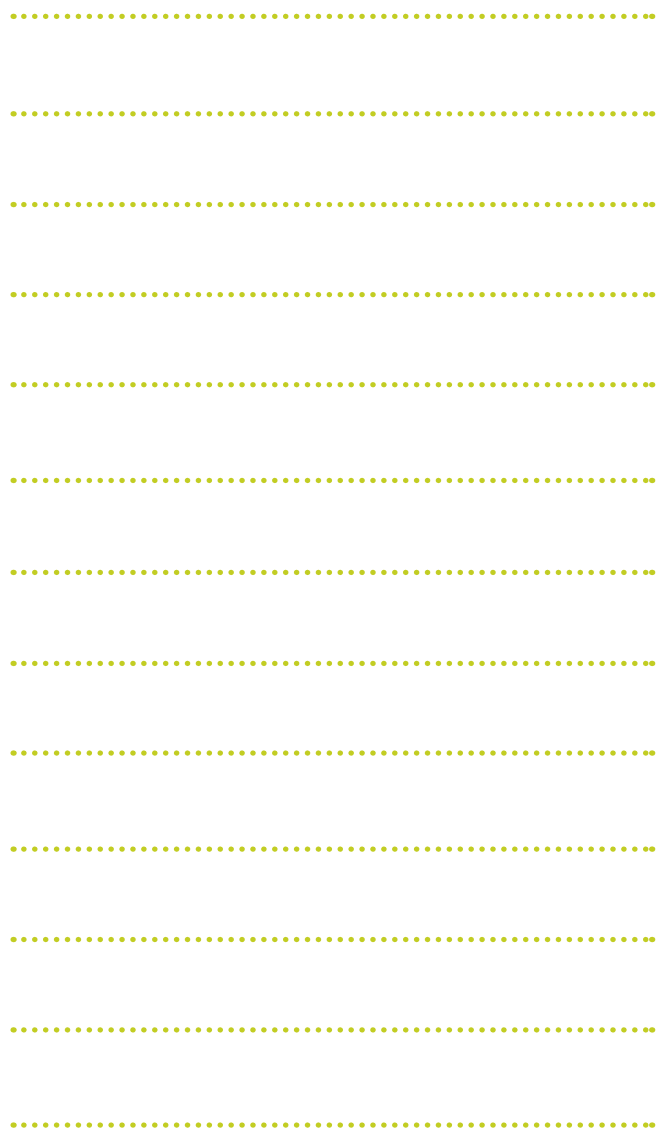


# Focus

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2013 Clarius Group  
Annual Report



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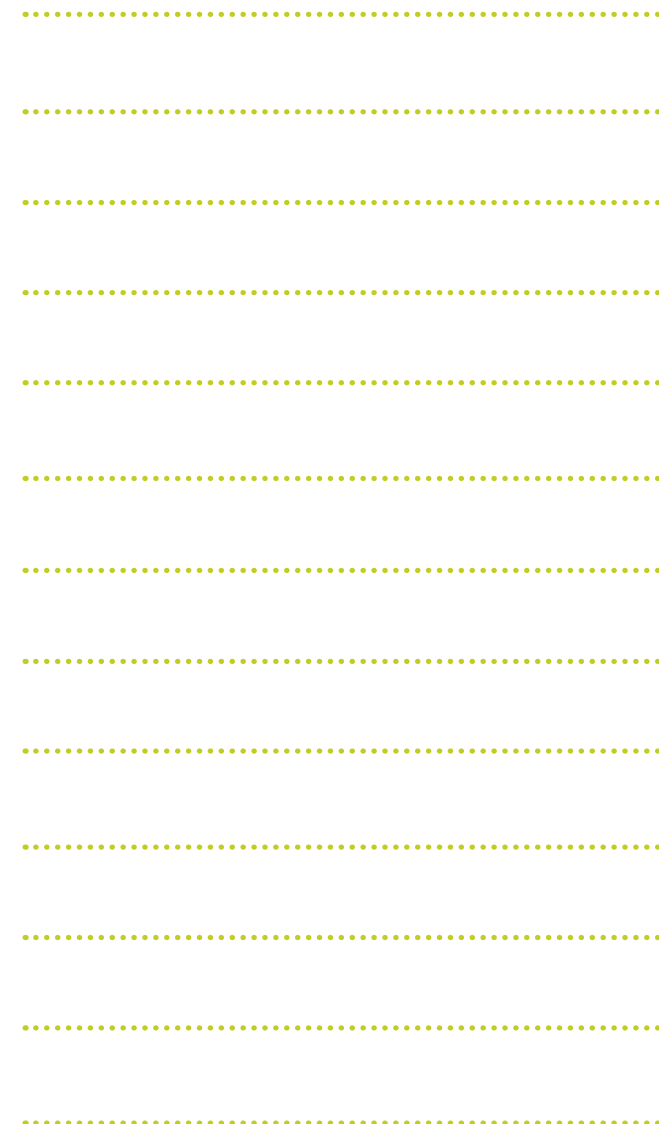
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## 2013 Clarius Group Annual Report



### Clarius Group Limited

ABN 43 002 724 334

#### Head Office:

Level 9, 1 York Street  
Sydney NSW 2000  
T: +612 9250 8100  
W: [www.clarius.com.au](http://www.clarius.com.au)  
E: [feedback@clarius.com.au](mailto:feedback@clarius.com.au)

#### Stock Exchange Listing

Australian Securities Exchange

#### Share Registry

Computershare  
Level 4, 60 Carrington Street  
Sydney NSW 2000  
T: +612 9415 4000

#### Managing Director

Kym Quick

#### Chief Financial Officer

Anne Bastock

#### Company Secretary

Nicholas Geddes

#### Auditor

KPMG

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## 2013 Clarius Group Annual Report

# Chairman's Letter

Dear Shareholders,

The 2013 financial year was difficult for the recruitment market generally and also for our business. Over the year we spent considerable time and effort refining our business model and cost base while simultaneously investing in our growth markets in Asia, our people by equipping them with more skills to enable them to thrive in this economy, and our processes and systems.

The 2013 operating loss of the Group of \$0.9m excluding goodwill impairment and de-recognition of tax losses, while in line with market guidance, decreased from a \$2.1m operating profit in FY2012. Restructuring was undertaken during the year, predominantly in the management and back office areas, costing \$0.5m. This has generated net salary savings of \$3.5m, some of which have been realised in FY2013 with the full effect to be realised in FY2014.

Continued market uncertainty and volatility compelled the Group to assess the carrying value of goodwill relating to prior acquisitions made during peaks in the economic cycle. In accordance with accounting standards, we have provided for impairment of goodwill of \$40.9m. We have also de-recognised tax losses in New Zealand of \$0.4m with a resulting statutory net loss for the Group for 2013 of \$42.2m.

Trading conditions across the Australian and New Zealand businesses were challenging, with economic and political instability leading to increased cautiousness in hiring activity. Reduced demand for permanent and contracting services and pressure on margins from major accounts have impacted the full year result for FY2013.

By comparison, our recruitment business in China has performed well, with a new office opened in Suzhou and an additional office also opened in Shanghai. With the market in China continuing to show strength we will look to expand into other regional locations in China as demand dictates.

In light of the difficult trading conditions felt across the majority of our business, the Directors chose to be prudent and declined to recommend a dividend for 2013. Once market conditions and profitability improve, we will revert to again paying dividends.

In early August, Lawrence Gibbs stepped down as Chairman of the Board as a result of other professional commitments and also indicated that he would not be seeking re-election as a Director at the forthcoming Annual General Meeting. I have stepped into the Chairman's role in an interim capacity until the Board has undertaken a search to find and appoint a new Chairman. In addition, the Board is currently reviewing the skills and capabilities required of its Directors as the recruitment industry continues to undergo significant change.

On behalf of my Director colleagues I would like to thank very much the executive team, senior management and staff for their efforts in managing through very difficult conditions during the 2013 financial year. We remain confident that the structural changes made to the business will hold the Group in a strong position when the market rebounds.

Kym Quick's Managing Director's report which follows, and her address to shareholders at the October Annual General Meeting will provide shareholders with further elaboration on the 2013 year, the 2014 outlook and beyond.



Penelope (Penny) Morris AM  
Interim Chairman

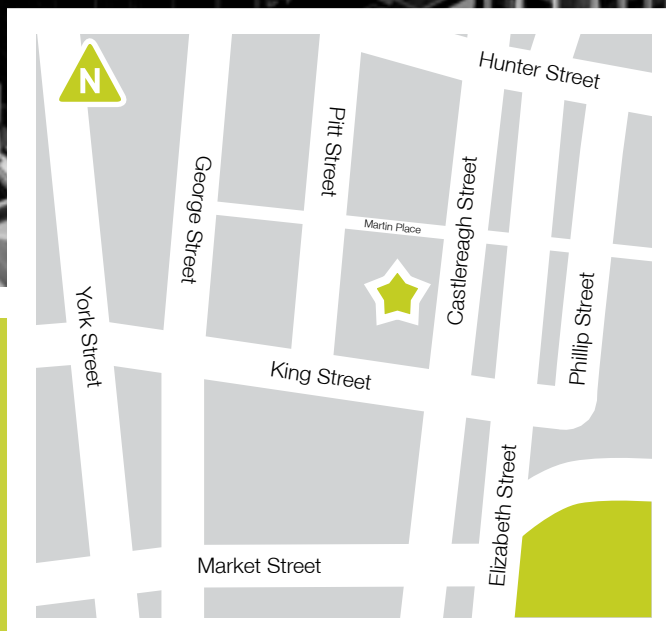




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## 2013 Clarius Group Annual Report



## Annual General Meeting



The Annual General Meeting of Clarius Group will be held at 10am on Thursday, 31 October 2013, at the **NSW Trade and Investment Centre** on Level 47, MLC Centre, 19 Martin Place, Sydney.

