

Rules 4.1, 4.3

Appendix 4D

Half yearly report

Name of Entity	CLARITY OSS LIMITED
ACN	057 345 785
Financial Period Ended	31 December 2015
Previous Corresponding Reporting Period	31 December 2014

Results for Announcement to the Market

	\$	Percentage increase/ (decrease) over previous corresponding period
Revenue	-	(100%)
Profit after tax attributable to members	1,641,243	299%
Net profit for the period attributable to members	1,641,243	299%
Dividends (distributions)	Amount per security	Franked amount per security
Final dividend	N/A	N/A
Interim dividend	N/A	N/A
Previous corresponding period	N/A	N/A
Record date for determining entitlements to the dividends (if any)		N/A

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

As previously reported, after a period of voluntary administration, a deed of company arrangement was effectuated on 6 July 2015 and the administrator returned control of the Company to the directors on 9 July 2015. The securities of the Company continued to be suspended from quotation on the ASX during this time. The period saw no trading with the reported profit attributable to the write back of liabilities due to restructuring of \$2.7m. This gain is attributed to the Australian entity Clarity Group Holdings, which was deregistered in August 2015. The directors continue to investigate and seek further advice as to the possible future outcomes for the Company and the CPS Group continue to fund the associated costs in the interim.

The half-yearly report is to be read in conjunction with the most recent annual financial report.

Dividends

Date the dividend is payable	N/A
Record date to determine entitlement to the dividend	N/A
Amount per security	N/A
Total dividend	N/A
Amount per security of foreign sourced dividend or distribution	N/A
Details of any dividend reinvestment plans in operation	N/A
The last date for receipt of an election notice for participation in any dividend reinvestment plans	N/A

NTA Backing

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	(2.9)¢	(3.5)¢

Control Gained Over Entities Having Material Effect

Name of entity (or group of entities)	N/A
Date control gained	N/A
Consolidated profit since the date in the current period on which control was acquired	N/A
Loss of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A

Loss of Control Gained Over Entities Having Material Effect

Name of entity (or group of entities)	Clarity Group Holdings Pty Ltd
Date control lost	30 August 2015
Consolidated profit/(loss) for the current period to the date of loss of control	-
Profit/(loss) of the controlled entity (or group of entities) while controlled for the whole of the previous corresponding period	-

Details of Associates and Joint Venture Entities



Name of Entity	Percentage Held		Share of Net Profit	
	Current Period	Previous Period	Current Period	Previous Period
N/A				
Aggregate Share of Net Profits				

Audit/Review Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited		The accounts have been subject to review	√
The accounts are in the process of being audited or subject to review		The accounts have not yet been audited or reviewed	
If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification: <div style="text-align: center;">N/A</div>			
If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification: <div style="text-align: center;">N/A</div>			

Attachments Forming Part of Appendix 4D

Attachment #	Details
1	Interim Financial Report

Signed By (Director/ Company Secretary) <div style="text-align: center;"></div>	(Director/Company Secretary) <div style="text-align: center;"></div>
Dr Ian Campbell Sydney, 29 February 2016	Andrew Wrigglesworth Sydney, 29 February 2016

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2015.

Directors

The names of directors who held office during or since the end of the half-year are:

Dr Ian Campbell
Mr Ian Lancaster
Mr Andrew Wigglesworth

Review of Operations and Events Subsequent to Balance Date

Clarity OSS Limited ("Clarity OSS" or the "Company") and its controlled entities ("Clarity" or the "Group") is a publicly listed Australian corporation.

Clarity OSS was previously known as Powerlan Limited and listed on the Australian Stock Exchange ("ASX") with the stock code PWR. The change of name was certified by the Australian Securities and Investments Commission on 6 January 2012 with a new stock code, CYO, subsequently being authorised by the ASX. The Group recorded a profit after tax from discontinued operations for the half year ended 31 December 2014 of \$411,666 (2013: loss of \$4,658,400).

On 24 June 2014, Clarity OSS announced that its secured creditor, the CPS Group ("CPS") and a subsidiary of the Company, had entered into an agreement to sell most of the Clarity Group's assets to the Australian subsidiary of a US quoted corporation ("Buyer").

As disclosed in the Company's Appendix 4D Report for the half year ended 31 December 2013, Dr. Ian Campbell, who, through his company CPS had been financially supporting the Company through a sustained period of losses, had informed the Board that CPS might not be able to provide all the funding that might be necessary to enable the Company to continue as a going concern. CPS had already provided funding that had culminated in a debt of about \$26 million owed by the Company. It was noted in the notes to the Report that, in order to further support the Company through its difficulties, CPS had forgiven \$14.5 million of its debt, leaving a balance owed of \$12.6 million. Subsequently, Dr. Campbell provided further support to the Company by advancing further funds and by paying out the debt owed to Partners for Growth III, L.P.

