

Calix Limited and its controlled entities

ABN 36 117 372 540

Interim financial report for the period ended

31 December 2018

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DIRECTORS REPORT

The directors present their report on Calix Limited and its controlled entities (“the Group”) consisting of Calix Limited (“the Company”) and entities under its control for the half-year ended 31 December 2018.

DIRECTORS

The following persons were directors of the Company during the period ended 31 December 2018 and up to the date of the report, unless otherwise stated:

P J Turnbull
J A Hamilton
P H Hodgson
L A W O’Neill
M G Sceats

PRINCIPAL ACTIVITIES

The principal activities of the Group during the half-year were:

- production and sale of calcined minerals and derivative products such as nano-active magnesium hydroxide slurry for waste water treatment.
- continuing research and development of carbon capture technologies and advanced nano-active materials with global application;
- pursuing commercial opportunities for both the Continuous Flash Calciner (“CFC”) carbon capture technologies and advanced nano-active materials;
- progressing multiple CFC development projects in Belgium (for lime and cement) and Australia (for advanced battery materials);
- a successful IPO of the Company on the ASX on July 20, 2018.

OPERATING RESULTS

The Group recorded positive results during HY19, with improved revenues and core product sales and continued prudent cost management. Total revenue and other income was up 81.8% to \$8,074,632 (HY18: \$4,442,199). Loss after tax was higher for HY19 at \$4,385,948 (HY18: \$1,674,730). This increase in loss was mainly due to impairment expenses associated with Project LEILAC (\$1,936,065) (HY18: \$144,523) and one-off expenses associated with the Company’s IPO (\$2,363,273) in July, 2018.

GOING CONCERN

The financial report has been prepared on a going concern basis.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

AUDITOR INDEPENDENCE

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

This report is signed in accordance with a resolution of the board of directors.



P J Turnbull, Chair
Sydney 26 February 2019



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Australia

DECLARATION OF INDEPENDENCE BY IAN HOOPER TO THE DIRECTORS OF CALIX LIMITED

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

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

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

Ian Hooper
Partner

BDO East Coast Partnership

Sydney, 26 February 2019

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Half-year period ended 31 December 2018

Note	31-Dec-18 \$	31-Dec-17 \$
Core product revenues	1,422,892	1,656,443
Other product revenues	83,856	81,023
Cost of sales of goods	(1,158,769)	(1,281,760)
Gross profit	347,979	455,706
Other income	2	6,567,884
Gross profit and other income	6,915,863	3,160,439
Sales and marketing expenses	(1,273,387)	(805,366)
Research and development expenses	(3,685,434)	(2,077,023)
Administration and other expenses	(675,276)	(571,042)
Total operating expenses	3	(5,634,097)
Profit/(Loss) before funding costs, depreciation, amortisation, impairment, IPO expenses, foreign exchange losses, share based payments and income tax for the period	1,281,766	(292,992)
Depreciation, amortisation & impairment expenses	3	(2,879,757)
Finance costs on borrowings	(102,613)	(287,351)
Foreign exchange losses	(113,869)	(72,657)
IPO expenses	3	(2,363,273)
Share based payment expenses	(208,202)	-
Loss from ordinary activities before income tax	(4,385,948)	(1,674,730)
Income tax expense	-	-
Loss for the period	(4,385,948)	(1,674,730)
Total loss for the period attributable to:		
Owners of Calix Limited	(4,560,843)	(1,674,740)
Non-controlling interests	174,895	10
	(4,385,948)	(1,674,730)
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(54,390)	(8,382)
Total comprehensive income for the period	(4,440,338)	(1,683,112)
Total comprehensive income for the half year is attributable to:		
Owners of Calix Limited	(4,615,233)	(1,683,122)
Non-controlling interests	174,895	10
	(4,440,338)	(1,683,112)
Basic and diluted earnings per share (cents)	12	(1.7)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	31-Dec-18 \$	30-Jun-18 \$
ASSETS			
Current assets			
Cash and cash equivalents		8,653,667	2,445,217
Trade and other receivables	4	3,203,998	7,866,878
Inventory		653,978	180,561
Total current assets		12,511,643	10,492,656
Non-current assets			
Trade and other receivables		274,000	274,000
Intangible assets	5	744,712	648,837
Property, plant and equipment	6	11,998,542	11,783,781
Total non-current assets		13,017,254	12,706,618
Total assets		25,528,897	23,199,274
LIABILITIES			
Current liabilities			
Trade and other payables	7	1,080,393	3,740,617
Borrowings	8	110,212	1,891,086
Provisions		312,462	331,162
Deferred revenue	9	3,058,131	202,171
Total current liabilities		4,561,198	6,156,036
Non-current liabilities			
Borrowings	8	126,526	622,543
Provisions		529,019	470,106
Deferred revenue	9	1,107,410	1,093,454
Total non-current liabilities		1,762,955	2,186,103
Total liabilities		6,324,153	8,351,139
NET ASSETS		19,204,744	14,848,135
EQUITY			
Issued capital	10	33,356,750	26,991,683
Reserves	11	3,095,208	717,725
Accumulated losses		(17,422,648)	(12,861,805)
Capital and reserves attributable to the owners of Calix Limited		19,029,310	14,847,603
Non-controlling interests		175,435	532
TOTAL EQUITY		19,204,744	14,848,135

