Clarius Group

2018 Half Year Financial Report

Clarius Group Limited
ABN 43 002 724 334

2018 Half Year Financial Report

Contents

Directors' Report

Directors

The Directors present their report together with the financial report of Clarius Group Limited (the "Company") and its controlled entities (the "consolidated entity") for the half year ended 31 December 2017.

The following Directors held office for the whole of the half year and until the date of this report, unless otherwise shown:

Garry Sladden
Jennifer Elliott
Craig Saphin
Gabrielle Trainor (Resigned 25 July 2017)

Principal activities

The principal activities of the consolidated entity during the half year were the provision of permanent and contingent recruitment and payroll services ("Specialist Recruitment"); on demand human resources ("On Demand"); and outsourced recruitment and human resource consulting services ("People Services").

The consolidated entity operates in 11 cities across Australia and China and employs more than 250 people.

Financial and operational review

Key performance metrics

The half year reflected several encouraging developments on the prior half year including:

- Loss from continuing operations (excluding other income)[1] reduced 2.9%;
- Gross profit margin improved from 21.0% to 22.9%;
- Gross profit declined at a slower rate than the decline in revenue;
- Australia/New Zealand Specialist Recruitment profit before tax improved 2.8%;
- People Services profit before tax improved 3.6%;
- China Specialist Recruitment revenue increased 21.1%;
- Employee benefits expense reduced 3.2%; and
- Operating rental expense reduced 16.6%.

Half year	31 Dec 2017 $000	31 Dec 2016 $000	Change
Revenue	74,123	80,747	(8.2%)
Gross profit	16,962	16,979	(0.1%)
Gross profit margin	22.9%	21.0%	
Loss from ordinary activities after tax	(1,917)	(1,359)	(41.1%)
Loss from continuing operations	(1,735)	(1,286)	(34.9%)
Loss from continuing operations (excluding other income)[1]	(1,735)	(1,786)	2.9%
Operating cash flow	(1,079)	(869)	(24.2%)

1 Loss from continuing operations in the current half year included nil other income and in the prior half year included $500k of other income.

	31 Dec 2017 $000	30 Jun 2017 $000	Change
Net assets	14,674	16,591	(11.6%)

The half year in review

During the half year ended 31 December 2017 the consolidated entity generated a loss from ordinary activities after tax of $1,917k (31 December 2016: loss of $1,359k), a 41.1% deterioration on the prior half year, while the loss from continuing operations (excluding other income) of $1,735k (31 December 2016: loss of $1,786k) represented a 2.9% improvement on the prior half year.

The reduction in revenue of $6,624k (8.2%) compared with the prior half year was predominately due to the reduction in low margin contractors. Gross profit for the half year decreased $17k (0.1%) while gross profit margin improved from 21.0% to 22.9% due to the increasing proportion of permanent placement revenue. This reflects management's focus on growing the volume of higher margin permanent placement revenue and ensuring that contractor revenue generates acceptable and sustainable gross margins.

Employee benefits expense decreased 3.2% while operating rental expense decreased 16.6% reflecting the benefits of new premises leases implemented in the 2017 financial year. Depreciation increased 9.2% on the back of investments in new leasehold improvements and systems. Other expenses were up 16.9% on the prior half year due to increased investment in learning and development, consultant performance-based incentive programs, service fees for the new applicant tracking system and payroll and billing system, and higher insurance premiums.

Australia/NZ Specialist Recruitment

The Australia/New Zealand Specialist Recruitment business contributed profit before tax of $1,418k versus $1,379k in the prior half year. This 2.8% growth was due to higher margin permanent placement revenue increasing 15.2% against the prior half year. Having re-established several key customer relationships and continued to focus our activities on the acquisition of new business development opportunities, the outlook for the remainder of the financial year is encouraging. In addition, a new Victorian General Manager was appointed during the half year, bolstering our Specialist Recruitment capabilities and executive team. We look forward to their strong leadership and contribution to the business.

On Demand

The On Demand business delivered a profit before tax of $333k in the half year, a 46.5% decline on the prior half year following the completion of several major projects. During the half year the On Demand business was awarded a number of large contracts which are in the transition and ramp up phases.

People Services

Following a refocus on its core ACT market, the People Services business delivered a profit before tax of $114k, a 3.6% improvement on the prior half year. Many key Specialist Recruitment customers have shown interest in, or have directly engaged with, the People Services offerings including indigenous recruitment, bulk recruitment (including graduate recruitment), capability assessments and specific recruitment processes.

