

Credit Solutions Pty Ltd & Controlled Entities

ABN: 57 602 115 999

Financial Statements

For the Period Ended 31 December 2019

Draft

Credit Clear Pty Ltd & Controlled Entities

ABN: 57 602 115 999

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For the Period Ended 31 December 2019

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Draft

Credit Solutions Pty Ltd & Controlled Entities

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Directors' Report

31 December 2019

The directors submit the financial report of the the Group for the period ended 31 December 2019.

1. General information

Directors

The names of the directors in office at any time during, or since the end of, the period are:

Names

Brenton Glaister

Gail Crowder

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

Principal activities

The principal activities of the Group during the financial period was the provision of debt recovery services.

2. Operating results and review of operations for the year

Dividends paid or recommended

Dividends paid or declared during or since the end of the financial period are as follows:

- A fully franked dividend of \$ 5,925,000 was paid during the year as recommended in last period's report.

Review of operations

A review of the operations of the Group during the financial period and the results of those operations show the company continued to engage in its principal activity, the results of which have been disclosed in the attached financial report.

In December 2019, the business operations of Credit Solutions Pty Ltd & Controlled Entities was sold to Credit Clear Pty Ltd via a signed Business Sale Agreement.

Operating results

The consolidated profit of the Group to 31/12/2019 amounted to \$ 6,086,577 (31/12/2018: \$ (2,267,679)).

Other items

Significant changes in state of affairs

In December 2019, the business operations of Credit Solutions & Controlled Entities was sold to Credit Clear Pty Ltd via a signed Business Sale Agreement. This sale included all customer contracts and employees of the company, including accrued leave balances.

Credit Solutions Pty Ltd & Controlled Entities

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Directors' Report

31 December 2019

Other items

Events after the reporting date

On 11 March 2020, the World Health Organisation announced that COVID-19, also known as coronavirus, was now a pandemic. As the virus affects general economic activity there is likely to be an impact on the Group. However, at this time the Directors are unable to quantify the financial impact on the Group due to the uncertainties surrounding the pandemic and the impact it may have on the world and local economies.

Except for the above, no other matters or circumstances have arisen since the end of the financial period which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Future developments and results

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Environmental issues

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the period ended 31 December 2019 has been received and can be found on page 3 of the financial report.

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

Director: 

Director: 

Dated this 23rd day of June 2020

Moore Stephens Audit (Vic)

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**AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF CREDIT SOLUTIONS PTY LTD & CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the period ended 31 December 2019, there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257



ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne, Victoria

23 June 2020

Credit Solutions Pty Ltd & Controlled Entities

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Period Ended 31 December 2019

	31 December 2019	31 December 2018
	\$	Unaudited \$
Sales revenue	4 2,940,832	3,533,460
Cost of sales	(671,351)	(777,188)
Gross profit	2,269,481	2,756,272
Other income	4 7,722,814	-
Employee benefits expense	(757,084)	(1,108,907)
Other expenses	(641,563)	(709,308)
Finance expenses	(113,767)	(78,573)
Depreciation and amortisation expense	(148,685)	(117,917)
Loss before income tax	8,331,196	741,567
Income tax expense	(2,244,619)	(17,660)
Loss for the period	6,086,577	723,907
Other comprehensive income, net of income tax		
Total comprehensive income for the year	6,086,577	723,907

Credit Solutions Pty Ltd & Controlled Entities

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Consolidated Statement of Financial Position As At 31 December 2019

		31 December 2019	30 June 2019
	Note	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	275,733	625,149
Trade and other receivables	6	2,709,485	1,603,835
Loans receivable	7	55,566	41,022
Other assets		45,553	14,967
TOTAL CURRENT ASSETS		3,086,337	2,284,973
NON-CURRENT ASSETS			
Other assets		8,406	8,406
Loans receivable	7	309,453	309,453
Right of use assets	9	-	487,978
Deferred tax assets		49,983	185,630
Intangible assets	8	-	935,714
TOTAL NON-CURRENT ASSETS		367,842	1,927,181
TOTAL ASSETS		3,454,179	4,212,154
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	1,279,037	1,477,811
Borrowings	11	162,627	1,543,217
Current tax liabilities		2,166,228	83,449
Lease liabilities	9	-	318,080
Employee benefits		-	344,722
Other liabilities	12	-	496,401
TOTAL CURRENT LIABILITIES		3,607,892	4,263,680
NON-CURRENT LIABILITIES			
Lease liabilities	9	-	234,915
Employee benefits		-	28,849
TOTAL NON-CURRENT LIABILITIES		-	263,764
TOTAL LIABILITIES		3,607,892	4,527,444
NET ASSETS		(153,713)	(315,290)
EQUITY			
Issued capital	13	12	12
Retained earnings		(153,725)	(315,302)
TOTAL EQUITY		(153,713)	(315,290)

The accompanying notes form part of these financial statements.