Despite Dr. Campbell's ongoing support, the Company continued to suffer financial difficulties to the extent that, with CPS and Dr. Campbell no longer having the capacity to support the Company, the appointment of an administrator or liquidator became a real possibility.

During the preceding months, Clarity had been negotiating with several potential purchasers of its assets, which negotiations culminated in an offer by the Buyer. On 23 June 2014, the Company received a letter from Dr. Campbell in which he indicated CPS' intentions to sell the assets - the subject of its securities - to the Buyer. Dr. Campbell pointed out that this was the best offer the Company had received after many months of offering the assets to the market and that if it were not accepted and if the sale were not completed within a very short time frame, the Company would be likely to be placed in liquidation. The directors resolved that the relevant Company subsidiary should join CPS in the Sale by agreeing to sell to the Buyer the Company's assets which were not the subject of any security. The only assets that were not subject to the CPS security were certain contracts with an Indonesian customer, the net value of which contracts was estimated to be \$50,000 after allowing for the costs of completing the contracts. Dr. Campbell did not participate in the discussion or vote on this resolution.

Certain assets relating to certain operations in regions where the Buyer did not propose to carry on business were not included in the sale and these assets were subsequently sold by CPS to the Australian subsidiary of an Iranian based company for a net amount of \$1 million.

On 4 July 2014, Clarity OSS announced that the directors had resolved to place the Company in voluntary administration and to appoint Tim Heesh of TPH Insolvency as the administrator. The securities of Clarity OSS were suspended from quotation by the ASX immediately following this announcement. On 14 October 2014, the creditors resolved pursuant to section 439C(a) of the Corporations Act 2001, that the Company execute a deed of company arrangement ("DOCA") including a Deed Fund providing about 5 cents in the dollar to be advanced by CPS in respect of all known claims of unsecured creditors. CPS's security interest was unaffected in the DOCA and the full amount of monies owed to CPS remain outstanding and subject to CPS's security. The DOCA was subsequently effectuated on 6 July 2015 and the administrator returned control of the Company to the directors on 9 July 2015.

A board meeting was held on 17 July 2015 when the directors decided that further advice and investigation were required as to the possible future options for the Company. The Chairman, Dr. Ian Campbell informed the Board that CPS would continue to provide those funds necessary to enable the undertaking of the investigations and the obtaining of the desired advice. At the FY14 Annual General Meeting held on 30 September 2015, the Company advised that these investigations were on-going and this continues to be the case today.

As part of the restructure of the Company and as reported in the FY15 Annual Report, the de-registration of Clarity Group Holdings Pty Limited ("CGH") on 30 August 2015 meant that the Company has lost control of CGH and its direct subsidiaries resulting in a material reduction in liabilities including a write back of \$2.7m which has contributed - despite on-going operational costs - to a reported profit of \$1.6m for the period.

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 6 for the half year ended 31 December 2015.

The report is signed in accordance with a resolution of the Board of Directors.



Dr Ian Campbell
Director
Sydney, 29 February 2016

Auditor's Independence Declaration



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DECLARATION OF INDEPENDENCE BY JOHN BRESOLIN TO THE DIRECTORS OF CLARITY OSS LIMITED

As lead auditor for the review of Clarity OSS Limited for the half-year ended 31 December 2015, 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 Clarity OSS Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'J Bresolin', with a stylized flourish at the end.

John Bresolin
Partner

BDO East Coast Partnership

Sydney, 29 February 2016

CLARITY OSS LIMITED AND CONTROLLED ENTITIES

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2015		31-Dec-15	31-Dec-14
	Note	\$	\$
Discontinuing Operations			
Revenue from operating activities	2(a)	-	44,280
Other income	2(b)	2,737,333	1,471,585
Operating expenses	3(a)	(545,846)	(612,752)
Finance costs	3(b)	(550,244)	(491,447)
Profit from discontinued operations		1,641,243	411,666
Income tax expense		-	-
Profit from discontinued operations after income tax expense		1,641,243	411,666
Items that may be subsequently reclassified to profit & loss			
Other comprehensive income for the half year, net of tax		-	-
Total comprehensive income for the half year		1,641,243	411,666
Profit attributable to:			
Members of the parent entity		1,641,243	411,666
Profit for the half year		1,641,243	411,666
		Cents	Cents
Earnings per share from profit from discontinuing operations			
Basic and diluted earnings per share		0.47	0.12

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the attached notes.