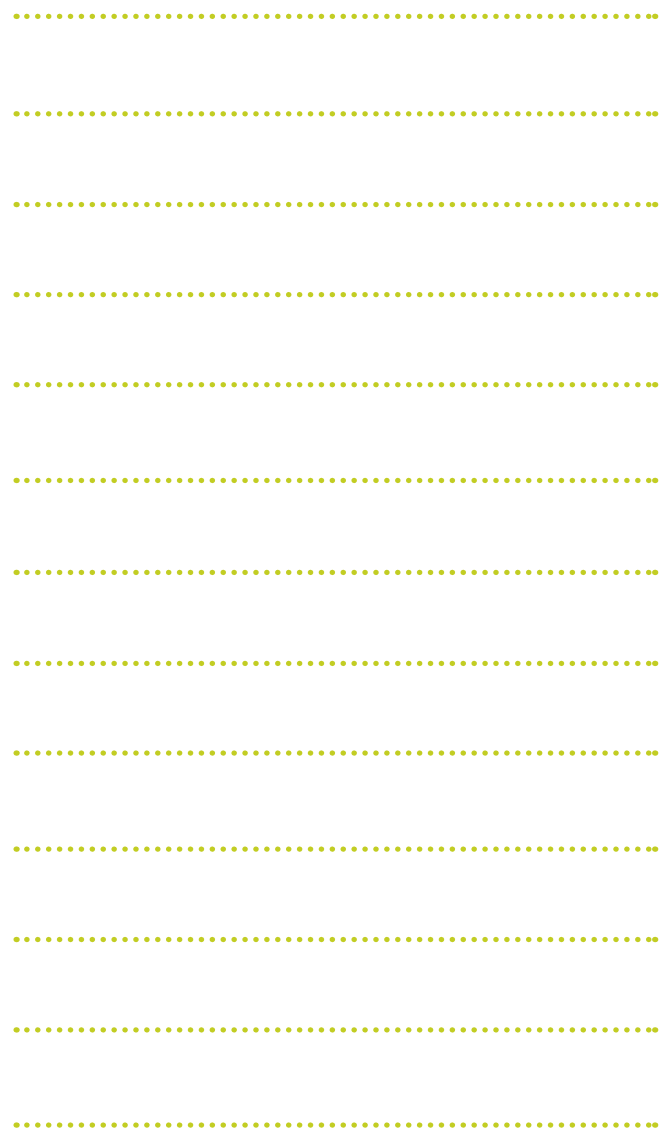
A separate Notice of Meeting and Proxy Form are included with this report.



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Clarius Group is a Company limited by shares, incorporated and domiciled in Australia.

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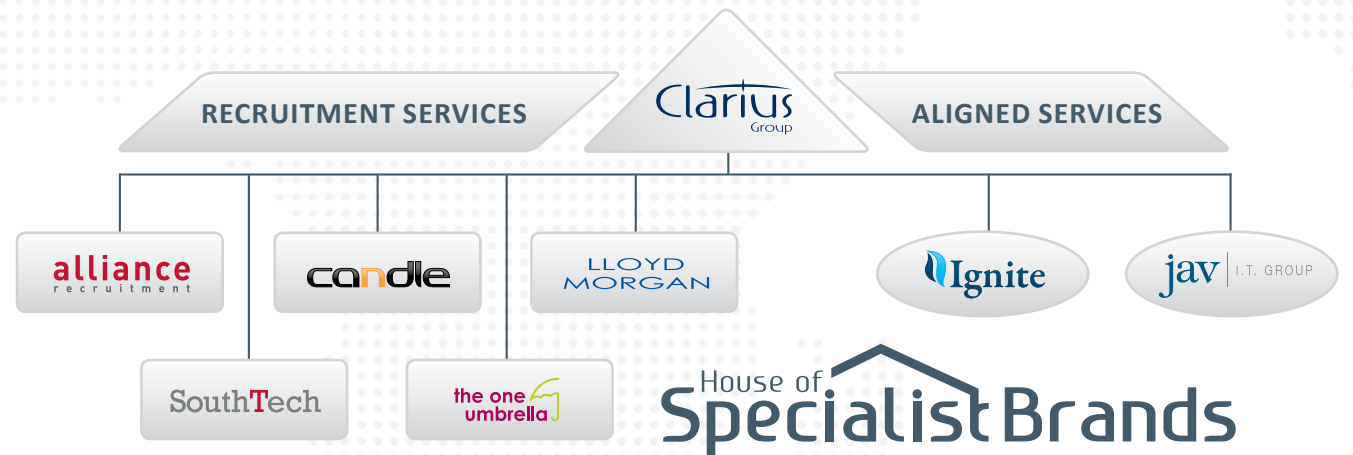
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# About Clarius Group



## House of Specialist Brands



### Clarius

The Major Accounts Division is a specialist end-to-end, "one-stop-shop" provider of recruitment services across specialisations to major enterprise, large recruitment volume organisations within Australasia.



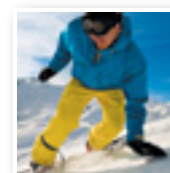
### the one umbrella

The One Umbrella is a leading recruitment consultancy specialising in the sourcing and recruiting of permanent and contract staff for the library, records, information and knowledge management industries in Australia.



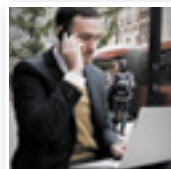
### alliance recruitment

Alliance Recruitment, established in 1996, is an expert recruitment services provider for all facets of corporate services.



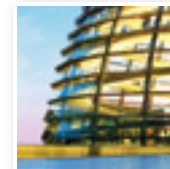
### LLOYD MORGAN

Lloyd Morgan is a leading professional recruitment services provider specialising in permanent, contract and temporary placements across the accounting, banking and finance, and insurance sectors.



### candle

Established in 1984, Candle has supplied contract and permanent IT talent from helpdesk support, to Chief Information Officers, covering the full project lifecycle as well as specialist niche technologies.



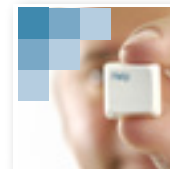
### SouthTech

For over 30 years SouthTech has specialised in professional contract and permanent recruitment for technical roles in Architecture, Construction, Consulting Engineering and Manufacturing.



### Ignite

Ignite specialises in the management and transitioning of contractors as well as fully integrated, outsourced, payroll solutions.



### jav I.T. GROUP

Jav IT is a market leader in outsourcing and technical support services delivering significant cost reductions and major process improvements.

**12 Cities**

**38 Offices**

**290 Employees**

Established in 1984 Clarius Group (ASX: CND) is one of Asia Pacific's leading professional employment services providers, specialising in permanent, contract and temporary placements across all levels of seniority.

Operating under a "House of Specialist Brands" strategy, the Group recruits in the accounting, banking, corporate services, engineering, finance, information technology, information management, sales and marketing disciplines. As well as provide aligned services including contractor management, outsourced payroll and managed IT services.

Clarius Group employs over 290 staff through a network of offices located in Adelaide, Brisbane, Canberra, Melbourne, Perth and Sydney in Australia; Auckland and Wellington in New Zealand; Singapore; and Beijing, Shanghai and Suzhou in China.

## Financial Highlights

### Total Revenue

\$225 million [2012: \$273m]

### Net (Loss)/Profit after Tax excluding Impairment and de-recognition of tax losses

\$(0.9) million [2012: \$2.1m]

### (Loss)/Earnings per Share excluding Impairment and de-recognition of tax losses

(1.04 cents) [2012: 2.30 cents]

### Operating Cash Flow

\$4.4 million [2012: (\$2.0m)]

### Dividend

No dividend [2012: 1.0 cent]



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## Our People



### Kym Quick

Managing Director and  
Chief Executive Officer – Clarius Group

Time at Clarius: 17 years

As Managing Director and Chief Executive Officer, Kym is responsible for the overall performance of the Clarius Group.

Kym has over 20 years of experience in the recruitment industry and joined the Clarius Group in 2001 through the acquisition of the Alliance brand. In her time at Clarius, Kym has been responsible for working with and managing the majority of the business divisions within the group including Shared Services.

Prior to recruitment, Kym was an accountant with KPMG and subsequently Ansett and Rothmans.

Clarius  
Group

candle

the one  
umbrella



### Anne Bastock

Chief Financial Officer – Clarius Group

Time at Clarius: 18 months

As Chief Financial Officer, Anne is responsible for managing the financial risks, financial planning and reporting for the Clarius Group.

Anne brings with her extensive experience in senior finance roles and most recently with CSC where she spent over 16 years in various positions. Anne is a Chartered Accountant, has a Masters in Taxation and has extensive experience working with businesses to improve profitability as well as experience with systems implementations and change management.