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Half-year period ended 31 December 2018

	31-Dec-18 \$	31-Dec-17 \$
Cash flows from operating activities		
Receipts from customers	2,427,879	2,167,804
Receipts from government bodies	11,898,769	7,407,530
Payments to suppliers and employees	(9,651,879)	(6,455,309)
Payment of interest on borrowings	(102,613)	(264,456)
Interest received	14,073	8,236
Net cash provided by operating activities	4,586,229	2,863,805
Cash flows from investing activities		
Purchases of property, plant and equipment	(3,028,740)	(190,172)
Purchases of intellectual property	(161,654)	(108,222)
Net cash used in investing activities	(3,190,394)	(298,394)
Cash flows from financing activities		
Proceeds from issues of shares (net of transaction costs)	6,573,080	-
Repayment of borrowings	(1,760,465)	(615,484)
Net cash (used)/provided in financing activities	4,296,189	(615,484)
Net increase in cash and cash equivalents	6,208,450	1,949,927
Cash and cash equivalents at the beginning of the period	2,445,217	1,884,735
Cash and cash equivalents at the end of the period	8,653,667	3,834,662

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Half-year period ended 31 December 2018

	Issued Capital	Reserves	Retained Earnings	Total Parent Entity Interest	Non-controlling interest	Total
Balance at 1 July 2017	21,516,054	486,134	(9,148,465)	12,853,723	507	12,854,230
Net loss for the period after tax	-	-	(1,674,740)	(1,674,740)	10	(1,674,730)
Other comprehensive income for the year	-	(8,382)	-	(8,382)	-	(8,382)
Net movement in foreign currency translation reserve	-	(8,382)	-	(8,382)	-	(8,382)
Total comprehensive income for the year	-	(8,382)	(1,674,740)	(1,683,122)	10	(1,683,122)
Transactions with owners						
Shares issued from ESS trust	122,172	(122,172)	-	-	-	-
Recognition of prior period share based payments ¹	-	373,291	(373,291)	-	-	-
Balance at 31 December 2017	21,638,226	728,871	(11,196,496)	11,170,601	517	11,171,118
Balance at 1 July 2018	26,991,683	717,725	(12,861,805)	14,847,603	532	14,848,135
Net profit for the period after tax	-	-	(4,560,843)	(4,560,843)	174,902	(4,385,941)
Other comprehensive income for the period	-	(54,390)	-	(54,390)	-	(54,390)
Net movement in foreign currency translation reserve	-	(54,390)	-	(54,390)	-	(54,390)
Net movement in Warrant reserve	-	488,393	-	488,393	-	488,393
Net movement in share based payment reserve	-	2,017,393	-	2,017,393	-	2,017,393
Total comprehensive income for the period	-	2,451,396	(4,560,843)	(2,109,447)	174,902	(1,934,545)
Transactions with owners						
New issues of shares [net of transaction costs]	6,291,194	-	-	6,291,154	-	6,291,154
Shares issued from the ESS Trust	73,913	(73,913)	-	-	-	-
Balance at 31 December 2018	33,356,750	3,095,208	(17,472,648)	19,029,309	175,435	19,204,744

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

¹ The adjustment above is to reflect the shares allocated to participants within prior periods.

