# AVJennings Limited
# ABN: 44 004 327 771

## 31 December 2019 Half-Year Report
## Appendix 4D

This Interim Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, it is recommended that this Report be read in conjunction with the Annual Report for the year ended 30 June 2019 and any public announcements made by AVJennings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Listing Rules of the Australian Securities Exchange.

AVJennings®

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# Results for Announcement to the Market

**Appendix 4D for the half-year ended 31 December 2019**

| | For the half-year ended 31 December 2019 $'000 | 31 December 2018 $'000 | Increase $'000 | % |
|---|---|---|---|---|
| Revenues | 171,422 | 113,246 | 58,176 | 51.4% |
| Profit after tax | 8,884 | 1,421 | 7,463 | 525.2% |
| Net profit attributable to owners of the Company | 8,884 | 1,421 | 7,463 | 525.2% |

| **Dividends** | Cents per share | Franked amount per share at 30% tax |
|---|---|---|
| Current period | | |
| Interim dividend | 1.2 | 1.2 |
| **Total dividend** | **1.2** | **1.2** |
| Previous period | | |
| Interim dividend | 1.0 | 1.0 |
| **Total dividend** | **1.0** | **1.0** |

| | |
|---|---|
| Record date for determining entitlements to dividend: | 6 March 2020 |
| Payment date: | 27 March 2020 |

The Company's Dividend Re-Investment Plan remains suspended.

**Explanation of results**

The Operating and Financial Review in the Directors' Report provides an explanation of the results.

# Directors' Report
For the half-year ended 31 December 2019

The Directors present their Report on the Company and its controlled entities for the half-year ended 31 December 2019.

**DIRECTORS**

The names of the Company's Directors in office during the year and until the date of this Report are as below. Directors were in office for the entire period unless otherwise stated.

| | |
|---|---|
| S Cheong | Non-Executive Chairman |
| RJ Rowley | Non-Executive Deputy Chairman |
| PK Summers | Managing Director and Chief Executive Officer |
| E Sam | Non-Executive Director |
| B Chin | Non-Executive Director |
| BG Hayman | Non-Executive Director |
| TP Lai | Non-Executive Director |
| BL Tan | Non-Executive Director |
| P Kearns | Non-Executive Director |

**OPERATING AND FINANCIAL REVIEW**

<u>Financial Results</u>

The Company recorded Net Profit Before Tax of $12.6M for the half year ended 31 December 2019 up 482% on the previous corresponding half (31 December 2018: $2.2M), and Profit After Tax of $8.9M (31 December 2018: $1.4M).

The result is consistent with the Company's impression that its primary Brisbane, Sydney and Melbourne markets are in the early stages of a shallow recovery that it expects to continue through the second half of financial 2020. Comparison with the previous corresponding period should be made after taking account of settlement delays affecting that period.

<u>Business Overview</u>

The steady improvement in trading conditions evident through the latter part of the second half of financial 2019 continued in the half under review, with contract signings rising moderately from the previous corresponding period. Settlements rose to 566 lots (31 December 2018: 364 lots), including the last remaining superlots at 'Buckley B, Hobsonville Point' New Zealand that were sold to builders in earlier accounting periods.

Average gross margin increased to 22.2% (31 December 2018: 21.3%) due to higher margin contributions arising from settlements in Queensland ('Arbor' at Rochedale) and NSW ('Argyle' at Elderslie, 'East Village', 'South Village' and the Evergreen PDA at Spring Farm, and 'Magnolia' at Hamlyn Terrace) in particular.

The positive contribution from Queensland is particularly pleasing given the effort made in recent periods to resolve impediments to development on certain projects such as 'Riverton', Jimboomba, completion of the first stage of which is expected shortly, with settlements scheduled to commence in the second half of financial 2020.

# Directors' Report
For the half-year ended 31 December 2019

**OPERATING AND FINANCIAL REVIEW (continued)**

In NSW, work on the 'Rosella Rise', Warnervale, project will commence around June, providing a new point of focus on the Central Coast as the last dwellings in Magnolia are completed and the project finalised.

With the effective completion of the Company's holdings at Hobsonville Point, the importance of the new flagship 'Ara Hills' project located in Orewa, Auckland New Zealand has intensified, and development of the first stage is progressing well, with completion anticipated in the first half of financial 2021. A strong level of interest in this stage has been shown by local builders, with whom contract terms are under active negotiation, permitting, in accordance with the wholesale model employed by the Company in New Zealand, the recognition of first revenues in the first half of financial 2021.

The Victorian business contributed at a lower level for reasons of production timing at 'Waterline Place', Williamstown and 'Lyndarum North', that will persist into the second half of financial 2020, while capital continues to be steadily recovered in South Australia.

Reorganisation of the Company's management and project control structure is now largely bedded down and contributing positively towards improving the efficiency of project delivery. A new senior role combining responsibility for marketing and sales at a national level was created, underscoring the critical importance of effectively coordinating these functions with building and land development operations.