Credit Solutions Pty Ltd & Controlled Entities

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Consolidated Statement of Changes in Equity

For the Period Ended 31 December 2019

	Ordinary Shares	Retained earnings	Total
Note	\$	\$	\$
Balance at 1 July 2019	12	(315,302)	(315,290)
Profit attributable to members of the parent entity	-	6,086,577	6,086,577
Dividends paid or provided for	-	(5,925,000)	(5,925,000)
Balance at 31 December 2019	12	(153,725)	(153,713)

	Ordinary Shares	Retained earnings	Total
	\$	\$	\$
Balance at 1 July 2018	12	41,569	41,581
Profit attributable to members of the parent entity	-	723,907	723,907
Balance at 31 December 2018 - Unaudited	12	765,476	765,488

Credit Solutions Pty Ltd & Controlled Entities

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Consolidated Statement of Cash Flows For the Period Ended 31 December 2019

	31 December 2019	31 December 2018
		Unaudited
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	3,299,434	3,870,679
Payments to suppliers and employees	(3,312,094)	(3,041,385)
Interest paid	(101,526)	(65,573)
Income taxes paid	(26,193)	79,450
Net cash provided by/(used in) operating activities	16 (140,379)	843,171
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	-	(4,591)
Payment for purchase of business	-	(302,424)
Proceeds from investments	143,116	117,252
Proceeds from disposal of business	5,000,000	-
Net cash provided by/(used in) investing activities	5,143,116	(189,763)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of borrowings	(1,380,590)	(261,779)
Dividends paid	(3,800,000)	(180,000)
Lease Payments	(171,563)	(126,544)
Net cash provided by/(used in) financing activities	(5,352,153)	(568,323)
Net increase/(decrease) in cash and cash equivalents held	(349,416)	85,085
Cash and cash equivalents at beginning of year	625,149	101,930
Cash acquired from purchase of business	-	49,731
Cash and cash equivalents at end of the period	5 275,733	236,746

Credit Solutions Pty Ltd & Controlled Entities

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Notes to the Financial Statements

For the Period Ended 31 December 2019

The financial report covers Credit Solutions Pty Ltd & Controlled Entities ('the Group'). Credit Solutions Pty Ltd & Controlled Entities is a for-profit Group limited by shares, incorporated and domiciled in Australia.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2019 have been prepared for inclusion in prospectus documents associated with a proposed initial public offering.

This interim financial report does not contain information that represents relatively insignificant changes occurring during the half-year within the Company or all notes of the type normally included with the annual financial statements. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2019 together with any public announcements made during the interim reporting period.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

2 Summary of Significant Accounting Policies

(a) Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, with the exception of AASB 16: Leases which is discussed further below.

3 Critical Accounting Estimates and Judgments

Key judgements - Going Concern

At period end, the Group recorded a profit after tax of \$6,086,577 (31 December 2018: \$671,517) and had a net assets deficit of \$153,725 (30 June 2019: deficit \$315,290).

Following the sale of the business operations of the Group, the directors have not determined the strategic direction of the Group.

The financial report has been prepared on a going concern basis as the net asset position of the Credit Solutions Group (including entities which are not included in these consolidated financial statements) are positive.

Credit Solutions Pty Ltd & Controlled Entities

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Notes to the Financial Statements For the Period Ended 31 December 2019

4 Revenue and Other Income

Revenue from continuing operations

	31 December 2019	31 December 2018
	\$	Unaudited \$
Revenue from contracts with customers		
- Solicitors Income	766,052	778,897
- Legal Disbursements	(5,722)	649,957
- Collection Commissions	1,494,324	1,521,246
- Field Services	552,547	517,529
- Other income	133,631	65,831
Total Revenue from continuing operations	2,940,832	3,533,460

Other income

	31 December 2019	31 December 2018
	\$	\$
Profit on sale of business	7,722,814	-

5 Cash and Cash Equivalents

	31 December 2019	30 June 2019
	\$	\$
Cash at bank and in hand	275,733	128,748
Funds held in trust	-	496,401
	275,733	625,149

6 Trade and Other Receivables

	31 December 2019	30 June 2019
	\$	\$
CURRENT		
Trade receivables	458,177	956,292
Related party receivables	(a) 2,251,308	647,543
Total current trade and other receivables	2,709,485	1,603,835

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

Credit Solutions Pty Ltd & Controlled Entities

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Notes to the Financial Statements For the Period Ended 31 December 2019

6 Trade and Other Receivables

a) Related party receivables: These receivables are for services rendered for companies within the Credit Solutions Group and to Credit Clear (refer note 11). There is no agreed terms, conditions, interest or security attached to these balances.

