have any material contingent liabilities at period-end.

Note 6. Events after the reporting period

No matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 7. Financial Reporting Segments

The consolidated entity operates under one business segment which is the research and commercialisation of the identification of genetic signatures that identify diseases and viruses. The activities were undertaken predominantly in Australia.

Note 8. Dividends

The consolidated entity has not declared or paid a dividend during the half-year.

Note 9. Earnings per share

	Consolidated	
	31 Dec 2018	31 Dec 2017
	\$	\$
Loss after income tax	(1,749,234)	(1,700,234)
Loss after income tax attributable to the owners of Genetic Signatures Limited	(1,749,234)	(1,700,234)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	103,959,002	103,985,888
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares ¹	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	103,959,002	103,985,888
	Cents	Cents
Basic loss per share	(1.68)	(1.64)
Diluted loss per share	(1.68)	(1.64)

¹ Options were antidilutive in both the current and comparative period and thus not included in the dilutive loss per share calculation

Note 10. Capital commitments

There are no material current capital commitments.

Genetic Signatures Limited
Directors' declaration
31 December 2018

In the directors' opinion:

- The attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- The attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- 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 directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



John Melki
Managing Director and CEO

25 February 2019
Sydney



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Fax: +61 2 9240 9821
www.bdo.com.au

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Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Genetic Signatures Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Genetic Signatures Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- (ii) 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, we have become aware of any matter that makes us 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 Group'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 Group, 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

BDO
A handwritten signature in black ink, appearing to read 'Martin Coyle', written over the printed name.

Martin Coyle
Partner

Sydney, 25 February 2019