China Specialist Recruitment

The China Specialist Recruitment business (trading as "Lloyd Morgan") delivered a profit before tax of $202k, down 11.4% on the prior half year. While revenue growth was 21.1% in the half year, the ongoing investment in the business resulted in a decline in profit. With the appointment of a new Regional Director in July 2017 focused on our Shanghai and Suzhou offices, the China business is expected to perform strongly for the remainder of this financial year.

Efficiencies

During the half year the Company successfully renewed its debtor finance facility for a further 24 months, also increasing the overall limit, and is confident it has access to sufficient working capital to support its business over that period.

In addition, the Company successfully implemented both an industry-leading applicant tracking system (ATS) and a new payroll and billing system, delivering critical long-term system investment to replace legacy systems.

The ATS underpins our focus on efficiency improvements and organisational collaboration to better support our customers and candidates, and to deliver revenue and margin improvements to our business.

The new payroll and billing system will improve productivity relating to the management and payment of contractors, and in the billing and invoicing of our customers.

The half year ahead

After re-aligning and embedding our vision, mission, values and behaviours in the second half of the 2017 financial year, our focus has been on implementing our 2020 strategy titled "Back in Black". This strategy has centred on:

- Our customers and candidates;
- Acquiring new customers and improving gross margin;
- Developing operational efficiencies; and
- Supporting and developing our people.

It has been pleasing to see that our initiatives during the half year delivered continuing and encouraging improvements in-line with our 2020 strategy. Most notably, stronger gross margin performance from 21.0% to 22.9%, improved permanent placement revenue in Australia and China, and continued shared services efficiencies.

In the second half we will continue to focus our consultants on growing higher margin contracting and permanent placements. This activity will be underpinned by the execution of our strategic account plans which have identified a range of immediate growth opportunities. With a strong portfolio of existing key accounts throughout each business unit and a healthy pipeline of potential customers, we are well-placed to benefit in the second half of this financial year.

With our significant technological transformation projects now complete, our focus will be on continuing to improve our operational efficiencies. These will centre on shared services efficiencies and the development of applications that align and support our corporate back-office and front-office consultants, including bespoke learning and development, enhanced sales materials and automated reporting.

We are now positioned to deliver improved organisational performance and greater value and returns to our shareholders.

Auditor’s independence declaration

The lead auditor’s independence declaration for the half year ended 31 December 2017 is set out on page 5 of the Directors’ Report.

Rounding of amounts

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors’ Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors’ Report and the financial statements are rounded off to the nearest thousand dollars or in certain cases to the nearest dollar, unless otherwise indicated.

Signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

Garry Sladden
Independent Non-Executive Chairman

Dated at Sydney this 26th day of February 2018.

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The Board of Directors
Clarius Group Limited
Level 9, 1 York Street
Sydney NSW 2000

26 February 2018

Dear Board Members,

Clarius Group Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Clarius Group Limited.

As lead audit partner for the review of the financial statements of Clarius Group Limited for the half year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner

Financial Statements

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2017

	Note	31 Dec 2017 $000	31 Dec 2016 $000
Continuing operations			
Revenue	5	74,123	80,747
On hired labour costs		(57,161)	(63,768)
Gross profit		16,962	16,979
Other income		-	500
Employee benefits expense		(12,366)	(12,771)
Depreciation and amortisation expense		(559)	(512)
Operating rental expense		(1,588)	(1,903)
Other expenses		(4,184)	(3,579)
Loss from continuing operations		(1,735)	(1,286)
Finance income		4	2
Finance cost		(186)	(75)
Loss from continuing operations before income tax		(1,917)	(1,359)
Income tax expense		-	-
Loss from ordinary activities after tax attributable to members		(1,917)	(1,359)
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		-	(60)
Income tax on other comprehensive loss		-	-
Other comprehensive loss, net of income tax		-	(60)
Total comprehensive loss		(1,917)	(1,419)
		Cents	Cents
Basic loss per share		(2.14)	(1.52)
Diluted loss per share		(2.14)	(1.52)

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes on pages 10 to 14.