CLARITY OSS LIMITED AND CONTROLLED ENTITIES

Consolidated Statement of Financial Position

As at 31 December 2015		31-Dec-15	6-Jul-15
	Note	\$	\$
Current Assets			
Cash and cash equivalents		10,401	-
Trade and other receivables		-	36,845
Total Current Assets		10,401	36,845
Non-Current Assets			
Total Non-Current Assets		-	-
Total Assets		10,401	36,845
Current Liabilities			
Trade and other payables		43,109	2,797,055
Short term provisions		45,106	37,857
Financial liabilities	6	10,155,275	9,076,265
Total Current Liabilities		10,243,490	11,911,177
Non-Current Liabilities			
Total Non-Current Liabilities		-	-
Total Liabilities		10,243,490	11,911,177
Net Liabilities		(10,233,089)	(11,874,332)
Equity			
Issued capital		164,301,899	164,301,899
Reserves		(1,197,423)	(1,197,423)
Accumulated losses		(173,337,565)	(174,978,808)
Total Equity		(10,233,089)	(11,874,332)

The Consolidated Statement of Financial Position should be read in conjunction with the attached notes.

CLARITY OSS LIMITED AND CONTROLLED ENTITIES

Consolidated Statement of Changes in Equity For The Half Year Ended 31 December 2015

Attributable to equity holders of the consolidated entity	Issued Capital	Foreign Currency Reserve	Other Reserves	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Total comprehensive Income for the half year					
Balance at 3 July 2014	164,301,899	322,278	(1,519,701)	(177,191,971)	(14,087,495)
Profit attributable to members of the consolidated entity	-	-	-	411,666	411,666
Other Comprehensive Income	-	-	-	-	-
Total comprehensive income for the half year	-	-	-	411,666	411,666
Balance at 31 December 2014	164,301,899	322,278	(1,519,701)	(176,780,305)	(13,675,830)
Total comprehensive Income for the half year					
Balance at 6 July 2015	164,301,899	322,278	(1,519,701)	(174,978,808)	(11,874,332)
Profit attributable to members of the consolidated entity	-	-	-	1,641,243	1,641,243
Other Comprehensive Income	-	-	-	-	-
Total comprehensive income for the half year	-	-	-	1,641,243	1,641,243
Balance at 31 December 2015	164,301,899	322,278	(1,519,701)	(173,337,565)	(10,233,089)

The Consolidated Statement of Changes in Equity should be read in conjunction with the attached notes.

CLARITY OSS LIMITED AND CONTROLLED ENTITIES

Consolidated Statement of Cash Flows

For the half year ended 31 December 2015	31-Dec-15	31-Dec-14
	\$	\$
Discontinued Operations		
Cash flows from discontinued operations		
Receipts from customers (inclusive of GST)	-	48,708
Proceeds from mortgagee sale of assets	-	1,000,000
Payments to suppliers and employees (inclusive of GST)	(518,365)	(625,521)
Finance costs	-	-
Net cash inflow/(outflow) from operating activities	(518,365)	423,187
Cash flows from investing activities		
Net cash outflow from investing activities	-	-
Cash flows from financing activities		
Loan proceeds from financing parties	528,766	398,813
Loan repaid to financing parties	-	(1,000,000)
Net cash inflow/(outflow) from financing activities	528,766	(601,187)
Net increase/(decrease in cash and cash equivalents	10,401	(178,000)
Cash and cash equivalents at the beginning of the half year	-	178,000
Cash and cash equivalents at the end of the half year	10,401	-

The Consolidated Statement of Cash Flows should be read in conjunction with the attached notes.

CLARITY OSS LIMITED AND CONTROLLED ENTITIES

**Notes to and forming part of the Consolidated Financial Report for the half year ended
31 December 2015**

Note 1. Basis of Preparation

This consolidated financial report for the half-year ended 31 December 2015 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This consolidated financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Clarity OSS Limited ("Clarity" or the "Company") during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below:

(a) Going Concern

As at 31 December 2015, the Group has a net asset deficiency of \$10.2m, with no business to generate revenue. The Company is also dependent on a credit facility from CPS Group Investments Pty Ltd ("CPS"), which owns 47.63% of the share capital in Clarity. Details of the funding facility can be found in Note 6.

The ability of the Company to continue as a going concern is dependent upon continued financial support from CPS to facilitate obtaining and evaluating further advice and investigations as to the possible future options of the Company. The financial support from CPS includes ensuring the Company can pay its debts as they are incurred and become due and payable. These conditions indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

After taking into account all of the available information, including the continued financial support from the Chairman of the Company and CPS, the directors have concluded that there are reasonable grounds to believe that the basis for the preparation of the financial statements on a going concern basis after administration is appropriate.