NOTES TO THE FINANCIAL REPORT

For the Half-year period ended 31 December 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The half-year consolidated financial report was approved by the Board of Directors on 26 February 2019. This half-year consolidated financial report has been prepared in accordance with Australian Accounting Standard AASB134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The half-year consolidated financial report is intended to provide users with an update on the latest annual financial statements of Calix Limited and its controlled entities ('the Group'). As such, the half-year report does not include full disclosures of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. Accordingly, it is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2018.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

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

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

(i) AASB 9: Financial Instruments

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

Impairment

The Group applies the AASB9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Losses incurred in the last 2 years represent less than 0.01% of receivables and are immaterial. Therefore, no impairment has been recorded.

(ii) AASB15 – Revenue from contracts with customers

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

The product sales are recognised when control of the products has transferred, being when the products are delivered to the customer's specified location, the amount of revenue can be measured reliably, and it is probable that payment will be received by the Group.

Impact of standards issued but not yet applied by the entity**AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).**

When effective, this standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The consolidated entity will adopt this standard from 1 July 2019. Management anticipate that the Group's operating lease contracts currently in effect will be impacted in AASB 16, and are currently in the process of determining the effects of the implementation of AASB 16 on the financial statements.

NOTES TO THE FINANCIAL REPORT

For the Half-year period ended 31 December 2018

2. REVENUE AND OTHER INCOME

	31-Dec-18 \$	31-Dec-17 \$
Revenue		
Revenue from core products	1,422,892	1,656,443
Revenue from other products	83,856	81,023
Total Revenue	1,506,748	1,737,466
Other income		
LEILAC project income	3,736,032	594,154
R&D incentive income	2,003,309	1,858,440
Other grant income	298,045	243,886
Interest income	14,073	8,236
Debt forgiveness of loan	516,426	-
Other income	-	17
Total other income	6,567,884	2,704,733
Total revenue and other income	8,074,632	4,442,199

Debt forgiveness of loan

In the period ended 31 December 2018, shareholder loans relating to the subsidiary Millennium Generation Limited, previously recognised as non-current other borrowings (see note 8), were derecognised during the period as a result of debt forgiveness for these loans. Differences in the closing balance of the previous period represent changes in foreign exchange rates in the functional currency of the subsidiary to the presentation currency over the reporting period.

3. EXPENSES

The Group has identified a number of expense items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding the financial performance of the group: -

	31-Dec-18 \$	31-Dec-17 \$
Rental expense relating to operating leases	105,777	106,993
Employee benefit expenses	2,697,548	2,009,695
Financing costs	102,613	287,351
Depreciation and amortisation expense	943,692	877,207
IPO expense	2,363,273	-
Impairment expense	1,936,065	144,523
	8,148,968	3,425,769

IPO expense

In the period ended 31 December 2018, the Group issued 15,094,340 shares as part of an initial public offering (IPO) which raised \$8,000,000 in funds (see note 10 issued capital). As a result of the Company achieving its IPO, the Board resolved to grant and vest the remaining 3,400,747 shares (\$1,809,198) held in the Employee Share Scheme trust. These are recognised in the Share Based Payment Reserve (see note 11 Reserves). The balance of the expenses related to associated costs of the IPO which were recognised through the profit and loss in the period.

Impairment expense

In the period ended 31 December 2018, assets relating to the LEILAC project were found to require impairment under the Group's accounting policy on the basis that their value in use had dropped below their carrying value.

NOTES TO THE FINANCIAL REPORT

For the Half-year period ended 31 December 2018

4. CURRENT ASSETS – TRADE & OTHER RECEIVABLES

	31-Dec-18 \$	30-Jun-18 \$
Trade receivables	593,202	940,255
LEILAC grant receivable	-	644,958
R&D incentive receivable	1,987,452	5,078,952
Other receivables	188,801	121,385
Prepayments	223,088	183,270
Prepaid IPO costs	-	345,405
Deposits paid	210,815	549,810
Other current assets	640	2,843
Total trade & other receivables	3,203,998	7,866,878

5. NON-CURRENT ASSETS - INTANGIBLES

	31-Dec-18 \$	30-Jun-18 \$
Intellectual property	838,504	677,630
Less: accumulated amortisation	(93,792)	(28,793)
Total intangibles	744,712	648,837