Condensed Consolidated Statement of Financial Position
As at 31 December 2017

	Note	31 Dec 2017 $000	30 Jun 2017 $000
Current assets			
Cash and cash equivalents	6	2,664	1,788
Trade and other receivables		31,981	31,244
Total current assets		34,645	33,032
Non-current assets			
Plant and equipment		1,451	1,750
Intangible assets		409	226
Total non-current assets		1,860	1,976
Total assets		36,505	35,008
Current liabilities			
Trade and other payables		14,299	12,875
Debtor finance facility	7	5,643	3,253
Provisions	8	1,181	1,471
Finance lease liability		-	17
Total current liabilities		21,123	17,616
Non-current liabilities			
Provisions	8	708	801
Total non-current liabilities		708	801
Total liabilities		21,831	18,417
Net assets		14,674	16,591
Equity			
Contributed equity	11	83,541	83,541
Reserves		(1,070)	(1,070)
Accumulated losses		(67,797)	(65,880)
Total equity		14,674	16,591

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes on pages 10 to 14.

Condensed Consolidated Statement of Changes in Equity
For the half year ended 31 December 2017

	Contributed Equity $000	Reserves $000	Accumulated Losses $000	Total $000
Current period				
Balance as at 1 July 2017	83,541	(1,070)	(65,880)	16,591
Loss from ordinary activities after tax attributable to members	-	-	(1,917)	(1,917)
Other comprehensive loss				
Foreign currency translation differences for foreign operations	-	-	-	-
Total comprehensive loss	-	-	(1,917)	(1,917)
Balance as at 31 December 2017	83,541	(1,070)	(67,797)	14,674
Prior period				
Balance as at 1 July 2016	83,541	(794)	(62,156)	20,591
Loss from ordinary activities after tax attributable to members	-	-	(1,359)	(1,359)
Other comprehensive loss				
Foreign currency translation differences for foreign operations	-	(60)	-	(60)
Total comprehensive loss	-	(60)	(1,359)	(1,419)
Balance as at 31 December 2016	83,541	(854)	(63,515)	19,172

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes on pages 10 to 14.

Condensed Consolidated Statement of Cash Flows
For the half year ended 31 December 2017

	Note	31 Dec 2017 $000	31 Dec 2016 $000
Cash flows from operating activities			
Receipts from customers		104,827	134,698
Payments to suppliers and employees		(98,739)	(127,378)
Interest received		4	2
Interest and other borrowing costs paid		(186)	(75)
Goods and services tax paid		(6,985)	(8,116)
Net cash used in operating activities		(1,079)	(869)
Cash flows from investing activities			
Purchase of plant and equipment		(245)	(151)
Payments for intangible assets		(223)	-
Net cash used in investing activities		(468)	(151)
Net decrease in cash held		(1,547)	(1,020)
Cash and cash equivalents at the beginning of the period		(1,465)	(404)
Effect of exchange rates on cash holdings in foreign currencies		33	134
Cash and cash equivalents at the end of the period	6	(2,979)	(1,290)

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes on pages 10 to 14.

Notes to the Condensed Consolidated Financial Statements

Note 1. Reporting Entity

The Company is a company limited by shares, incorporated and domiciled in Australia. The condensed consolidated financial statements represent the consolidated entity as at and for the half year ended 31 December 2017.

The consolidated annual financial statements of the consolidated entity as at and for the year ended 30 June 2017 are available upon request from the Company's registered office at Level 9, 1 York Street, Sydney, NSW 2000 or at www.igniteservices.com.

Note 2. Statement of Compliance

The condensed consolidated financial statements are general purpose financial statements prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. These condensed consolidated financial statements do not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent consolidated annual financial statements.

All amounts are presented in Australian dollars, unless otherwise noted.

The Company has applied the relief available under ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191 dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the condensed consolidated financial statements have been rounded to the nearest thousand dollars, or in certain cases to the nearest dollar, unless otherwise indicated.

These condensed consolidated financial statements were approved by the Board of Directors on 26 February 2018.