Should the company be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the company be unable to continue as a going concern and meet its debts as and when they fall due.

(b) Early adoption of Standards

Clarity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') which are mandatory to apply to the current interim period. Any new, revised or amending Accounting Standards and Interpretations that are not yet mandatory have not been early adopted. Adoption of these Accounting Standards and Interpretations did not have any effect on the financial position or performance of the Company.

CLARITY OSS LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the Consolidated Financial Report for the half year ended
31 December 2015

Note 2: Revenue

For the half year ended 31 December 2015	Consolidated	
	2015	2014
	\$	\$
(a) Revenue from discontinued operations		
Services revenue	-	44,280
Total revenue	-	44,280
(b) Other income		
Interest received	123	-
Gain due to restructure	2,737,210	1,471,585
Total other income	2,737,333	1,471,585

Gain due to restructure

As part of the restructure of the Company and as reported in the FY15 Annual Report, the de-registration of Clarity Group Holdings Pty Limited ("CGH") on 30 August 2015 meant that the Company has lost control of CGH and its direct subsidiaries resulting in a material reduction in liabilities including a write back of approximately \$2.7m. In the corresponding period in 2014, the voluntary winding up of various Clarity Australian entities resulted in an associated write back of liabilities of approximately \$1.5m.

CLARITY OSS LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the Consolidated Financial Report for the half year ended
31 December 2015

Note 3: Operating Expenses

	Consolidated	
For the half year ended 31 December 2015	2015	2014
	\$	\$
Profit/(Loss) for the half year is stated after charging the following items		
(a) Expenses, excluding finance costs		
Employee benefit expenses	224,051	132,993
Travel expenses	3,842	-
Operating lease - minimum lease payments	253,089	200,356
Professional fees	33,977	134,885
Communication expenses	199	-
Unrealised foreign exchange loss	-	144,519
Other expenses	30,688	-
Total expenses, excluding finance costs and impairment	545,846	612,753
(b) Finance costs		
Finance cost includes:		
CPS loan	550,244	491,447
Total finance costs	550,244	491,447

Note 4: Dividends Paid

There were no dividends paid or declared during the period.

Note 5: Contingent Liabilities

There are no material changes to the contingent liabilities as set out in the Company's 2015 annual report.

CLARITY OSS LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the Consolidated Financial Report for the half year ended
31 December 2015

Note 6: Financial Liabilities

As at 31 December 2015	Consolidated	
	31-Dec-15	6-Jul-15
	\$	\$
Current financial liabilities		
CPS loan	10,155,275	9,076,265
Total current financial liabilities	10,155,275	9,076,265
Total financial liabilities	10,155,275	9,076,265

Pursuant to a Loan Note Subscription Agreement dated 10 May 2005 ("Loan Agreement"), as amended, CPS agreed to subscribe for and pay the Issue Price (as defined in the Loan Agreement) to the Company for a Note (as defined in the Loan Agreement) that the Company agreed to allot and issue to CPS on the terms set out in the Loan Agreement. The Note is secured by a fixed and floating charge established on 11 May 2005 and later amended on 28 December 2010.

The balance outstanding to CPS under the note at 31 December 2015 was \$10.2 million. Further, CPS has indicated an intention to provide continued financial support should it be required to enable the Company to pay its debts as they become payable.

The carrying value of the financial liabilities is assumed to approximate their fair value.

Note 7: Events Subsequent to Reporting Date

No matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 8: Segment Reporting

Operating segments are based upon the reports reviewed by the chief operating decision maker. Following the cessation of trading upon entry into voluntary administration on 4 July 2014, the Group no longer has an operating segment as all of its operations have been discontinued. Previously, the Group operated as a software and services provider to the telecom industry.

DIRECTORS' DECLARATION

In the directors' opinion:

- ☐ the attached financial statements and notes thereto comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 '*Interim Financial Reporting*', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- ☐ the attached financial statements and notes thereto give a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the financial half-year ended on that date; and
- ☐ there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the *Corporations Act 2001*.



Dr Ian Campbell
Director
Sydney, 29 February 2016



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Clarity OSS Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Clarity OSS Limited, which comprises the consolidated statement of financial position as at 31 December 2015, 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 ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

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 consolidated entity's financial position as at 31 December 2015 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 Clarity OSS 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.

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 Clarity OSS Limited, 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 ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.



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 Clarity OSS 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 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon continued financial support from CPS Group Investments Pty Ltd and further advice and investigations as to the possible future options of the company. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt as to the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'J Bresolin', is written over a faint, larger 'BDO' logo.

John Bresolin
Partner

Sydney, 29 February 2016