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### Paul Barbaro

Executive General Manager –  
Alliance Recruitment, Lloyd Morgan Australia and Ignite

Time at Clarius: 7 years

As Executive General Manager – Alliance Recruitment, Lloyd Morgan Australia and Ignite, Paul is responsible for the overall performance and strategic growth of each business.

Paul has over 21 years of recruitment experience and joined Clarius in 2006. He was responsible for the integration and rebranding of the Alliance Recruitment business to create the “new” Alliance which was officially launched in 2007. Paul was also responsible for overseeing the Lloyd Morgan Australian and Asian businesses during their integration to the Clarius Group.

Prior to Clarius, Paul worked in a number of senior management roles with the Adecco Group both in Australia and Europe.

**alliance**  
recruitment

**LLOYD**  
**MORGAN**

**Ignite**

# Our Sustainability Principles

In 2012 Clarius' Sustainability Principles were developed and rolled out to key suppliers.

Clarius Group aims to create long-term stakeholder value by adopting a sustainability approach to all that we do. We recognise that sound financial, social and environmental conduct are critical to the sustainability of the organisation. Our business strategy, values and management systems are all based on this philosophy.

Clarius' sustainability encompasses governance and ethics, employee wellbeing, our customers, the environment, community citizenship and supply chain management.

Maintaining the highest standards of corporate governance and ethics is paramount to the success of our business. Clarius' Code of Conduct (COC), Corporate Governance Statement and transparent public reporting are all designed to uphold and demonstrate these values.

Investing in our employees and employee diversity, providing benefits, learning and development opportunities, focusing on well-being, safety and ethical employment practices ensure that Clarius is an employer of choice.

Our commitment to our customers is the provision of high quality service, in line with their unique requirements, in order to help them achieve their business goals. Ongoing excellence in customer service has led to the long term partnerships we have with key clients throughout the organisation.

We aim to achieve and demonstrate sound environmental performance by controlling the impacts of the organisation's activities on the environment, in-line with our environmental policy and objectives. To effectively ensure that our environmental performance meets legal and policy requirements on an ongoing basis, we have developed a structured management system integrated within the organisation which is aligned with the ISO 14001 model.

Clarius is committed to being a good corporate citizen in all our business activities and in the communities in which we operate. We have developed strong community partnerships via our Company matched workplace giving scheme, additional fundraising and volunteering initiatives and provide paid volunteer leave for all staff.

Our supply chain management system ensures that our suppliers adopt ethical business practices aligned with our own sustainability values and those of our clients by adopting the Electronic Industry Citizenship Coalition (EICC) Code of Conduct (CoC). The EICC CoC contains provisions and guidance in regards to labor, health and safety, environmental, management systems and ethics and is designed to ensure that supply chain working conditions are safe, that workers are treated with respect and dignity and that business operations are environmentally responsible.

Clarius has appointed a Sustainability Champion and Sustainability Committee to ensure that our sustainability principles are upheld throughout the organisation. Comments, questions and requests regarding Clarius sustainability can be directed to: [sustainability@clarius.com.au](mailto:sustainability@clarius.com.au)



# Our Commitment to the Environment

Clarius is committed to continual improvement in terms of our environmental impacts, with objectives, targets and programs laid out in our formal environmental management system (EMS). Our EMS ensures compliance with applicable legal requirements as well as those of our clients and the communities in which we operate.

We act to conserve resources and manage consumption of water, energy, office consumables and equipment. We are committed to the reduction of greenhouse gas emissions produced as a result of our business activities and to waste management and recycling programs.

Environmental criteria and sustainability are considered in the selection of suppliers and products, including our choice of office buildings and services, to ensure compliance with our commitments and values.

# Our Commitment to Community Partnerships

Company matched Workplace Giving Scheme	12 charities supported every year
\$212,618 donated since January 2006 (as at June 2013)	\$21,394 donated FY2013

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## Giving is Sweet

At Clarius we believe that giving is sweet and in order to support and encourage employee generosity we have a Company matched workplace giving scheme. Under this scheme all Australian employees are invited to make a pre-tax donation to charity; in turn Clarius matches pre-tax donations dollar for dollar.

Contributing employees are invited to nominate the charities we support. In order to make a difference to as many individuals as possible, by supporting as many nominated charities as possible, we select a different charity from the list of nominees to be supported each month.

Our workplace giving scheme aims to support small, independent Australian charities that are meaningful to our staff and who will use the donations to make a tangible difference to our local communities.



Charities  
supported  
in **FY2013**





Over **\$110,000**  
raised since 2009

**First Australian Company  
to take part in a  
Give-A-Day campaign**

**Held on Bandana Day  
every year for four  
years in a row**

**222 days  
donated by staff**

**Eleven CanTeen  
Healthy Living  
Programs funded**

On top of the 12 charities supported every year, Clarius proudly supports CanTeen

In 2009 Clarius became the first Company in Australia to take part in a Give-A-Day campaign whereby staff donate a day's pay to charity. While we realised that this would be a significant request for most people, particularly given the challenging economic environment we were in following the Global Financial Crisis, we believed strongly in the motivation of our people to make a difference and to do something substantial for a worthwhile cause.

We aligned our campaign with Bandana Day – CanTeen's annual fundraising event, to increase awareness and visibility of the campaign and to provide our people with multiple opportunities to be involved. We encouraged staff to volunteer for Packathon (helping CanTeen to package bandanas in preparation for the event) and arranged for teams of volunteers to sell CanTeen bandanas and pens in the foyers of our Melbourne and Sydney office buildings on the day. We also supported the campaign with our workplace giving scheme. These initiatives combined to create lots of energy and excitement about the event and day. Our people were motivated, proud and had fun.

Combined, over four years of Give-A-Day campaigns, Clarius staff have donated 222 days and raised over \$110,000 for CanTeen. This is a truly incredible result and one which we are all extremely proud of.

Funds raised and donations made by Clarius Group enable CanTeen to deliver vital psychosocial support programs to help young people overcome the physical, practical and emotional issues they face along their cancer journeys. \$110,000 pays for eleven 3-day long CanTeen Healthy Living Programs.

Young people living with cancer, either as a cancer patient, or sibling or offspring of a cancer patient, are thrown into a world of uncertainty, stress and fear which can impact on their health.

The programs provide young people (aged 12-24) with a break from the daily pressures of cancer – either hospital and treatment appointments or a home life affected by a family member who has cancer or has been lost to cancer. It is also a safe environment for young people to meet and have fun with others going through similar experiences with cancer, discuss health issues affecting them and form a long-lasting peer support network.



## We Recognise a **Diverse Workforce** is a Key Competitive Advantage

Clarius Group values the diverse nature of our people and the contribution these differences make to our business. Clarius Group recognises its talented and diverse workforce is a key competitive advantage and that our business success is a reflection of the quality and skill of our people. As such Clarius Group is committed to seeking out and retaining the best people to ensure top business growth and performance.

We understand that a diverse workforce is one that recognises and embraces the varied skills and perspectives that people bring to the organisation through their differences. Diversity may result from a wide range of factors including origin, age, gender, cultural heritage, lifestyle, education, physical ability, appearance and language amongst many other factors. FY2013 has seen ongoing improvement in the diversity of the Clarius workforce, including an increased ratio of females to males in management and executive level positions.

Above all, we are committed to ensuring that all employees, clients, consultants, suppliers and third party stakeholders are treated with respect and dignity. We strive to create and foster a supportive and understanding environment in which all individuals realise their maximum potential within the Company, regardless of their differences.

### Total Staff

60% female v 40% male  
[2012: 58% female v 42% male]



### Management

54% female v 46% male  
[2012: 47% female v 53% male]



### Executive

75% female v 25% male  
[2012: 50% female v 50% male]



### Board

40% female v 60% male  
[2012: 40% female v 60% male]



# Managing Director's Report



## 2013 in retrospect

The 2012/2013 Financial Year will be regarded as one of the most challenging the recruitment industry has faced.

The landscape was dominated by weak economic growth; led by falling business investment, record low consumer confidence, and reduced household discretionary spending. These factors were further exacerbated by the end of the mining investment boom, reduced demand for natural resources from China, changes to State Governments, and a looming Federal Election which typically adds further uncertainty to the already weak domestic outlook.

Employed persons in the Australian labour force grew just 1.4 per cent (seasonally adjusted) for financial year 2013 according to Labour Force data published by the Australian Bureau of Statistics. While the participation rate remained relatively steady at 65.3 per cent over the same period, the unemployment rate climbed 0.5 points to 5.7 per cent in June 2013. As a result, job advertisements were 19 per cent below June 2012 levels, close to 30 per cent below the most recent peak at the end of 2010 and just eight per cent higher than the lowest level reached during the Global Financial Crisis according to the ANZ Advertisement Series. At the same time, business conditions measured by NAB's Monthly Business Survey slumped in June 2013 to their lowest level since May 2009 and are well below average levels.

The beginning of the financial year saw Clarius experience retraction in Queensland with the new State Government making cuts to contractor numbers. This had an impact on several of the business divisions who provided significant contractors to various government departments, and whilst there has since been improvement from this region, the growth has been moderate compared to the decline experienced shortly following the election.

This dramatically reduced the results of our IT business units and proved to be a trend that would continue throughout the financial year. Where in previous years, if there has been a reduction in permanent recruitment demand, we have seen contracting remain buoyant, throughout 2013 we have seen a "perfect storm" emerge with both contracting and permanent numbers reducing, along with increased pressure to erode margins further.