7 Loans and Advances

	31 December 2019 \$	30 June 2019 \$
CURRENT		
Interest free loans to Directors	14,544	-
Loans to Directors	(a) 41,022	41,022
	<u>55,566</u>	<u>41,022</u>
	31 December 2019 \$	30 June 2019 \$
NON-CURRENT		
Loans to Directors	(a) 309,453	309,453
	<u>309,453</u>	<u>309,453</u>

a) These loans are receivable from the Brenton Glaister and Gail Crowder (Directors of the company). These loans are unsecured and the term of the loan is 7 years from the commencement of the loan. The interest rate charged is based on the benchmark interest rate as set by the Australian Tax Office (ATO).

8 Intangible Assets

Goodwill		
Cost	-	935,714
Accumulated amortisation and impairment	-	-
Total Intangibles	<u>-</u>	<u>935,714</u>

(a) Movements in carrying amounts of intangible assets

	Goodwill \$	Total \$
Period ended 31 December 2019		
Balance at the beginning of the year	952,424	952,424
Disposals		
Disposal through business divestiture	(952,424)	(952,424)
Closing value at 31 December 2019	<u>-</u>	<u>-</u>

Credit Solutions Pty Ltd & Controlled Entities

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Notes to the Financial Statements

For the Period Ended 31 December 2019

9 Leases

The Group has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

The Group as a lessee

The Group has leases over a range of assets including office premises. The Group has chosen not to apply AASB 16 to leases of intangible assets.

Information relating to the leases in place and associated balances and transactions are provided below.

Terms and conditions of leases

The Group leases office premises for the purposes of its principal activities. Leases are generally between 2 - 5 years.

Right-of-use assets

	Office premises	Total
	\$	\$
Period ended 31 December 2019		
Opening balance	487,978	487,978
Additions through period	-	-
Amotisation expense	(41,112)	(41,112)
Transfer of office premises to Credit Clear Pty Ltd	(446,866)	(446,866)
Balance at end of period	<u>-</u>	<u>-</u>

Lease liabilities

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

	< 1 year	1 - 5 years	> 5 years	Lease liabilities included in the Statement of Financial Position
	\$	\$	\$	\$
2019				
Lease liabilities	-	-	-	-

Credit Solutions Pty Ltd & Controlled Entities

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Notes to the Financial Statements

For the Period Ended 31 December 2019

9 Leases

Statement of Profit or Loss and Other Comprehensive Income

The amounts recognised in the statement of profit or loss and other comprehensive income relating to leases where the Group is a lessee are shown below:

	31 December 2019
	\$
Interest expense on lease liabilities	12,241
Depreciation of right-of-use assets	148,865
Disposal of lease assets on transfer to Credit Clear Pty Ltd	10,637
	<u>171,743</u>

In December 2019, as part of the sale of the business from the Group to Credit Clear Pty Ltd. the Group transferred the leases held by the Group into the name of Credit Clear Pty Ltd. This resulted in an expense of \$10,637 representing the difference between the Right-of-use asset and the lease liability at the date of the transfer of the liability.

10 Trade and Other Payables

	31 December 2019	30 June 2019
	\$	\$
CURRENT		
Trade payables	76,685	448,834
GST payable	67,320	63,353
Sundry payables and accrued expenses	568,588	628,823
Related party payables	(a) 566,444	297,478
	<u>1,279,037</u>	<u>1,438,488</u>

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

a) Related party payables: These payables are for services provided by companies within the Credit Solutions Group. There is no agreed terms, conditions, interest or security attached to these balances.

Credit Solutions Pty Ltd & Controlled Entities

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Notes to the Financial Statements For the Period Ended 31 December 2019

11 Borrowings

	31 December 2019 \$	30 June 2019 \$
CURRENT		
Unsecured liabilities:		
Related party loans	(a) 162,627	186,119
Secured liabilities:		
NAB Debt Finance	-	1,357,098
Total current borrowings	162,627	1,543,217

Summary of borrowings

Related Party Loans

The terms of the related party loans receivable are as follows:

a) These loan was provided to the company for working capital purposes. There are no agreed terms, conditions, interest or security attached to this loan balance.

b) The Group holds loans payable to National Australia Bank (NAB). The loans are personally guaranteed by the directors of the companies which form part of the Credit Solutions Group and by subsidiaries in the Credit Solutions Group. The limit of the guarantee is \$1,985,000 and additional interest and bank fees. NAB charges a floating interest rate using a set Business lending rate plus a predetermined customer margin. The floating interest rate for the year was approximately 6%.