<u>Balance Sheet and Land Holdings</u>

Land of approximately 12,433 lots (including land over which the Group holds an option) is well up on the previous corresponding half (31 December 2018: 9,864 lots) and from the level at 30 June 2019 (9,531 lots). This is mainly due to the signing of an option agreement over land (approximately 3,500 lot equivalents) at Caboolture Queensland, exercise of which is subject to achievement of an acceptable development approval, together with a contract for approximately 230 lots in Mernda Victoria that is conditional upon gazettal of a Planning Scheme Amendment for rezoning.

Work in progress was down half-on-half to 1,480 lots at balance date (31 December 2018: 2,241 lots) and from the position at 30 June 2019 (1,600 lots) due to a combination of stage completions and planned delay in commencements pending sustained improvement in market conditions. Importantly, the Company is well positioned to increase the level of work in progress in line with the anticipated continuing improved market.

Gearing (net debt/ total assets) remained low at 25.2% (total net debt $164.3M), down from the position in the previous corresponding half (31 December 2018: 28.8%) and as at 30 June 2019 (26.6%).

Net cash generated from operating activities of $25M represented a strong half-on-half turnaround (31 December 2019: net cash used in operating activities $61.1M) reflecting more settlements and lower investment in work in progress.

Four of the Company's five corporate lenders have provisionally agreed to extend the termination date of their aggregate $250M commitment under the Club Facility for a further 12 months. The remaining lender, relatively new to the Club, indicated a preference to hold its current position and consider extension of its $50M commitment later, and so the facility will, upon formal extension, have two termination dates, being 30 September 2021 (as to $50M) and 30 September 2022 (as to $250M). This is not expected to adversely affect the Company.

# Directors' Report

For the half-year ended 31 December 2019

## OPERATING AND FINANCIAL REVIEW (continued)

<u>Outlook</u>

The Board and management of AVJennings believe that the key Brisbane, Sydney and Melbourne residential property markets are becoming more firmly established in the early stage of a shallow recovery, while demand in Auckland New Zealand remains robust. Although global headwinds are evident, including the uncertainty around any impact of COVID-19, perceptibly more positive local demand indicators, together with supportive domestic macroeconomic conditions suggest that financial 2020 is likely to be a stronger year for the Company than the prior year.

## DIVIDENDS

A fully franked final dividend of 1.5 cents per share for the year ended 30 June 2019 was paid on 20 September 2019 (30 June 2018 fully franked final dividend: 3.0 cents). Subsequent to the end of the half year, the Directors have recommended a fully franked interim dividend of 1.2 cents per share to be paid on 27 March 2020 (1 cent per share was declared in respect of the half-ended 31 December 2018). The Dividend Reinvestment Plan remains suspended.

## COMPARATIVE FIGURES

To enable meaningful comparison, some comparatives have been reclassified to conform with the current period's presentation.

## SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect:

a) the Group's operations in future financial years; or
b) the results of those operations in future financial years; or
c) the Group's state of affairs in future financial years.

# Directors' Report
For the half-year ended 31 December 2019

**ROUNDING**

*ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* is applicable to the Group and in accordance with that Instrument, amounts in the *Financial Report* and the *Directors' Report* are rounded to the nearest thousand dollars, unless otherwise stated.

**AUDITORS INDEPENDENCE DECLARATION**

We have obtained the following independence declaration from our auditors, Ernst & Young. It is set out on page 8.

The Report is made in accordance with a resolution of the Directors.

Peter Summers
*Director*
26 February 2020

Ernst & Young
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Sydney NSW 2000 Australia
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# Auditor's Independence Declaration to the Directors of AVJennings Limited

As lead auditor for the review of the half-year financial report of AVJennings Limited for the half-year ended 31 December 2019, 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.

This declaration is in respect of AVJennings Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

G L Maris

Glenn Maris
Partner
26 February 2020

# Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2019

| | Note | 31 December 2019 $'000 | 31 December 2018 $'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue from contracts with customers | 3 | 171,422 | 113,246 |
| **Revenue** | | **171,422** | **113,246** |
| Cost of sales | 4 | ( 133,321 ) | ( 89,124 ) |
| **Gross profit** | | **38,101** | **24,122** |
| Share of net profit/(loss) of joint ventures | 11 | 15 | ( 11 ) |
| Provision for loss on equity accounted investments | | ( 518 ) | - |
| Change in inventory loss provisions | 4 | ( 556 ) | - |
| Fair value adjustment of financial asset | | ( 104 ) | ( 333 ) |
| Fair value adjustment to investment property | 12 | - | 780 |
| Selling and marketing expenses | | ( 3,128 ) | ( 3,566 ) |
| Employee expenses | | ( 13,417 ) | ( 12,282 ) |
| Other operational expenses | | ( 3,349 ) | ( 2,952 ) |
| Management and administration expenses | | ( 4,004 ) | ( 3,996 ) |
| Depreciation and amortisation expenses | 4 | ( 1,082 ) | ( 108 ) |
| Finance income | 4 | 571 | 416 |
| Finance costs | 4 | ( 181 ) | ( 64 ) |
| Other income | 4 | 274 | 161 |
| **Profit before income tax** | | **12,622** | **2,167** |
| Income tax | 5 | ( 3,738 ) | ( 746 ) |
| **Profit after income tax** | | **8,884** | **1,421** |
| **Net profit** | | **8,884** | **1,421** |
| **Other comprehensive income (OCI)** | | | |
| Foreign currency translation | | 414 | 1,036 |
| **Other comprehensive income** | | **414** | **1,036** |
| **Total comprehensive income** | | **9,298** | **2,457** |
| Profit attributable to owners of the Company | | **8,884** | **1,421** |
| Total comprehensive income attributable to owners of the Company | | **9,298** | **2,457** |
| **Earnings per share (cents per share):** | | | |
| Basic earnings per share | | 2.19 | 0.36 |
| Diluted earnings per share | | 2.19 | 0.36 |