The contractor revenue decline became even more pronounced over the Christmas period and early calendar 2013 with unprecedented lower demand as a result of a lack of confidence in the market due to concerns for the global economy. We are hopeful that post-election, a higher level of certainty will result in more confidence in the economy.

On a more positive note, our international offices throughout Asia commenced showing signs of sustainable revenue. In China, our re-investment began producing solid permanent revenue and currently employs around 100 people. The business was profitable for the second half and close to breakeven for the full year. At this stage the China business is all permanent executive recruitment and this has contributed to permanent revenue being a higher percentage of group revenue than in 2012.

Overall, gross margin was down from 16.9 per cent to 16.6 per cent. This decline was the reduction to contracting margins.

Apart from successfully retaining existing clients, Clarius also won new accounts off the back of solid operational performance from each of our operating brands. Although some of the re-negotiations required margin decrease, we have been able to improve our productivity, moderate our commission models, and reduce our operating costs to ensure that the services are delivered without significant profit erosion.

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Over the last three years, Clarius has focused on rebuilding a strong sales culture and this is showing results through the addition of new clients which has helped provide stability during otherwise uncertain times on the recruitment landscape. New client wins cover both private and public sector organisations and provide a good opportunity for future growth.

With the external market environment presenting fewer opportunities and an increasingly competitive landscape, a strong focus was turned to capitalising on existing client relationships and getting leverage across the specialist brands. With the branding strategy of “house of specialists brands” being well and truly entrenched in the organisation, the process of cross selling and working with clients both large and small across the business has started to yield some positive results. We have seen increased collaboration across the brands and a further expansion of the Clarius Major Accounts business across a broader client base.

These cross selling initiatives have produced new clients, new revenue streams, and greater revenue from clients who traditionally only worked with one of our recruitment brands. Additionally, the communication between operating divisions has increased and we are confident that further growth opportunities will continue to be achieved as this evolves further in the new financial year.

A reduction in contracting revenues also freed up working capital. This, teamed with tight management of our payments cycle, and focus on collecting debtors efficiently, enabled us to generate \$4.4m in operating cash flow for the year (an improvement from a cash outflow of \$2.0m in 2012). Cash flow management continues to be a priority into 2014 as we continue to maintain low levels of debt to provide funding for requirements to reinvest back into the business infrastructure and for potential acquisition opportunities.

Cost control and productivity improvements continued to be a major focus for 2013. A management restructure was undertaken in the first half, costing \$0.5m, which will deliver full year savings of \$3.5m. Across the year, employee costs decreased 16 per cent, despite the significant investment in China. Benefits of the reduced cost base and improved productivity across the brands will flow into 2014.

An impairment of Goodwill of \$40.9m was undertaken over Candle and Alliance. This impairment reflects the impact of ongoing market turbulence and uncertainty on the businesses that were acquired during the peak of the market cycle and the impact of some of the brand consolidation that has taken place since they were acquired.

We continued to focus on building managed services opportunities throughout 2013 and this will have increased focus in 2014. With the changing nature of client expectations and requirements, we see this as a significant opportunity to ensure ongoing revenues and profit from “complementary” services into the future.

## 2014 and beyond

### Focus on strengthening our core business

With pressure in terms of both demand and pricing, review and reorganisation of the business has been critical in ensuring that we remain both efficient and responsive to the changing demands of clients. A major focus for management for 2014 will be the continued focus on a more efficient and effective business model, along with re-engineering the model for the future. With the impact of technology and social media trends on our industry, never has it been more important to ensure that we are responding to and moving with the changing world of work.

Key to success moving forward is the continued effort to ensure that we are seen to add value and remain relevant to our clients and candidates as their needs and expectations evolve. The last four years has brought with it some challenges to the industry and has required serious reflection on both our internal operational requirements along with a changing external landscape. One thing that remains certain is that the requirement for high quality recruitment solutions provided by the industry will always remain, albeit the vehicle for delivery of those services has undergone some change.

Clarius understands the need for innovation, our commitment is to constantly review our operating platforms to ensure they meet not only our customer needs, but are regarded as industry best. We understand that the future of the talent market will be driven by high demand and low supply. Given this, the importance of building strong and sustainable talent pools is critical to future success. Never has it been more important to be close to our candidate pool and this view will drive many new initiatives in 2014.

The reorganisation of our business around this issue is an important part of the strength and sustainability of the business into the future. Based on these anticipated trends, our specialist branding strategy will provide us with some benefits in the development of these talent communities. The focus on talent acquisition and retention will be significant in 2014 and an important foundation for success into the next 3-5 years as we see demand increase and available talent diminish.



### Focus on growth markets

Our investment in China has provided a strong platform for growth into 2014. With market conditions in the region remaining buoyant, we have been able to build a strong business delivering to Global blue chip organisations that are also investing in growth in this significant market. With very strong demand for recruitment services in this region, the willingness of clients to attract the best talent has ensured margin levels remain high.

At this stage there is little pressure to reduce margins to the levels that we are currently seeing in the western markets and this will remain as organisations continue their growth strategies in the region in the face ongoing shortages of talent. Our new business model in China commenced operation in May 2012 and in the last financial year delivered 35 per cent of our total group permanent revenue from almost a standing start. The focus for 2014 is to grow both revenue and productivity in the region. With a relatively new team in the business last financial year, this year will provide profitability improvement as these businesses strengthen their return.

2013 saw the expansion of the existing offices in Shanghai and Beijing, establishment of a new office in Suzhou and an additional office opened in Shanghai. In 2014, we will be looking for further geographic growth through replication of the business model into several of the many large urban developed centres in China which comes at a much lower cost than operating in the larger cities like Shanghai and Beijing. Additionally, opportunities to explore lines of service outside of the traditional recruitment model will also be considered in China.

The recruitment and human resources services business in China is still less mature than that in more developed economies and this provides us with strong visibility into the future of the industry in China and subsequently the opportunity to develop solutions into the market in the early stages of its maturity.

### Focus on efficiency

Financial Year 2014 will also see the full implementation of our new back end systems. This initiative has already provided headcount savings in the business and will continue until the full implementation is complete. More importantly, significant savings will be realised as the market improves as the system will provide us with increased scalability without the additional increase in cost that our previous systems would have required.

### Focus on complementary revenue streams

In line with the changing landscape of our clients, we will continue to focus on growth in our managed services line of business. The revenue from this division declined in 2013, largely off the back of walking away from a major client due to unsustainable margins. We anticipate further and more rapid growth in 2014 as some of the services gain traction in the market. This line of business also provides significant cross selling opportunities for the business and we saw a reasonable level of growth coming from that activity during 2013.

Similarly, there will be increased focus on the IT services line of business. As we see more demand for services outside of the traditional recruitment model, the focus on this IT solution to clients is important in combating declining demand for traditional contractors. For Clarius, traditionally these services have been provided to limited clients, but as the market developed, 2013 saw the introduction of a significant number of new clients and users of this service.

### Focus on our people

We will continue our focus on the development of our people in 2014 and into the future. Never has it been more important to invest in this. With the ongoing turbulence and changing environment that we have operated in over the last four years, the need for development of existing skills and the attainment of new skills is paramount to the sustainability and success of our workforce. Over recent years we have developed internal programs that provide our people with the capability to be successful in the most challenging of environments.

### Focus on the future

With a difficult few years behind us, I am confident of our ability to both capitalise on the opportunities afforded to us in our traditional markets while evolving the business to ensure that it remains relevant to our clients and our candidates. Although history tells us that ongoing business review in terms of strategy and structure is critical, a significant amount of work done in 2013 will reap rewards well into the future. With our economy still showing signs of uncertainty, we will continue to refine our business model and ensure that we move not just with, but ahead of the market we work in.



Kym L Quick  
Managing Director and Chief Executive Officer  
Clarius Group Ltd



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# Corporate Governance Statement

This statement sets out the material governance principles and processes of Clarius Group Limited ('the Group'). The Board of Directors ('the Board') of the Group has followed recommendations established in the ASX Corporate Governance Principles and Recommendations, 2nd Edition. The Directors have resolved to consider and apply these Recommendations unless it is determined that, in the circumstances of the Group, there is a sound reason in the interests of shareholders not to do so.



## Principle 1 – Lay Solid Foundations for Management and Oversight

The role of the Board is to represent shareholders and to promote and protect the interests of the Group. Through its governance of the Group, the Board guides and monitors the business and affairs of the Group on behalf of shareholders.

The responsibilities and accountabilities of the Board have been framed in a Board Charter which reflects its governance principles. The Board Charter is available on the Group’s website ([www.clarius.com.au](http://www.clarius.com.au)).

During the year the Board met 15 times. Meetings are held at regular intervals throughout the year supplemented by additional meetings as required in the conduct of the Board’s responsibilities.

The Board operates on the principle that all significant matters are dealt with by the full Board and has specifically reserved the following matters for its decisions:

- Strategy and Planning
- Staffing
- Remuneration
- Capital Management and Financial Reporting
- Performance Monitoring
- Risk Management
- Audit, Risk and Compliance
- Board Processes and Policies

To assist in its deliberations, the Board has established two main committees which, apart from routine matters, act primarily in a review or advisory capacity on the matters set out in their respective Charters. These are the Board Audit, Risk and Compliance Committee and the Board Remuneration and Nomination Committee. The Charters of each Committee are summarised in this report. Other committees may be established to address specific issues as may be required from time to time.