6. NON-CURRENT ASSETS – PROPERTY, PLANT & EQUIPMENT

	31-Dec-18 \$	30-Jun-18 \$
Office furniture, fittings & equipment	1,310,232	1,161,492
Less: accumulated depreciation	(1,000,548)	(943,803)
	309,684	217,689
CFC Calciner facility	18,430,260	17,602,790
Less: accumulated depreciation	(9,743,420)	(9,011,012)
	8,686,840	8,591,778
Slurry manufacturing and application assets	1,444,068	1,329,024
Less: accumulated depreciation	(435,103)	(347,226)
	1,008,965	981,798
Mining tenements	1,173,664	1,173,664
Less: accumulated amortisation	(21,303)	(19,647)
	1,152,361	1,154,017
LEILAC project calciner	4,852,190	2,916,125
Less: accumulated impairment	(4,852,190)	(2,916,125)
	-	-
SOCRATCES Plant and Equipment	2,193	-
Less: accumulated depreciation	-	-
	2,193	-
Land	838,499	838,499
Total property, plant & equipment	11,998,542	11,783,781

NOTES TO THE FINANCIAL REPORT

For the Half-year period ended 31 December 2018

7. CURRENT LIABILITIES – TRADE & OTHER PAYABLES

	31-Dec-18 \$	30-Jun-18 \$
Trade payables	1,088,403	3,506,295
Sundry payables & accrued charges	(8,010)	234,322
Total trade & other payables	1,080,393	3,740,617

8. BORROWINGS

	31-Dec-18 \$	30-Jun-18 \$
Current borrowings		
EFIC ⁽¹⁾	-	1,571,270
Loan notes ⁽²⁾	-	280,000
Vehicle financing facilities	110,212	39,816
	110,212	1,891,086
Non-current borrowings		
Vehicle financing facilities	126,526	116,658
Other borrowings ⁽³⁾	-	505,885
	126,526	622,543
Total borrowings	236,738	2,513,629

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised as profit or loss over the period of the borrowings using the effective interest rate method.

Where there is an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

(1) EFIC

As at 30 June 2018, Calix had a secured working capital facility for up to €3.4 million with the Export Finance and Insurance Corporation to assist with funding the LEILAC project expenditures to be incurred between 1 March 2018 and 31 July 2018 at an interest rate of 5.75%. As at 31 December 2018, the facility had been fully repaid and closed (30 June 2018: \$1,571,270).

(2) Loan note issuance

In November 2016, Calix raised funds by issuing loan notes. This facility raised \$4,106,063 at an interest rate of 10% per annum and replaced the previous facility in place at June 2016. As at 31st December 2018, the facilities had been fully repaid, the balance at 30 June 2018 for these notes was \$280,000.

(3) Other borrowings

The other borrowings balance as at 30 June 2018 comprise of debts outstanding in Millennium Generation Limited, a 65% owned subsidiary of Calix Europe Limited. As at 31st December 2018, these debts had been forgiven (see note 2) in their entirety leaving a balance of \$nil at the reporting date (30 June 2018: \$505,885).

9. DEFERRED REVENUE

	31-Dec-18 \$	30-Jun-18 \$
Current deferred revenue	3,058,131	202,171
Non-current deferred revenue	1,107,410	1,093,454
Total deferred revenue	4,165,541	1,295,625

NOTES TO THE FINANCIAL REPORT

For the Half-year period ended 31 December 2018

Associated Projects

The deferred revenue balances at reporting date are associated with the LEILAC EU Horizons 2020 project, ASCENT Project and the SOCRATCES project.

10. ISSUED CAPITAL

	31-Dec-18 \$	30-Jun-18 \$
Fully paid ordinary shares	37,454,629	29,298,216
Costs of fund raising recognised	(4,097,879)	(2,306,533)
Total issued capital	33,356,750	26,991,683

a. Fully paid ordinary shares

	31-Dec-2018 Number of shares	30-Jun-18 Number of shares
At the beginning of the year	107,613,555	1,947,502,882
Issued during the year	15,259,340	204,768,195
Consolidation of shares	-	(2,044,657,522)
Balance at the end of year	122,872,895	107,613,555