# Consolidated Statement of Financial Position

As at 31 December 2019

| | Note | 31 December 2019 $'000 | 30 June 2019 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | 15,704 | 18,209 |
| Receivables | | 27,919 | 15,088 |
| Inventories | | 175,842 | 194,748 |
| Tax receivable | | 1,147 | - |
| Other assets | | 3,242 | 2,392 |
| **Total current assets** | | **223,854** | **230,437** |
| **Non-current assets** | | | |
| Receivables | | 12,789 | 10,033 |
| Inventories | | 392,626 | 430,261 |
| Investment Property | 12 | 1,770 | 1,770 |
| Equity accounted investments | | 6,146 | 6,649 |
| Financial assets | | 2,107 | 2,211 |
| Plant and equipment | | 1,355 | 1,059 |
| Right-of-use assets | 2 | 7,337 | - |
| Intangible assets | | 2,816 | 2,816 |
| **Total non-current assets** | | **426,946** | **454,799** |
| **Total assets** | | **650,800** | **685,236** |
| **Current liabilities** | | | |
| Payables | | 16,385 | 41,234 |
| Borrowings | | - | 543 |
| Lease liabilities | 2 | 1,637 | - |
| Tax payable | | 567 | 3,179 |
| Provisions | | 6,041 | 6,547 |
| **Total current liabilities** | | **24,630** | **51,503** |
| **Non-current liabilities** | | | |
| Payables | | 25,632 | 22,009 |
| Borrowings | | 180,022 | 199,792 |
| Lease liabilities | 2 | 6,260 | - |
| Deferred tax liabilities | | 14,728 | 15,173 |
| Provisions | | 559 | 482 |
| **Total non-current liabilities** | | **227,201** | **237,456** |
| **Total liabilities** | | **251,831** | **288,959** |
| **Net assets** | | **398,969** | **396,277** |
| **Equity** | | | |
| Contributed equity | 7 | 174,179 | 174,509 |
| Reserves | | 9,529 | 8,882 |
| Retained earnings | | 215,261 | 212,886 |
| **Total equity** | | **398,969** | **396,277** |

# Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2019

| | | Attributable to equity holders of AVJennings Limited | | | | Total Equity |
|---|---|---|---|---|---|---|
| | Note | Contributed Equity $'000 | Foreign Currency Translation Reserve $'000 | Share-based Payment Reserve $'000 | Retained Earnings $'000 | $'000 |
| **At 1 July 2018** | | **167,943** | **3,010** | **3,896** | **224,149** | **398,998** |
| Effect of adoption of new accounting standard | | - | - | - | ( 11,792 ) | ( 11,792 ) |
| **At 1 July 2018 (restated)** | | **167,943** | **3,010** | **3,896** | **212,357** | **387,206** |
| *Comprehensive income:* | | | | | | |
| Profit for the half-year | | - | - | - | 1,421 | 1,421 |
| Other comprehensive income for the half-year | | - | 1,036 | - | - | 1,036 |
| **Total comprehensive income for the half-year** | | **-** | **1,036** | **-** | **1,421** | **2,457** |
| *Transactions with owners in their capacity as owners:* | | | | | | |
| - Ordinary share capital raised | 7(a) | 7,480 | - | - | - | 7,480 |
| - Treasury shares acquired | | ( 493 ) | - | - | - | ( 493 ) |
| - Share-based payment expense reversed (lapsed rights) | | - | - | ( 380 ) | - | ( 380 ) |
| - Share-based payment expense | | - | - | 535 | - | 535 |
| - Dividends paid | 6 | - | - | - | ( 11,848 ) | ( 11,848 ) |
| **Total transactions with owners in their capacity as owners** | | **6,987** | **-** | **155** | **( 11,848 )** | **( 4,706 )** |
| **At 31 December 2018** | | **174,930** | **4,046** | **4,051** | **201,930** | **384,957** |
| | | | | | | |
| **At 1 July 2019** | | **174,509** | **4,256** | **4,626** | **212,886** | **396,277** |
| Effect of adoption of new accounting standard | 2 | - | - | - | ( 416 ) | ( 416 ) |
| **At 1 July 2019 (restated)** | | **174,509** | **4,256** | **4,626** | **212,470** | **395,861** |
| *Comprehensive income:* | | | | | | |
| Profit for the half-year | | - | - | - | 8,884 | 8,884 |
| Other comprehensive income for the half-year | | - | 414 | - | - | 414 |
| **Total comprehensive income for the half-year** | | **-** | **414** | **-** | **8,884** | **9,298** |
| *Transactions with owners in their capacity as owners:* | | | | | | |
| - Treasury shares acquired | 7(b) | ( 435 ) | - | - | - | ( 435 ) |
| - Other transactions | 7(b) | 105 | - | - | - | 105 |
| - Share-based payment expense reversed (lapsed rights) | | - | - | ( 225 ) | - | ( 225 ) |
| - Share-based payment expense | | - | - | 458 | - | 458 |
| - Dividends paid | 6 | - | - | - | ( 6,093 ) | ( 6,093 ) |
| **Total transactions with owners in their capacity as owners** | | **( 330 )** | **-** | **233** | **( 6,093 )** | **( 6,190 )** |
| **At 31 December 2019** | | **174,179** | **4,670** | **4,859** | **215,261** | **398,969** |