## Role of the Managing Director

The responsibility for implementing the approved business plans and for the day-to-day operations of the Group is delegated to the Managing Director who, with the executive leadership team, is accountable to the Board. The Board approves the Delegation of Authority which sets out the authority limits for the Managing Director and senior management.

## Senior Executives’ Performance Evaluations

Across the Group, there is a strong performance management discipline teamed with competitive reward and incentive programs. As part of the managing director and senior executives’ remuneration packages there is a performance-based component, related to Key Performance Indicators (KPI’s). The intention of this program is to facilitate congruence of goals between executives and those of the business and shareholders. The KPI’s are set annually, in consultation with executives to ensure their commitment to achieving those goals. The measures are specifically tailored to the areas of each executive’s involvement within the business and over which they have control. Performance reviews have been carried out in accordance with policy during the financial year.

## Principle 2 – Structure of the Board to Add Value

The Board comprises five Directors. The Board considers this number appropriate in the present circumstances of the Group. The Board Charter requires that there be a majority of Directors who are independent and non-executive. Three of the five Directors in office are independent and non-executive. One-third of the Board (other than the Managing Director) is required to retire at each Annual General Meeting and may stand for re-election. The Director(s) to retire shall be those who have been longest in office since their last election. A director appointed to fill a casual vacancy or as an additional Director only holds office until the next Annual General Meeting, when they must retire, and seek re-election by shareholders at the meeting.

Biographical details showing the relevant skills, experience and expertise held by each Director are included in the Directors’ Report on pages 33-34.



### Directors’ Independence

The Board has established a policy on Directors’ independence. An ‘Independent Non-Executive Director’ is independent of Management, free of any significant business or other relationships that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment, and otherwise meets the criteria for independence set out in the ASX Corporate Governance Principles and Recommendations, 2nd Edition.

Directors are considered to be independent if they meet the following criteria:

- they are not a substantial (five per cent or greater) shareholder of the Group or an officer of a substantial shareholder of the Group;
- they have not been employed in an executive capacity in the last three years by the Group or a subsidiary of the Group;
- they have not been employed as a Principal of a material professional advisor to the Group during the past three years;
- they are not a material supplier or customer of the Parent Entity, or any subsidiary of the Group;
- they have no material contractual relationship with the Group (other than as a Director); and
- they are free from any interest, business or personal, which could, or could reasonably, be perceived to materially interfere with the Director’s ability to act in the best interests of the Group.

In determining whether or not a material relationship exists with a third party such as a supplier, professional advisor or customer, the Board considers that relationship to be material if it meets the following criteria:

- the customer accounts for more than five per cent of the Group’s consolidated gross revenue per annum;
- the Group accounts for more than five per cent of the supplier’s consolidated revenue;
- the total value of any contract or relationship between the Group and the Director (other than as a Director of the Group) exceeds \$200,000.

### Independent Professional Advice

Each Director has the right to seek independent professional advice at the Group’s expense. The Board’s prior consent to obtaining such advice is required. The Director concerned does not participate in the Board’s consideration of its consent.

### Directors’ selection

The Board considers the appointment or retirement of Directors annually under succession plan principles having regard to the size of the Group and to the appropriate skills and experience of Directors. Skills and experience regarded as important include experience as Chief Executive; recruitment and broader service industry experience; experience in financial markets, including acquisitions; financial experience; and broad experience in governance and risk management, including ASX-listed companies.

### Directors’ Performance Review

During the year the Board has discussed the performance of the Chairman, the Directors, the Board and its committees.

### The Chairman

The Chairman’s responsibilities are expressly identified in the Board’s Charter. The Chairman is responsible for ensuring that the Board receives timely, clear and relevant information to facilitate the efficient organisation and conduct of the Board’s duties in regard to strategic direction, governance and monitoring the performance of management. The Chairman is also responsible for ensuring that procedures to assess the performance of the Board and Directors are operating; facilitating Board discussion and effective contribution of all Directors; and overseeing representations to and communications with the shareholders.

The Chairman must not also be the Managing Director of the Group.

### Board Committees

The Board has two formally constituted committees, the Board Audit, Risk and Compliance Committee, and the Board Remuneration and Nomination Committee.

### Board Audit, Risk and Compliance Committee

The Board Audit, Risk and Compliance Committee operates under a charter approved by the Board. Its objectives are to assist the Board in safeguarding integrity in financial reporting; making timely and balanced disclosure to shareholders, and potential shareholders in accordance with the principles of continuous disclosure; recognising and managing risk; and overseeing the Company's process for monitoring compliance with laws and regulations and the code of conduct. The Committee ordinarily comprises a minimum of three Directors all of whom are to be independent Non-Executive Directors.

The members of the Committee during the year were:

- Mr. Simon C M Kelly (Chairman)
- Mr. Lawrence J Gibbs
- Mrs. Penelope Morris

On 9 August 2013, Lawrence J Gibbs resigned as a member of the Board Audit, Risk and Compliance Committee. The Board is in the process of identifying another member for the committee.

Qualifications of Committee members are set out on pages 33-34 of the Directors' Report.

The Committee, which is accountable to the Board, is required by its Charter to meet at least twice per year. Details of the number of meetings of the Committee held during the year, and the attendees at those meetings, are set out on page 43 of the Directors' Report.

The responsibilities of the Board Audit, Risk and Compliance Committee are delegated by the Board and include:

- monitoring the integrity of statutory reporting and reviewing, with recommendations, the policies and disclosures inherent in the half-year and full-year accounts;
- reviewing and approving financial policies and procedures so as to ensure the effectiveness of financial management and reporting; the completeness of compliance obligations; and adherence with continuous disclosure requirements;
- monitoring and appropriately advising the Board in relation to related party transactions;
- monitoring and assessing the Group's internal control frameworks and risk management strategies and processes, including recommending the insurance strategy;

- overseeing the scope, cost and performance of external audit; and directing the strategies and scope of internal audit;
- recommending the appointment of external auditors and monitoring the independence of external auditors.

### Board Remuneration and Nomination Committee

The Board Remuneration and Nomination Committee operates under a Charter approved by the Board. The Committee's objective is to assist the Board in the consideration of personnel and remuneration issues within the Group. The Committee ordinarily comprises a minimum of three Directors, a majority of whom are Non-Executive Directors.

The members of the Committee during the year were:

- Mr. Lawrence J Gibbs (Chairman)
- Mrs. Penelope Morris
- Mr. Simon C M Kelly

On 9 August 2013, Lawrence J Gibbs resigned as Chairman and a member of the Board Remuneration and Nomination Committee. The Board is in the process of identifying another member of the Board Remuneration and Nomination Committee.

The Committee, which is accountable to the Board, is required by its Charter to meet at least twice per year. Details of the number of meetings of the Committee held during the year, and the attendees at those meetings, are set out on page 43 of the Directors' Report.

The responsibilities of the Board Remuneration and Nomination Committee are delegated by the Board and include:

- recommending the structure and constituency of the Board such that it has the effective composition, size and commitment to properly discharge its responsibilities and duties;
- ensuring appropriate Board succession planning, including identification, induction and training of new Directors as required;
- performance assessment in relation to the Board and individual Directors;
- assisting the Chairman in relation to the efficacy of Board processes;
- recommending Chairman and Non-Executive Director remuneration;



- recommending remuneration framework and levels for the Managing Director and other senior management;
- assisting the Chairman in relation to performance; goals for, and assessment of, the Managing Director and senior management;
- policies and procedures regarding the senior management team for recruitment, retention, remuneration, training and succession planning;
- policies on superannuation arrangements for the Group.

For details on the amount of remuneration, and all monetary and non-monetary components for each of the highest paid Executives who were not Directors during the year, and for all Directors, refer to pages 37-42 of the Directors’ Report. In relation to the payment of bonuses, options, and other incentive payments, discretion is exercised by the Board having regard to the overall performance of the Group and the performance of the individual during the period.

There is no scheme to provide retirement benefits to Non-Executive Directors, other than statutory superannuation.

## Company Secretary

The Company Secretary is appointed by the Board and is accountable to the Board, through the Chairman, on all governance matters. Biographical details showing the relevant skills, experience and expertise held by the Company Secretary are included in the Directors’ Report on page 35.

## Principle 3 – Promote Ethical and Responsible Decision-Making

### Code of Conduct / Ethical Business Behavior

The Board recognises the need to observe the highest standards of corporate practice and business conduct. The Board has adopted a Code of Conduct applicable to all Directors and to all employees. The Code directs standards of behaviour and of interpersonal dealings. Within the letter and spirit of the Code, the Directors and all employees are expected to act lawfully, in a professional manner, and with the utmost integrity and objectivity in their dealings with clients, contractors, candidates and competitors, the community and each other, striving at all times to enhance the reputation and performance of the Group.

All Directors, management and employees acknowledge that they have read, understand and will comply with this Code. The code is available on the Group’s website at [www.clarius.com.au](http://www.clarius.com.au)

In addition, the Group has implemented a ‘tip-off’ or whistleblower policy empowering employees to report instances of workplace misconduct. The procedures are protective of the interests and concerns of employees who are genuinely exposed to such instances.