Note 3. Significant Accounting Policies

The accounting policies applied by the consolidated entity in these condensed consolidated financial statements are the same as those applied by the consolidated entity in its consolidated financial statements as at and for the year ended 30 June 2017. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The consolidated entity has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the "AASB") that are relevant to their operations and effective for the current half year. The new and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the consolidated entity include:

- AASB 1048 Interpretation of Standards
- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle

Note 3. Significant Accounting Policies (continued)

At the date of authorisation of the financial statements, the Standards and Interpretations listed below that are relevant to the consolidated entity were in issue but not yet effective:

Standard/Interpretation mandatory beyond June 2018	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 "Financial Instruments", and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 "Revenue from Contracts with Customers", AASB 2014-5 "Amendments to Australian Accounting Standards arising from AASB 15", AASB 2015-8 "Amendments to Australian Accounting Standards – Effective date of AASB 15" and AASB 2016-3 "Amendments to Australian Accounting Standards – Clarifications to AASB 15"	1 January 2018	30 June 2019
AASB 16 "Leases"	1 January 2019	30 June 2020
AASB 2015-10 "Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128"	1 January 2018	30 June 2019
AASB 2016-5 "Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions"	1 January 2018	30 June 2019
AASB 2017-1 "Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments"	1 January 2018	30 June 2019

The Board have considered the impact of all new accounting standards that are relevant to the consolidated entity but not yet adopted and, with the exception of AASB 15 and AASB 16, have not yet concluded on the impact on the disclosures or the amounts recognised in the condensed consolidated financial statements.

The Board anticipates that the application of AASB 15 and AASB 16 as at the financial year end may have a material impact on the amounts reported and disclosures made in the consolidated entity's condensed consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effects of AASB 15 and AASB 16 until the consolidated entity completes the detailed review currently underway which is expected to occur by the financial year end.

Comparatives

Comparative amounts have been reclassified where necessary to provide consistency with current period disclosures.

Note 4. Estimates

The preparation of these condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2017.

Note 5. Segment Reporting

The consolidated entity is organised around four operating segments across two geographic regions, which are all labour related. In Australia and New Zealand, these segments are Specialist Recruitment, On Demand and People Services while in China it is Specialist Recruitment.

Segment information for the half year ended 31 December 2017 is as follows:

	Australia and New Zealand						China			
	Specialist Recruitment		On Demand		People Services		Specialist Recruitment		Consolidated	
	31 Dec 2017 $000	31 Dec 2016 $000	31 Dec 2017 $000	31 Dec 2016 $000	31 Dec 2017 $000	31 Dec 2016 $000	31 Dec 2017 $000	31 Dec 2016 $000	31 Dec 2017 $000	31 Dec 2016 $000
Operating segments										
Segment revenue - external sales	88,039	103,068	4,656	5,695	1,424	1,656	6,079	5,022	100,198	115,441
(-) Reclassification of direct gross margin	(26,075)	(34,694)	-	-	-	-	-	-	(26,075)	(34,694)
Consolidated revenue	61,964	68,374	4,656	5,695	1,424	1,656	6,079	5,022	74,123	80,747
Reportable segments										
Profit before tax	1,418	1,379	333	623	114	110	202	228	2,067	2,340
Less: Corporate overheads									(3,984)	(3,699)
Consolidated loss before tax									(1,917)	(1,359)

	Australia		New Zealand		China		Consolidated	
	31 Dec 2017 $000	31 Dec 2016 $000	31 Dec 2017 $000	31 Dec 2016 $000	31 Dec 2017 $000	31 Dec 2016 $000	31 Dec 2017 $000	31 Dec 2016 $000
External sales[(1)]	67,146	74,045	898	1,680	6,079	5,022	74,123	80,747
Interest revenue	1	1	-	-	3	1	4	2
Total revenue	67,147	74,046	898	1,680	6,082	5,023	74,127	80,749
Non-current assets	1,545	1,194	-	-	315	521	1,860	1,715

(1) Reconciles to revenue.

The following summary describes the operations in each of the consolidated entity's reportable segments.

Australia and New Zealand

(i) Specialist Recruitment

The provision of permanent and contingent recruitment and payroll services. Permanent recruitment comprises the sourcing and placement of full time, part-time and fixed-term employees with customers. Contingent recruitment comprises the sourcing and placement of temporary contract workers, independent contractors and consultants contracted by the consolidated entity. Payroll services comprises the placement of temporary contract workers, independent contractors and consultants sourced by the customer and contracted by the consolidated entity.

(ii) On Demand

The provision of pre-qualified information technology resources allowing customers to access a network of suitable candidates from which to consume information technology skills and services on-demand on a pay-per-use basis. Customers are provided with immediate access to skilled information technology resources as required, whether on a short, medium or long-term basis, to cover demand for specific projects, organic business growth and seasonality.