# Consolidated Statement of Cash Flows

For the half-year ended 31 December 2019

| | Note | 31 December 2019 $'000 | 31 December 2018 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 172,978 | 141,220 |
| Payments to other suppliers and employees (inclusive of GST) | | (134,784) | (183,793) |
| Interest paid | | (5,401) | (5,861) |
| Income tax paid | | (7,765) | (12,686) |
| **Net cash from/(used in) operating activities** | | **25,028** | **(61,120)** |
| **Cash flows from investing activities** | | | |
| Payments for plant and equipment | | (472) | (733) |
| Interest received | | 571 | 416 |
| Distributions received from joint venture entities | | - | 198 |
| **Net cash from/(used in) investing activities** | | **99** | **(119)** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 36,665 | 149,525 |
| Repayment of borrowings | | (56,978) | (89,200) |
| Principal elements of lease payments | | (922) | - |
| Net payment for treasury shares | | (330) | (493) |
| Dividends paid | 6 | (6,093) | (11,848) |
| Proceeds from issue of shares | | - | 7,480 |
| **Net cash (used in)/from financing activities** | | **(27,658)** | **55,464** |
| **Net decrease in cash and cash equivalents** | | **(2,531)** | **(5,775)** |
| Cash and cash equivalents at beginning of the half-year | | 18,209 | 8,491 |
| Effects of exchange rate changes on cash and cash equivalents | | 26 | - |
| **Cash and cash equivalents at end of the half-year** | | **15,704** | **2,716** |

# Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2019

## 1. CORPORATE INFORMATION

The Consolidated Report of AVJennings Limited for the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors on 26 February 2020. The Company is a for profit company limited by shares domiciled and incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange and the Singapore Exchange through SGX GlobalQuote.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The half-year condensed financial report has been prepared in accordance with the requirements of the *Corporations Act 2001*, *AASB 134 Interim Financial Reporting* and other mandatory professional requirements.

It is recommended that this Report be read in conjunction with the Annual Report for the year ended 30 June 2019 and considered together with any public announcements made by AVJennings Limited during the half-year ended 31 December 2019 in accordance with the continuous disclosure obligations of the ASX listing rules.

This Report is presented in Australian Dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated. Except for the application of AASB 16 Leases from 1 July 2019, the accounting policies adopted are consistent with those of the previous financial year.

The nature and effect of the changes as a result of adoption of AASB 16 are described below.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the Consolidated Financial Statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

***AASB 16 Leases: (adopted by the Group on 1 July 2019)***

AASB 16 supersedes AASB 117 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under AASB 16 is substantially unchanged from that under AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117.

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

# Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2019

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

The effect of the adoption of AASB 16 as at 1 July 2019 is as follows:

| | Note | Increase/ (decrease) $'000 |
|---|---|---|
| **Assets** | | |
| Right-of-use assets | (a) | 3,524 |
| **Total adjustment on assets** | | **3,524** |
| **Liabilities** | | |
| Lease liabilities | (b) | 4,118 |
| Deferred tax liabilities | (c) | ( 178 ) |
| **Total adjustment on liabilities** | | **3,940** |
| **Equity** | | |
| Retained earnings | (d) | ( 416 ) |
| **Total adjustment on equity** | | **( 416 )** |

(a) Right of use assets recognised relating to operating leases
(b) Lease liabilities recognised relating to operating leases
(c) Tax effect of the difference between right of use assets and lease liabilities at adoption
(d) The post tax effect of the adoption on opening retained earnings

Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 5.68%.

The Group also applied the available practical expedients wherein it:

• Used a single discount rate to a portfolio of leases with reasonably similar characteristics.

• Relied on its assessment of whether leases are onerous immediately before the date of initial application.

• Applied the short-term lease exemptions to lease with lease terms that end within 12 months at the date of initial application.

• Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

• Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Lease liabilities as at 1 July 2019 can be reconciled to operating lease commitments as at 30 June 2019 as follows:

| | $'000 |
|---|---|
| **Operating lease obligations at 30 June 2019** | **4,262** |
| Recognition exemptions: | |
| - Leases of low value assets | ( 387 ) |
| - Leases with remaining lease term of less than 12 months | ( 426 ) |
| Cost of service type non-lease components and other adjustments | ( 166 ) |
| Reasonably certain lease extensions | 1,231 |
| Sub-total | **4,514** |
| Effect of discounting | ( 396 ) |
| **Lease liability opening balance reported as at 1 July 2019 under AASB 16** | **4,118** |

Set out below are the new accounting policies of the Group upon adoption of AASB 16, which have been applied from the date of initial application:

*Right-of-use assets*
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

*Lease liabilities*
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

*Short-term leases and leases of low-value assets*
The Group applies the short-term lease recognition exemption to its short-term leases of plant and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below $5,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

# Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2019

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

*Significant judgement in determining the lease term of contracts with renewal options*
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its office leases to lease the assets for additional terms of up to three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of office space due to the significance of these assets to its operations. The renewal options if any, for leases of plant and equipment and motor vehicles were not included as part of the lease term because the Group has a record of not exercising any renewal options for such leases.

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

| | Right-of-use assets | | | | |
|---|---|---|---|---|---|
| | **Motor vehicle lease $'000** | **IT equipment lease $'000** | **Office premises lease $'000** | **Total $'000** | **Lease liabilities $'000** |
| **As at 1 July 2019** | 464 | 316 | 2,744 | 3,524 | 4,118 |
| Additions | 268 | 14 | 4,670 | 4,952 | 4,952 |
| Amortisation expense | ( 141 ) | ( 69 ) | ( 728 ) | ( 938 ) | - |
| Disposal | - | ( 5 ) | ( 196 ) | ( 201 ) | ( 251 ) |
| Principal elements of payments | - | - | - | - | ( 922 ) |
| **As at 31 December 2019** | **591** | **256** | **6,490** | **7,337** | **7,897** |
| **Current** | **-** | **-** | **-** | **-** | **1,637** |
| **Non-current** | **591** | **256** | **6,490** | **7,337** | **6,260** |
| **Total** | **591** | **256** | **6,490** | **7,337** | **7,897** |

The Group recognised rent expense from short-term leases of $157,000 and leases of low-value assets of $123,000 for the six months ended 31 December 2019.

# Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2019

## 3. REVENUES FROM CONTRACTS WITH CUSTOMERS

### (a) Disaggregated revenue information
The disaggregation of the Group's revenue from contracts with customers is set out below:

| **Operating Segments**<br>**31 December 2019** | **NSW**<br>**$'000** | **VIC**<br>**$'000** | **QLD**<br>**$'000** | **SA**<br>**$'000** | **NZ**<br>**$'000** | **Total**<br>**$'000** |
|---|---|---|---|---|---|---|
| **Types of goods or services** | | | | | | |
| Sale of Land | 29,291 | 11,540 | 27,382 | 3,879 | 25,316 | 97,408 |
| Sale of Integrated Housing | 41,809 | 11,911 | 5,138 | 3,803 | 5,546 | 68,207 |
| Sale of Apartments | - | 4,319 | - | - | - | 4,319 |
| Property Development & Other Services | 163 | 1,325 | - | - | - | 1,488 |
| **Total Revenue from Contracts with Customers** | **71,263** | **29,095** | **32,520** | **7,682** | **30,862** | **171,422** |
| **Timing of revenue recognition** | | | | | | |
| Goods transferred at a point in time | 71,100 | 27,770 | 32,520 | 7,682 | 30,862 | 169,934 |
| Services transferred over time | 163 | 1,325 | - | - | - | 1,488 |
| **Total Revenue from Contracts with Customers** | **71,263** | **29,095** | **32,520** | **7,682** | **30,862** | **171,422** |

### (b) Revenue recognition accounting policy

*(i) Sale of land, integrated housing and apartments*
Revenue from the sale of land, houses and apartments is recognised at a point in time when control is transferred to the customer. Except for certain contractual arrangements discussed below, this occurs at settlement when legal title passes and an enforceable right to payment exists.

For the following contractual arrangements, revenue is recognised prior to settlement where the customer has obtained control, and a right to payment exists:

- Revenue from sales of land on deferred terms to builders in New Zealand. The builder gains control of the land on completion of physical works and can commence building at that point.
- Sales of englobo land on deferred terms. Control passes when the contract is unconditional, physical works are complete and the customer has unfettered rights to the land before settlement.
- Revenue from sales of land to builders in Australia under put and call arrangements where the builder is the ultimate purchaser and not a conduit between AVJennings and a retail purchaser. The builder gains control of the land on completion of the physical works and can commence building at that point.

*(ii) Property development and other services*
AVJennings Properties Ltd provides property development and other services to joint venture arrangements entered into by other entities within the Group. The performance obligation is satisfied over-time and revenue is progressively recognised based on the terms of the service agreement.

*(iii) Financing components*
The Group does not expect to have any contracts for the sale of land, integrated housing and apartments where the duration between the transfer of the goods to the customer and payment by the customer exceeds one year in Australia.

In the case of certain contracts for the sale of land in New Zealand and the provision of services in Australia, the duration may exceed one year.

# Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2019

## 4. INCOME AND EXPENSES

| | 31 December 2019 $'000 | 31 December 2018 $'000 |
|---|---|---|
| ***Revenues*** | | |
| Revenue from contracts with customers | 171,422 | 113,246 |
| **Total revenues** | **171,422** | **113,246** |
| ***Cost of sales include:*** | | |
| Utilisation of inventory provisions | ( 347 ) | ( 291 ) |
| Amortisation of finance costs capitalised to inventories | 4,918 | 6,299 |
| ***Impairment of assets*** | | |
| Net increase in inventory loss provisions | ( 556 ) | - |

For the half year ended 31 December 2019, the movement in the provision resulted from a realignment of future assumptions with current market conditions relating to a project in Queensland.

| | 31 December 2019 $'000 | 31 December 2018 $'000 |
|---|---|---|
| ***Depreciation and amortisation expense*** | | |
| Depreciation owned assets | 144 | 108 |
| Amortisation right of use assets | 938 | - |
| **Total depreciation and amortisation expense** | **1,082** | **108** |
| ***Finance income*** | | |
| Interest from financial assets held for cash management purposes | 571 | 416 |
| ***Finance costs*** | | |
| Bank loans and overdrafts | 5,252 | 5,861 |
| Interest on lease liabilities | 149 | - |
| Less: Amount capitalised to inventories | ( 5,220 ) | ( 5,797 ) |
| **Finance costs expensed** | **181** | **64** |
| ***Other income*** | | |
| Rent from investment property | 67 | - |
| Sundry income | 207 | 161 |
| **Total other income** | **274** | **161** |

# Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2019

## 5. INCOME TAX

| | 31 December 2019 $'000 | 31 December 2018 $'000 |
|---|---|---|
| ***Income tax expense*** | | |
| The major components of income tax are: | | |
| Current income tax | | |
| Current income tax charge | 3,784 | 2,937 |
| Adjustment for prior year | 226 | 93 |
| Deferred income tax | | |
| Current temporary differences | ( 105 ) | ( 2,284 ) |
| Adjustment for prior year | ( 167 ) | - |
| **Income tax reported in the *Consolidated Statement of Comprehensive Income*** | **3,738** | **746** |

Numerical reconciliation between aggregate tax recognised in the *Consolidated Statement of Comprehensive Income* and tax calculated per the statutory income tax rate:

| | | |
|---|---|---|
| **Accounting profit before income tax** | **12,622** | **2,167** |
| Tax at Australian income tax rate of 30% | 3,787 | 650 |
| Net share of equity accounted Joint Venture (gains)/losses | ( 5 ) | 3 |
| Other non-deductible items | 5 | ( 53 ) |
| Foreign jurisdiction (losses)/gains | ( 5 ) | 62 |
| Effect of lower tax rate in foreign jurisdiction | ( 103 ) | ( 9 ) |
| Adjustment for prior year | 59 | 93 |
| **Income tax expense** | **3,738** | **746** |
| **Effective tax rate** | **30%** | **34%** |

# Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2019

## 6. DIVIDENDS

| | 31 December 2019 $'000 | 31 December 2018 $'000 |
|---|---|---|
| ***Cash dividends declared and paid*** | | |
| 2019 final dividend of 1.5 cents per share, paid 20 September 2019. Fully franked @ 30% tax | 6,093 | - |
| 2018 final dividend of 3.0 cents per share, paid 11 October 2018. Fully franked @ 30% tax | - | 11,848 |
| **Total cash dividends declared and paid** | **6,093** | **11,848** |
| ***Dividends proposed*** | | |
| 2020 interim dividend of 1.2 cents per share, to be paid 27 March 2020. Fully franked @ 30% tax | 4,875 | - |
| 2019 interim dividend of 1.0 cent per share, paid 22 March 2019. Fully franked @ 30% tax | - | 4,062 |
| **Total dividends proposed** | **4,875** | **4,062** |

The Company's Dividend Reinvestment Plan is suspended.

# Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2019

### 7. CONTRIBUTED EQUITY

| | 31 December 2019 Number | 30 June 2019 Number | 31 December 2019 $'000 | 30 June 2019 $'000 |
|---|---|---|---|---|
| Ordinary shares | 406,230,728 | 406,230,728 | 177,961 | 177,961 |
| Treasury shares | - | ( 762,619 ) | ( 3,782 ) | ( 3,452 ) |
| **Share capital** | **406,230,728** | **405,468,109** | **174,179** | **174,509** |

| **(a) Movement in ordinary share capital** | **Number** | **Number** | **$'000** | **$'000** |
|---|---|---|---|---|
| As at the beginning of the year | 406,230,728 | 394,926,905 | 177,961 | 170,481 |
| Issued under the Dividend Reinvestment Plan | - | 11,303,823 | - | 7,480 |
| **As at the end of the period** | **406,230,728** | **406,230,728** | **177,961** | **177,961** |

| **(b) Movement in treasury shares** | **Number** | **Number** | **$'000** | **$'000** |
|---|---|---|---|---|
| As at the beginning of the year | ( 762,619 ) | ( 495,632 ) | ( 3,452 ) | ( 2,538 ) |
| On market acquisition of shares | ( 757,523 ) | ( 1,462,177 ) | ( 435 ) | ( 914 ) |
| Excess funds received from AVJDESP | - | - | 105 | - |
| Employee share scheme issue | 1,520,142 | 1,195,190 | - | - |
| **As at the end of the period** | **-** | **( 762,619 )** | **( 3,782 )** | **( 3,452 )** |

During the year, 757,523 treasury shares were purchased by the AVJ Deferred Employee Share Plan Trust (AVJDESP) at a cost of $435,000.