## Share Ownership and Dealings

Details of shareholdings of Directors in the Company are set out in the Directors’ Report on page 42.

## Securities Trading Policy

Directors, management and employees are subject to the Corporations Act 2001 which restricts their buying, selling or trading in securities in Clarius (CND) if they are in possession of inside information.

The Board has adopted a formal policy for securities trading which is available on the Group’s website.

Directors, management and employees of the Group are not permitted to undertake any transactions in relation to shares in the Group in the period between the end of the financial half or full year until the release of the financial information relating to that period. Directors, management and employees of the Group are further prohibited from undertaking transactions involving the Group’s shares at any time whilst in possession of information which is not in the public domain and which could reasonably lead to a change in the share price of the Group.

**(Noun)** The centre of interest or activity

Throughout the year, the Group has continued to focus on key areas that support gender balance. These items include ensuring equitable pay rates between males and females within job categories and consideration of applications for staff to work part-time and with flexible work arrangements.

## Gender Diversity

	30 June 2013		30 June 2012	
Gender representation	Female (%)	Male (%)	Female (%)	Male (%)
Board representation	40%	60%	40%	60%
Key management personnel representation	54%	46%	47%	53%
Executive personnel representation	75%	25%	50%	50%
Group representation	60%	40%	58%	42%

Other achievements include:

- Industry leading Parental Leave benefits including: 8 weeks paid leave, 'Keeping in Touch Days', a 2 week transitional period on full pay,
- Over 90 per cent of all new flexible working applications in the past 12 months were accepted,
- 89 per cent of parents returned after their Parental Leave,
- According to our staff survey, 77 per cent believe Clarius employees are treated with fairness and respect.

## Principle 4 – Safeguard Integrity in Financial Reporting

The Board has an Audit, Risk and Compliance Committee who report to the Board on matters relevant to the Committee’s role and responsibilities.

### Internal Audit

The Board Audit Risk and Compliance Committee endorse the Internal Audit Strategic Plan and approve the Internal Audit Plan for the year. The Internal Audit function is headed by an experienced and qualified internal audit manager who reports to the Board Audit Risk and Compliance Committee.

Internal Audit reviews the various areas of the Group’s business on an ongoing basis employing a risk based audit approach which focuses on the higher risk activities in each business as assessed by the Board Audit Risk and Compliance Committee with input from management. The International Standard for the Professional Practice of Internal Auditing is adopted. The Board Audit Risk and Compliance Committee receive formal reports on significant issues.

### External Auditors

The Group’s policy is to appoint external auditors who are independent and who demonstrate that independence.

An analysis of fees paid to the external auditors, including a breakdown of fees for non-audit services, is provided in the notes to the Financial Statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Board and to explain the basis upon which non-audit services do not impair their independence.

The external auditor will attend the Annual General Meeting and will be available to answer shareholder questions about the conduct of the audit and preparation, and the content of the Audit Report.

## Principle 5 – Make Timely and Balanced Disclosure

The Group’s practice, as reflected in the Communications and the Continuous Disclosure Policies available on our website, is to release all price-sensitive information in a timely manner and in accordance with practices directed by the ASX Listing Rules. For disclosure purposes, price-sensitive information is taken to be information that a reasonable person would expect to have a material effect on the price of the Group’s securities.

All material information issued to the ASX, the Annual Reports, full year and half year results and presentation material given to analysts, is published on our website ([www.clarius.com.au](http://www.clarius.com.au)).

The Company Secretary is the primary person responsible for communication with ASX. Only authorised spokespersons can communicate on behalf of the Group with shareholders, the media or the investment community.

## Principle 6 – Respect the Rights of Shareholders

The rights of shareholders are detailed in the Clarius’ constitution. Those rights include electing members of the Board. In addition, shareholders have the right to vote on important matters which have an impact on the Group. To allow shareholders to effectively exercise these rights, the Board is committed to improving the communication to shareholders of high quality, relevant and useful information in a timely manner, through:

- ASX announcements,
- Company publications including Annual Reports,
- The Annual General Meeting,
- Group Website ([www.clarius.com.au](http://www.clarius.com.au))

Shareholders are encouraged to make their views known to the Group and to directly raise matters of concern. Shareholders are encouraged to attend the Annual General Meeting and use this opportunity to ask questions. The Annual General Meeting will remain the main opportunity each year for the majority of shareholders to comment and to questions the Board and management. The external auditor attends the Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor’s report.

## Principle 7 – Recognise and Manage Risk

The Board has established a Risk Management Framework which incorporates a Risk Management Policy and Implementation Process and which formalises the approach to management of material business risks. The policy is implemented through a top down and bottom up approach to identifying, assessing, monitoring and managing key risks across the Group's businesses.

The Board is responsible for approving strategies and policies in relation to the identification of and management of risk and compliance. Including delegation to the Board Audit Risk and Compliance Committee and to management, the Board oversees the effective management of risk and compliance. The risk management framework includes an Executive Risk Committee that reports to the Board Audit Risk and Compliance Committee on a regular basis. The Board Audit Risk and Compliance Committee reports to the Board on the effectiveness of the risk and compliance management framework that is in place and all material business risks.

The internal and external audit functions, which are separate and independent of each other, also review the Group's risk assessment and risk management.

## Financial Reporting

The Managing Director and the Chief Financial Officer have stated, in writing, to the Board that the Group's financial statements for the year ended 30 June 2013 present a true and fair view in all material respects of the Group's financial position and its operations for the year, and that they are in accordance in all material respects with all relevant accounting standards. The Managing Director and the Chief Financial Officer have further stated to the Board in writing that the Group's records have been properly maintained under law; that the financial statements are underpinned by sound systems of risk management and internal controls which are operating effectively in all material respects; and that there are no post 30 June 2013 events which would materially impact the effectiveness of those systems.

## Workplace Health and Safety

The Group recognises the importance of workplace health and safety issues and is committed to the highest level of performance. The Risk Committee, constituted by senior management and monitored by the Board Audit, Risk and Compliance Committee, facilitates the systematic identification of issues relevant to all workers under the Group's responsibility, and ensures effective management of them.

## Principle 8 – Remunerate Fairly and Responsibly

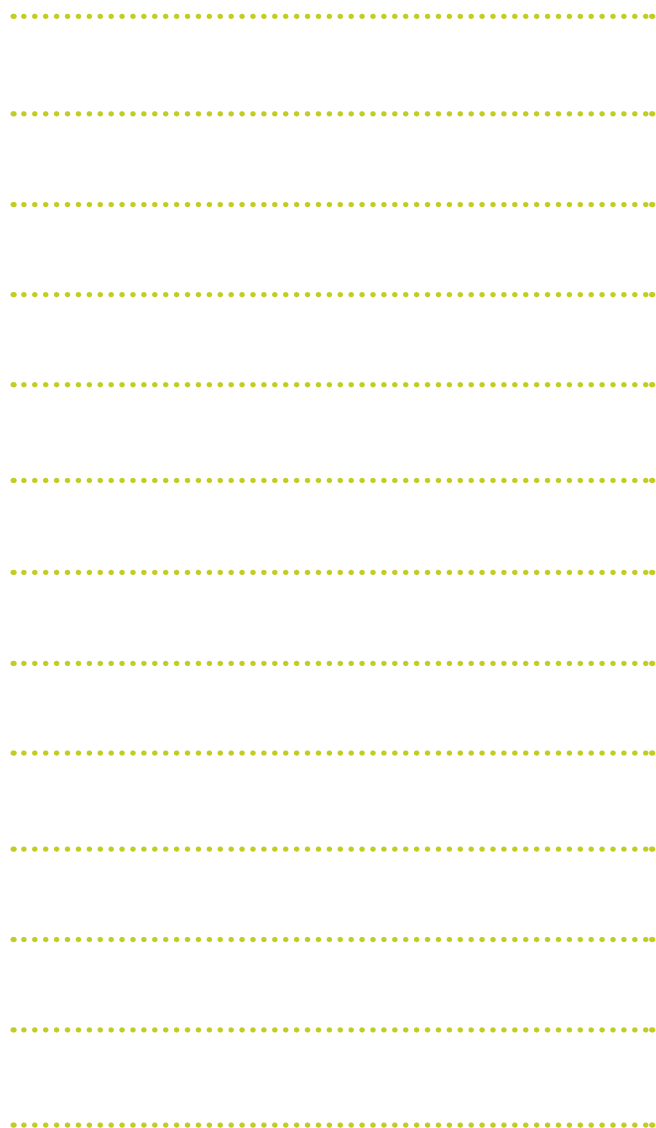
The Board Remuneration and Nomination Committee's Terms of Reference include setting out the terms and conditions by which the Managing Director and other senior executives' remuneration is determined. The Remuneration and Nomination Committee seek professional advice from independent external consultants where required. All executives receive a base salary and superannuation (depends on experience) which may include fringe benefits, options and performance incentives. The Remuneration and Nomination Committee reviews executive remuneration annually, as requested by the Managing Director, by reference to the consolidated entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

Following amendments made to the Corporations Act 2001 involving recommendations by "remuneration consultants" which came into force on 1 July 2011, Clarius recognises the importance of ensuring that any recommendations given in relation to the remuneration of key management personnel provided by remuneration consultants are provided independently of those to whom the recommendations relate.