12 Other Liabilities

	31 December 2019 \$	30 June 2019 \$
CURRENT		
Trust fund liability	-	496,401
	-	496,401

Trust fund liability: The Company holds funds on trust as a part of the debt collection services. The company holds a separate trust bank account and raises a liability equal to the balance of the trust account, representing that the funds are held in trust and that they are payable to various customers.

Credit Solutions Pty Ltd & Controlled Entities

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Notes to the Financial Statements

For the Period Ended 31 December 2019

13 Issued Capital

	31 December 2019	30 June 2019
	\$	\$
12 (2019: 12) Ordinary shares	12	12

(a) Ordinary shares

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Group. On a show of hands at meetings of the Group, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

14 Interests in Subsidiaries

(a) Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)*	Percentage Owned (%)*
		31 December 2019	30 June 2019
Subsidiaries:			
Credit Solutions (QLD) Pty Ltd	Queensland, Australia	100	60
Credit Solutions (WA) Pty Ltd	Western Australia, Australia	100	100
Great Southern Credit Management Pty Ltd	South Australia, Australia	100	76
Credit Solutions (NSW) Pty Ltd (not included as part of these consolidated financial statements)	New South Wales, Australia	100	-
Credit Solutions (VIC) Pty Ltd (not included as part of these consolidated financial statements)	Victoria, Australia	100	-

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

15 Contingencies

In the opinion of the Directors, the Group did not have any contingencies at 31 December 2019 (30 June 2019:None).

Credit Solutions Pty Ltd & Controlled Entities

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Notes to the Financial Statements For the Period Ended 31 December 2019

16 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	31 December 2019	31 December 2018
	\$	\$
Profit for the year	6,086,577	723,907
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- amortisation of lease liability	148,685	113,326
- depreciation	-	4,591
- finance expenses on leases	12,241	13,000
- net gain on disposal of business	(7,722,814)	-
-disposal of leases to Credit Clear Pty Ltd	10,637	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(248,788)	(117,727)
- (increase)/decrease in other assets	(30,586)	63,672
- (increase)/decrease in deferred tax asset	135,647	97,110
- increase/(decrease) in trade and other payables	98,704	(21,110)
- (increase)/decrease in other liabilities	(496,401)	-
- increase/(decrease) in income taxes payable	2,082,779	-
- increase/(decrease) in provisions	(152,043)	(33,958)
- increase/(decrease) in Lease assets on sale to Credit Clear Pty Ltd	(65,017)	-
Cashflows from operations	<u>(140,379)</u>	<u>842,811</u>

17 Events Occurring After the Reporting Date

On 11 March 2020, the World Health Organisation announced that COVID-19, also known as coronavirus, was now a pandemic. As the virus affects general economic activity there is likely to be an impact on the Group. However, at this time the Directors are unable to quantify the financial impact on the Group due to the uncertainties surrounding the pandemic and the impact it may have on the world and local economies.

Except for the above, no other matters or circumstances have arisen since the end of the financial period which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

18 Statutory Information

The principal place of business of the company is:
Credit Solutions Pty Ltd & Controlled Entities
Unit 5
245 Fullarton Road
Eastwood South Australia 5063

Credit Solutions Pty Ltd & Controlled Entities

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Directors' Declaration

The directors of the Group declare that:

1. The financial statements and notes, as set out on pages 4 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the consolidated group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable with the continuing support of creditors.

This declaration is made in accordance with a resolution of the Board of Directors.

Director 

Director 

Dated 23rd June 2020

Draft

Moore Stephens Audit (Vic)

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CREDIT SOLUTIONS PTY LTD & CONTROLLED ENTITIES

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Credit solutions Pty Ltd & Controlled Entities (**the Group**), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant 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:

- a. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its 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 Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) 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 Standards on Review Engagements ASRE 2410: *Review of Interim and Other Financial Reports 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:

- a. giving a true and fair view of the Group's financial position as at 31 December 2019 and its 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*.

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 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 provided to the directors as at the time of this auditor's review report.



MOORE STEPHENS AUDIT (VIC)

ABN 16 847 721 257



ANDREW JOHNSON

Partner

Audit & Assurance Services

Melbourne, Victoria

23 June 2020