Fully paid ordinary shares carry one vote per share and carry the right to dividends. There are currently no unexercised or outstanding options. No options were exercised during the half-year.

Treasury shares are shares in AVJennings Limited that are held by the AVJDESP for the purpose of issuing shares to Executives.

The original cost of the shares is treated as a reduction in share capital and the underlying shares identified separately as treasury shares.

# Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2019

## 8. OPERATING SEGMENTS

The Group operates primarily in residential development.

The Group determines segments based on information that is provided to the Managing Director who is the Chief Operating Decision Maker (CODM). The CODM assesses the performance and makes decisions about the resources to be allocated to the segment. Each segment prepares a detailed finance report on a monthly basis which summarises the following:

- Historic results of the segment; and
- Forecast of the segment for the remainder of the year.

***Reportable segments***

*Jurisdictions:*

This includes activities relating to Land Development, Integrated Housing and Apartments Development.

*Other:*

This includes numerous low value items, amongst the most significant of which is interest.

# Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2019

## 8. OPERATING SEGMENTS (continued)

The following table presents the revenues and results information regarding operating segments:

| *Operating Segments* | NSW | | VIC | | QLD | | SA | | NZ | | Other | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 31 December | | 31 December | | 31 December | | 31 December | | 31 December | | 31 December | | 31 December | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Revenues** | | | | | | | | | | | | | | |
| External sales | 71,099 | 59,531 | 27,770 | 19,762 | 32,520 | 20,664 | 7,682 | 12,613 | 30,863 | - | - | - | 169,934 | 112,570 |
| Management fees | 163 | - | 1,325 | 517 | - | 159 | - | - | - | - | - | - | 1,488 | 676 |
| **Total segment revenues** | **71,262** | **59,531** | **29,095** | **20,279** | **32,520** | **20,823** | **7,682** | **12,613** | **30,863** | **-** | **-** | **-** | **171,422** | **113,246** |
| **Results** | | | | | | | | | | | | | | |
| Segment results | 9,981 | 11,847 | 5,032 | (181) | 3,480 | (860) | (942) | (1,476) | 5,605 | 793 | 606 | 205 | 23,762 | 10,328 |
| Share of loss of joint ventures | - | - | - | - | - | - | - | (9) | - | - | 15 | (2) | 15 | (11) |
| Other non-segment revenue | - | - | - | - | - | - | - | - | - | - | 778 | 577 | 778 | 577 |
| Rent from investment property | - | - | 67 | - | - | - | - | - | - | - | - | - | 67 | - |
| Change in inventory loss provisions | - | - | - | - | (556) | - | - | - | - | - | - | - | (556) | - |
| Fair value adjustments | - | - | - | 780 | - | - | - | - | - | - | (104) | (333) | (104) | 447 |
| Provision for loss on equity accounted investments | - | - | - | - | - | - | - | - | - | - | (518) | - | (518) | - |
| Unallocated depreciation and amortisation | - | - | - | - | - | - | - | - | - | - | - | - | (1,082) | (108) |
| Unallocated expenses | - | - | - | - | - | - | - | - | - | - | - | - | (9,559) | (9,002) |
| Unallocated interest expense | - | - | - | - | - | - | - | - | - | - | - | - | (181) | (64) |
| Profit before tax | | | | | | | | | | | | | 12,622 | 2,167 |
| Income tax | | | | | | | | | | | | | (3,738) | (746) |
| **Net profit** | | | | | | | | | | | | | **8,884** | **1,421** |

# Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2019

### 8. OPERATING SEGMENTS (continued)

The following table presents the assets and liabilities information regarding operating segments:

| *Operating Segments* | NSW | | VIC | | QLD | | SA | | NZ | | Other | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **31 Dec 2019 $'000** | **30 Jun 2019 $'000** | **31 Dec 2019 $'000** | **30 Jun 2019 $'000** | **31 Dec 2019 $'000** | **30 Jun 2019 $'000** | **31 Dec 2019 $'000** | **30 Jun 2019 $'000** | **31 Dec 2019 $'000** | **30 Jun 2019 $'000** | **31 Dec 2019 $'000** | **30 Jun 2019 $'000** | **31 Dec 2019 $'000** | **30 Jun 2019 $'000** |
| **Assets** | | | | | | | | | | | | | | |
| Segment assets | 174,550 | 195,646 | 160,688 | 173,724 | 117,856 | 125,709 | 61,163 | 62,903 | 104,731 | 105,524 | 31,812 | 21,730 | 650,800 | 685,236 |
| **Total assets** | **174,550** | **195,646** | **160,688** | **173,724** | **117,856** | **125,709** | **61,163** | **62,903** | **104,731** | **105,524** | **31,812** | **21,730** | **650,800** | **685,236** |
| **Liabilities** | | | | | | | | | | | | | | |
| Segment liabilities | 19,625 | 15,941 | 13,443 | 19,458 | 6,976 | 16,389 | 1,156 | 970 | 53,920 | 58,711 | 156,711 | 177,490 | 251,831 | 288,959 |
| **Total liabilities** | **19,625** | **15,941** | **13,443** | **19,458** | **6,976** | **16,389** | **1,156** | **970** | **53,920** | **58,711** | **156,711** | **177,490** | **251,831** | **288,959** |

# Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2019

## 9. NET TANGIBLE ASSET BACKING

| | 31 December 2019 | 30 June 2019 |
|---|---|---|
| Net Tangible Asset backing (NTA) - cents per ordinary share | 97.5 | 97.0 |

The number of ordinary shares used in the computation of NTA as at 31 December 2019 was 406,230,728 (30 June 2019: 405,468,109). Refer to note 7 for details.