# Operational & Financial Review



Operational review

Clarius Group (ASX: CND) is a specialist in the employment services market providing recruitment, contractor and staff services in the information and communications technology, banking, finance, commercial accounting, library, records and senior management markets to governments and corporations across the Asia Pacific region.

Established over twenty nine years ago and listed on the Australian Stock Exchange in 1997, Clarius Group has a reputation for high-quality delivery and remains one of the largest and longest standing recruitment suppliers in the region.

Clarius Group operates through a number of quality specialist brands:

Recruitment services

- Alliance Recruitment – Corporate Services
- Candle – Information Communications Technology
- Lloyd Morgan – Accounting, Banking and Finance
- SouthTech – Engineering and Technical
- The One Umbrella – Information Management

Aligned Services

Managed services

- Ignite – Contractor Management and Outsourced Payroll

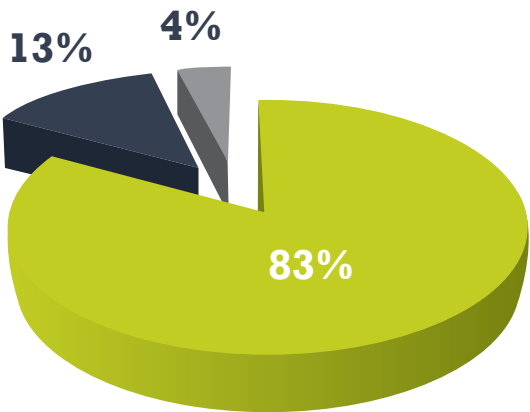
IT services

- JAV IT – Managed IT Services

Clarius Group employs 290 staff through a network of offices located in Adelaide, Brisbane, Canberra, Melbourne, Perth and Sydney in Australia; Auckland and Wellington in New Zealand; Singapore and Beijing, Shanghai and Suzhou in China. We are one of Asia Pacific's leading professional employment services providers.

Below is the summary of revenue contribution, offices and employees during the year.

Revenue by service



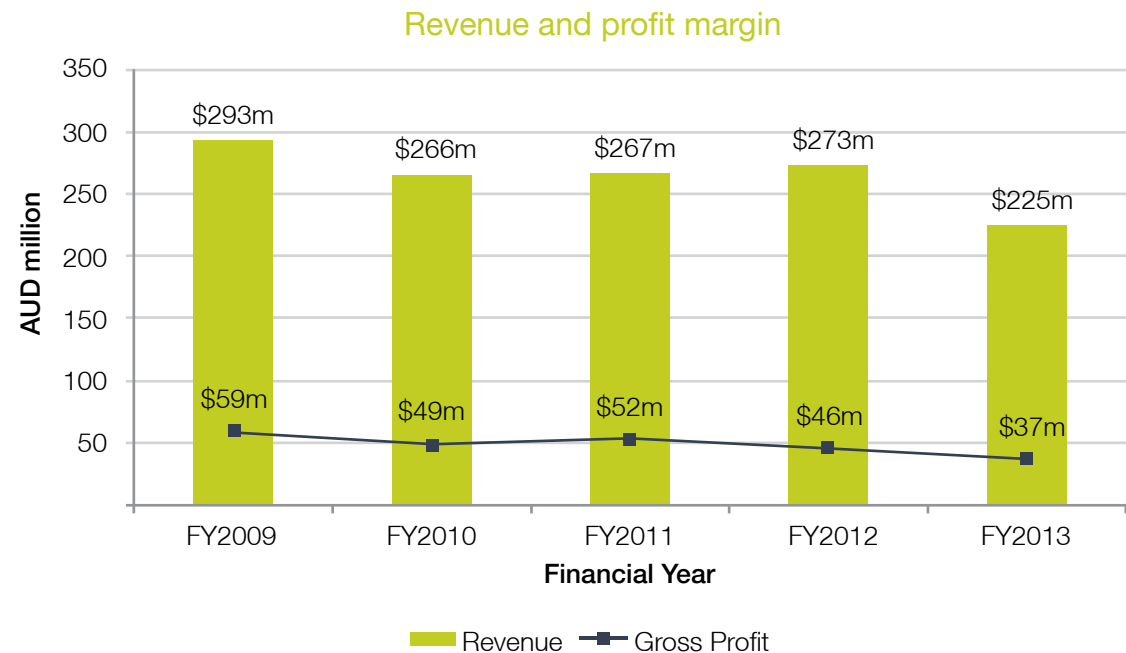
- Recruitment Services
- Managed Services
- IT Services

	Australia	New Zealand	China / Hong Kong <sup>(1)</sup> /Singapore	Total
Revenue contribution	\$215m	\$6m	\$4m	\$225m
Offices	32	2	4	38
Employees	181	10	99	290

<sup>(1)</sup> The Hong Kong operation ceased trading in October 2012.

## Financial Review

### Review of revenue and profit



The 2013 financial year continued to present challenges to the recruitment market as evidenced by a decrease in revenue of \$48m (17.6 per cent) to \$225m (FY2012: \$273m) with a reduction in the group's overall gross profit margin to 16.6 per cent (FY2012: 16.9 per cent).

The business faced significant challenges not only from difficult market conditions throughout Australia and New Zealand but also from margin pressure.

Competition in the market has led to a number of agencies reducing prices and margin to sustain market share. Our response to these challenges has been to focus on cross-selling opportunities between our brands and further developing new lines of business. We continue to negotiate competitive pricing models with our customers but more importantly, we have focused on delivering an excellent quality of service. Utilising different delivery structures has enabled us to maintain acceptable profit levels. Although this has led to a slight decline in the overall group gross profit margin, we have achieved a reasonable performance given continuing market pressures.

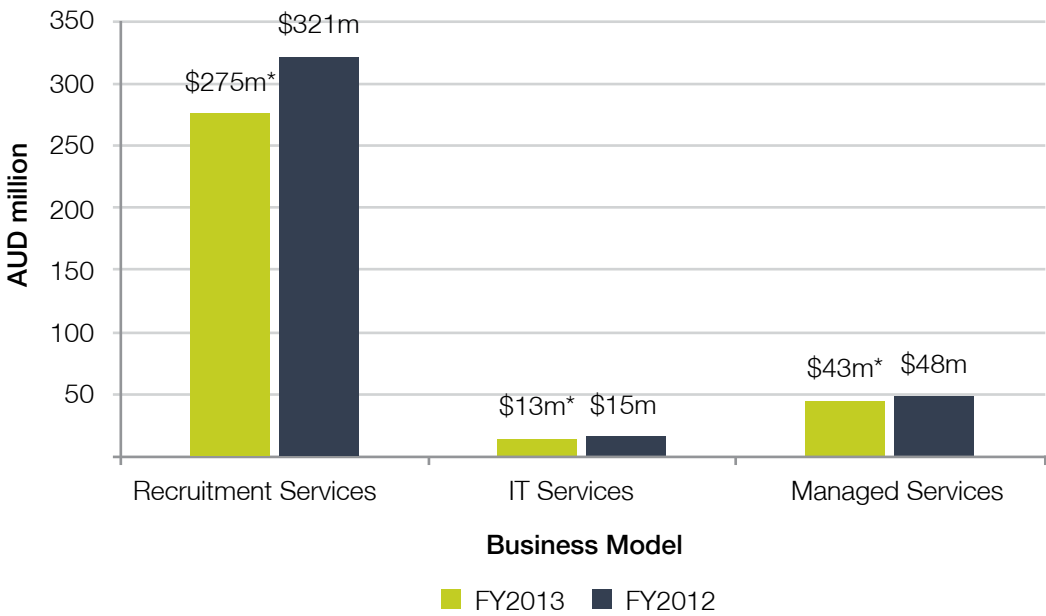
Over the year, job advertisements continued to fall and the demand for permanent recruitment remained weak. Our mix of temporary and permanent business changed during the year, with permanent revenue now contributing 30.6 per cent (FY2012: 25.0 per cent) of group gross profit.

Our Asian recruitment business has performed well, particularly the operations in Greater China. Our operation in Hong Kong was closed in October 2012 in response to difficult market conditions. Singapore's permanent and contract business continues to perform satisfactorily, albeit growth has been slower than planned.

### Recruitment and aligned services

We have a well-established and motivated sales team in Greater China and anticipate continued growth from this region. Our operations in China currently focus on permanent placements and we are effectively placed for government changes to recruitment agency licensing of contract personnel. We are on track to be a market leader in the executive recruitment and IT sector.

Revenue by business model



\*These figures correspond to note 5 of the financial statements.

Recruitment service revenue remains a significant revenue contribution to the group’s overall revenue (83 per cent), followed by Managed and IT services.

Recruitment services and IT Services financial performance has declined in FY2013 mainly due to a reduction in contractor numbers across all sectors.

Managed services have performed better than prior year, largely attributable to service contracts secured in the second half of FY2013.



Review of net (loss)/profit after tax\*



\*Before non-cash impairment write down and de-recognition of tax losses.