Note 5. Segment Reporting (continued)

(iii) People Services

The provision of outsourced recruitment and human resource consulting services. Outsourced recruitment services are underpinned by innovative and valid assessment methodologies and utilise online screening and assessment tools to deliver quality outcomes on high volume outsourced recruitment events, including: graduate recruitment and bulk recruitment campaigns. Human resource consulting services support organisational change processes through organisational design, capability assessment, workforce planning and job sizing services.

China

Specialist Recruitment

The provision of permanent recruitment services. Permanent recruitment comprises the sourcing and placement of full time, part-time and fixed-term employees with customers.

Note 6. Cash and Cash Equivalents

	31 Dec 2017 $000	30 Jun 2017 $000	31 Dec 2016 $000
Cash at bank and on hand	2,664	1,788	1,862
Debtor finance facility	(5,643)	(3,253)	(3,152)
Net debt	(2,979)	(1,465)	(1,290)

Note 7. Debtor Finance Facility

On 23 August 2016 the Company accepted an offer from a major financial institution for the provision of a secured debtor finance facility of up to $10,000k on a 24-month contract (the “Facility”) to meet short-term working capital requirements. As of 1 February 2018, the Company increased this Facility to $15,000k and extended it for a further 24 months from that date. As at 31 December 2017 the approved Facility drawdown was $8,476k (30 June 2017: $7,452k) and the prevailing interest rate was 7.87% (30 June 2017: 7.77%).

	31 Dec 2017 $000	30 Jun 2017 $000
Debtor finance facility	8,476	7,452
Amount utilised under debtor finance facility	(5,643)	(3,253)
Unused debtor finance facility	2,833	4,199

Note 8. Provisions

	31 Dec 2017 $000	30 Jun 2017 $000
Current		
Employee benefits	959	1,067
Lease incentives	192	374
Recruitment services under guarantee	30	30
Total current provisions	1,181	1,471
Non-current		
Employee benefits	195	259
Lease incentives	27	58
Make good on leased premises	486	484
Total non-current provisions	708	801

Note 8. Provisions (continued)

Movements in provisions

Movements in provisions during the half year, other than employee benefits, are set out below:

	Lease Incentives	Recruitment Services Under Guarantee	Make-Good on Leased Premises	Total
	$000	$000	$000	$000
Balance as at 1 July 2017	432	30	484	946
Additional provision recognised	70	-	10	80
Amounts utilised	(283)	-	(8)	(291)
Balance as at 31 December 2017	219	30	486	735

Note 9. Contingent Liabilities

The consolidated entity has no material contingent liabilities to disclose at the reporting date.

Note 10. Dividends

On 26 February 2018 the Directors resolved not to declare an interim dividend for the half year ended 31 December 2017. No interim dividend was paid by the Company in the previous corresponding period.

Note 11. Contributed Equity

	31 Dec 2017	30 Jun 2017
	$000	$000
Paid up share capital at the beginning of the period	83,541	83,541
Paid up share capital at the end of the period	83,541	83,541
	No.	No.
Issued shares at the beginning of the period	89,582,175	89,582,175
Issued shares at the end of the period	89,582,175	89,582,175

On 6 July 2017 the Chief Executive Officer was granted 335,000 options pursuant to the Company's Equity Incentive Plan. The options have an exercise price of $0.15 each, vest at the expiration of 2 years and lapse at the expiration of 5 years, from the date of his appointment, being 19 December 2016. These options had a fair value at grant date of $0.012 each.

Note 12. Events Subsequent to the Reporting Date

No matters or circumstances have arisen since the end of the half year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

Directors' Declaration

In the opinion of the Directors of the Company:

(a) the condensed consolidated financial statements and notes that are contained in pages 6 to 14 are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

Garry Sladden
Independent Non-Executive Chairman

Dated at Sydney this 26th day of February 2018.

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Independent Auditor's Review Report to the Members of Clarius Group Limited

We have reviewed the accompanying half year financial report of Clarius Group Limited ("Company") and its controlled entities ("Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2017, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half year or from time to time during the half year as set out on pages 6 to 15.

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 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 gives a true and fair view and 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 consolidated entity's financial position as at 31 December 2017 and its 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 Clarius Group Limited, 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.

Auditor's Independence Declaration

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 Clarius Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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 Clarius Group Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 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*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner
Chartered Accountants
Sydney, 26 February 2018