Net tangible assets are calculated using the values of net assets less intangible assets, as per the respective balance sheet headings.

## 10. INTEREST IN JOINT OPERATIONS

The Group's interest in the profits and losses of Joint Operations is included in the *Consolidated Statement of Comprehensive Income* under the following classifications:

| | 31 December 2019 $'000 | 31 December 2018 $'000 |
|---|---|---|
| Revenues | 11,579 | 10 |
| Cost of property developments sold | ( 7,159 ) | - |
| Other expenses | ( 633 ) | ( 312 ) |
| **Profit/(loss) before income tax** | **3,787** | **( 302 )** |
| Income tax | ( 1,136 ) | 91 |
| **Profit/(loss) after income tax** | **2,651** | **( 211 )** |

# Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2019

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The interests in a joint venture are accounted for using the equity method of accounting and are carried at cost. Under the equity method, the Group's share of the results of the joint venture are recognised in the *Consolidated Statement of Comprehensive Income*, and the share of movements in reserves is recognised in the *Consolidated Statement of Financial Position*. The information is set out below:

| Equity accounted Joint Ventures | Interest held | | Share of net profit/(loss) | |
|---|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 $'000 | 31 December 2018 $'000 |
| Woodville JV | - | 50.0% | - | (9) |
| Pindan Capital Group Dwelling Trust | 33.3% | 33.3% | 15 | (2) |
| **Profit/(loss) after income tax** | | | **15** | **(11)** |

## 12. INVESTMENT PROPERTY

The Group accounts for its investment property at fair value and revaluations are recognised through profit and loss. The fair value at reporting date has been determined by the Directors with reference to the most recent external valuation performed by Knight Frank as at 21 November 2018.

The Capitalisation Approach using a capitalisation rate of 6.00%, and Direct Comparison Approach methods have been adopted in determining the fair value.

| | 31 December 2019 $'000 | 30 June 2018 $'000 |
|---|---|---|
| **Opening balance at 1 July** | 1,770 | - |
| Transfer from inventory | - | 970 |
| Net gain from fair value remeasurement | - | 800 |
| **Closing balance** | **1,770** | **1,770** |

## 13. BORROWINGS

The fair value for borrowings less than 12 months to maturity is deemed to equal the carrying value. All other borrowings are discounted if the effect of discounting is material. The fair value of borrowings are determined by using the discounted cash flow method with a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

Borrowings are classified as level 2 financial instruments.

The Group remains compliant with all lending covenants.

# Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2019

## 14. CONTINGENCIES

***Secured***

***Performance guarantees***

Contingent liabilities in respect of certain performance guarantees, granted by the Group's bankers in the normal course of business to unrelated parties, at 31 December 2019, amounted to $16,208,000 (30 June 2019: $16,177,000). No material liability is expected to arise.

***Financial guarantees***

Financial guarantees granted by the Group's bankers to unrelated parties in the normal course of business at 31 December 2019, amounted to $1,185,000 (30 June 2019: $1,148,000). No material liability is expected to arise.

***Unsecured***

***Contract performance bond facility***

The Parent Entity has entered into Deeds of Indemnity with various controlled entities to indemnify the obligation of those entities in relation to Contract performance bond facilities. Contingent liabilities in respect of certain performance bonds, granted by the Group's financiers, in the normal course of business as at 31 December 2019, amounted to $36,784,000 (30 June 2019: $39,812,000). No material liability is expected to arise.

## 15. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect:

a) the Group's operations in future financial years; or
b) the results of those operations in future financial years; or
c) the Group's state of affairs in future financial years.

# Directors' Declaration

For the half-year ended 31 December 2019

In accordance with a resolution of the Directors of AVJennings Limited, we state that:

In the opinion of the Directors:

a) The Consolidated Financial Statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the financial position as at 31 December 2019 and of the performance for the half-year ended on that date; and

   (ii) complying with *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*; and

b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Board.

Peter Summers
*Director*

26 February 2020

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# Independent Auditor's Review Report to the Members of AVJennings Limited

## Report on the Half-Year Financial Report

### Conclusion

We have reviewed the accompanying half-year financial report of AVJennings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2019, the statement of 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 policies 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 Group is not in accordance with the *Corporations Act 2001*, including:

a) Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated 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 Group's consolidated financial position as at 31 December 2019 and its consolidated 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.

Building a better working world

## Independence

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

Ernst & Young

Glenn Maris
Partner
Sydney
26 February 2020