	31-Dec-18 \$	30-Jun-18 \$
At the beginning of the year	29,298,216	23,709,354
Issued during the year	8,156,413	5,588,862
Balance at the end of year	37,454,629	29,298,216

b. Costs of fund raising recognised

	31-Dec-18 \$	30-Jun-18 \$
At the beginning of the year	2,306,533	2,193,300
Incurring during the year	1,791,346	113,233
At the end of the year	4,097,879	2,306,533

c. Movements in ordinary share capital

	Number of shares	\$
1 July 2017 – Opening balance	1,947,502,882	23,709,355
31-December-2017	-	112,650
09-March-2018	186,041,603	4,967,311
12-March-2018	18,726,592	500,000
20-April-2018	(2,152,271,077)	-
20-April-2018	107,613,555	-
01-June-2018	-	8,901
30 June 2018 – Balance	107,613,555	29,298,216
20-July-2018	15,094,340	8,000,000
07-August-2018	165,000	82,500
31-December-2018	-	73,913
31 December 2018 – Balance	122,872,895	37,454,629

NOTES TO THE FINANCIAL REPORT

For the Half-year period ended 31 December 2018

11. RESERVES

	31-Dec-18 \$	30-Jun-18 \$
Foreign currency translation reserve	(1,392)	53,005
Share-based payment reserve	2,460,748	517,261
Warrant reserve	635,852	147,459
Total reserves	3,095,208	717,725
At the beginning of the year	717,725	486,132
Revaluations made to foreign currency translation reserve made during the year	(54,397)	(20,155)
Shares issued to the ESS trust	1,809,198	-
Employee Incentive Schemes-value of employee services	208,202	-
Shares withdrawn from the ESS trust	(73,913)	(121,526)
Recognition of prior period share based payments	-	373,272
Additions to warrant reserve	488,393	-
At the end of the year	3,095,208	717,725

12. LOSS PER SHARE

	31-Dec-18 \$	31-Dec-17 \$
a. Earnings used to calculate basic EPS from continuing operations	(4,385,948)	(1,674,730)
	Number	Number
b. Weighted average number of ordinary shares during the year used in calculating basic EPS ⁽¹⁾	125,554,161	97,375,144

(1) Shares used in EPS calculation

The number of shares used in the calculation of the loss per share for the period ending 31 December 2017 has been adjusted to account for the twenty-to-one share consolidation performed by the company in April 2018 such as to allow a clearer comparison of the earnings per share figure between the two periods.

13. CONTINGENT LIABILITIES

There are no known contingent liabilities.

NOTES TO THE FINANCIAL REPORT

For the Half-year period ended 31 December 2018

14. RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable to those available to other parties unless otherwise stated.

Ultimate parent company

Calix Limited acquired shares in Calix (Europe) Limited on 6 March 2009. As at 31 December 2018 Calix Limited had loaned funds to Calix (Europe) Limited for the amount of \$1,788,897 (Loans to Calix (Europe) Limited at 30 June 2018: \$533,772).

Calix Limited acquired shares in Calix North America LLC on 25 November 2009. As at 31 December 2018 Calix Limited had loaned funds to Calix North America LLC to the amount of \$4,024 (30 June 2018: \$4,024).

Calix Limited acquired shares in Calicoat Pty Limited in 2007. Calicoat has not traded since its inception. As at 31 December 2018 Calix Limited had loaned funds to Calicoat Pty Limited to the amount of \$1,977 (30 June 2018: \$1,977).

On 8 October 2012 Calix established MS Minerals as a wholly owned subsidiary. As at 31 December 2018 Calix Limited had loaned funds to the amount of \$955,459 to MS Minerals (30 June 2018: \$607,122).

On 6 August 2014 Calix established Calix Technology Pty Ltd as a wholly owned subsidiary. Calix Technology Pty Ltd has not traded since its inception.

On 20 April 2017 Calix established Calixhe SA as a wholly owned subsidiary. Calixhe SA has not traded since its inception.

15. AFTER BALANCE DATE EVENTS

No other matters or circumstances have arisen since the end of the year which significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future years.

NOTES TO THE FINANCIAL REPORT

For the Half-year period ended 31 December 2018

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on page 4 to 14 are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standards Reduced Disclosure Requirements, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half year ended on that date, and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



P J Turnbull
Chair
Sydney
26 February 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Calix Limited

Report on the Half-Year Financial Report

Conclusion

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

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

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

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

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

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

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

BDO

A handwritten signature in black ink, appearing to read 'Ian Hooper', is written over the printed name below.

Ian Hooper
Partner

Sydney, 26 February 2019

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