	FY2009	FY2010	FY2011	FY2012	FY2013
Loss after tax as per consolidated statement of profit or loss and other comprehensive income	(8.3)	3.0	(10.3)	(9.4)	(42.2)
Add : Non cash impairment	10.1	0.0	14.6	11.5	40.9
Add : De-recognition of tax losses	-	-	0.4	-	0.4
Adjusted net profit/(loss) after tax	1.8	3.0	4.7	2.1	(0.9)

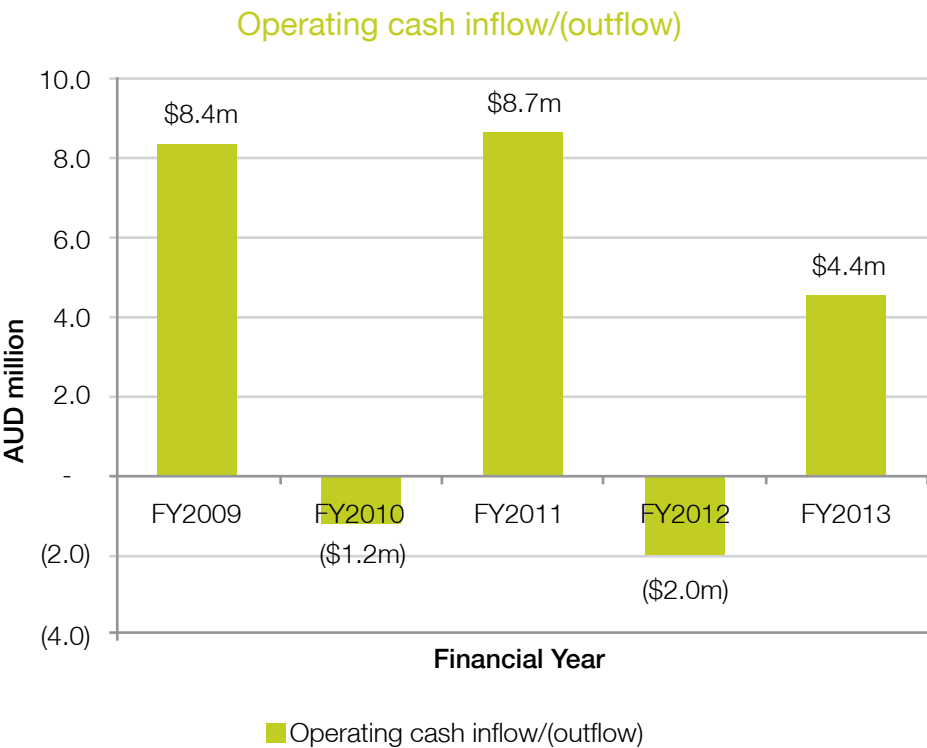
AUD million

Net loss after tax was \$0.9m (FY2012: Profit \$2.1m) before impairment and de-recognition of tax losses.

As a result of significant internal restructuring of sales and administrative functions, we have incurred one-off restructuring costs of \$0.5m (after tax) during the year. These reductions in costs will yield annualised savings of \$3.5m, although a proportion of these savings will be reinvested in China.

We continue to implement a number of system enhancements delivering significant efficiencies. In addition, non-profitable businesses have been closed in the year. Some of the savings from these efforts have been offset by reinvesting in growth opportunities, particularly in China.

Operating cash flow

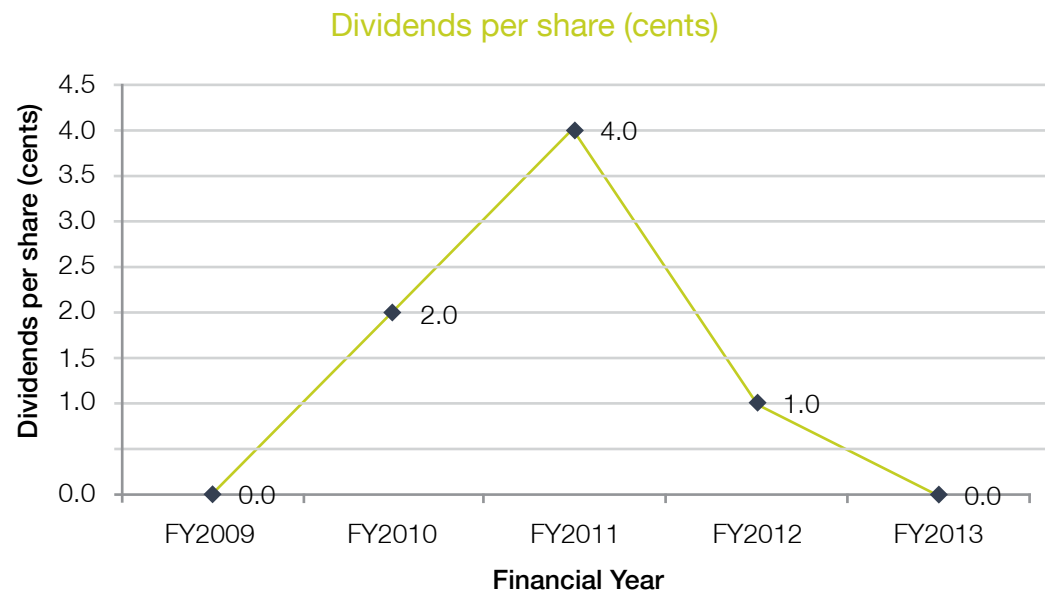


Cash from operating activities has improved significantly to \$4.4m (FY2012: Outflow \$2.0m).

This was achieved largely through careful working capital management, particularly our payments cycle, although there was also working capital released as a result of reduction in contractors. We have also improved our cash collections and improved credit terms with some customers. These strategies have provided significant improvement in our cash flow.

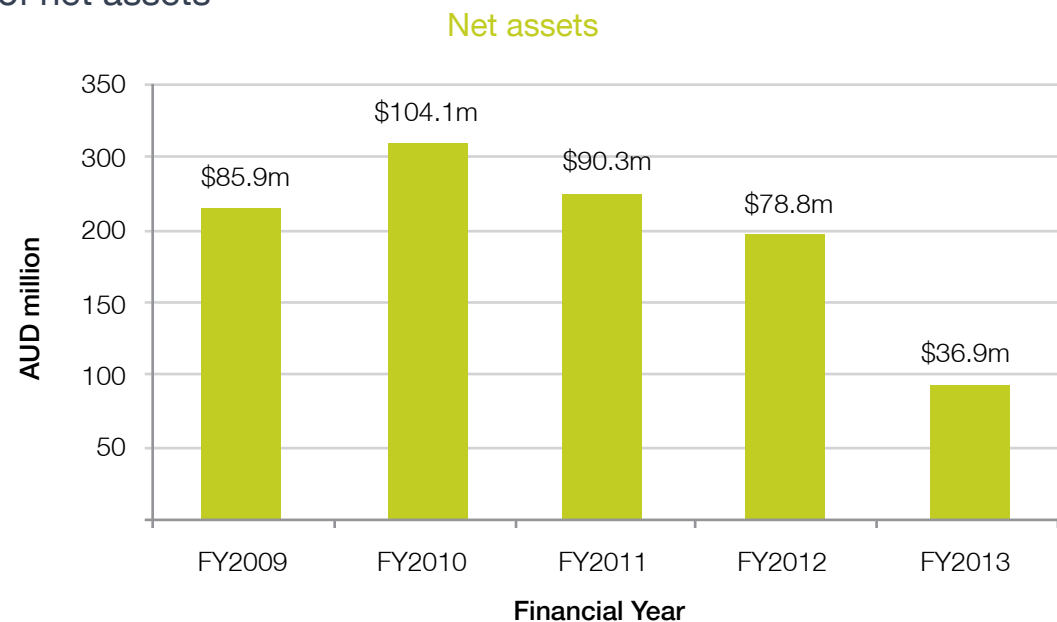
As part of our system enhancement initiative, we continue to invest in the rollout of a new payroll and billing system, which will provide additional benefits to our working capital in the future. The implementation is on track to be completed during FY2014. This will provide the group with greater efficiencies in the management of our contractor timesheet, payments and invoicing, as well as scalability for growth.

### Review of dividends per share



No dividends have been declared or paid in 2013.

### Review of net assets



At 30 June 2013, Clarius Group had net assets of \$36.9m (FY2012: \$78.8m).

During the year, goodwill impairment of \$40.9m has been reflected in the financial statements (2012:\$11.5m) which is the primary reason for the reduction in our net assets position. In FY2013, our service lines of business continued to face challenging market conditions and we have taken a conservative view on the timing of any improvement in levels of economic activity. As a result we have reduced our goodwill in both the Alliance and Candle CGU's by a further \$23.8m and \$17.1m respectively.

The group's receivables and cash flow management continue to support overall strength in working capital. At 30 June 2013 only one per cent of our receivables balance was overdue by 91 days.

# Key Business Strategies and Risks

Our focus continues to be protecting, developing and expanding our core business in the Asia Pacific Region.

*Re-engineering the Business Model to meet the changing needs to our clients.* The establishment of the Clarius Major Accounts business has allowed us to remain competitive and improve profitability in an environment where there is increased pressure for margin reductions and higher delivery expectations.

Our “house of specialist brands” strategy maintains our reputation for each business line and will be particularly important when the market returns to strong trading conditions. There is a clear gap in the market with respect to talent management. Given the shortage of skills in all sectors in which we operate, we continue to leverage our extensive candidate database to fill these gaps. Our vision is to be recognised in each of our sectors as a specialist by our clients and candidates which will provide us with both exclusive access to talent providing us with greater business opportunities.

Develop technology solutions to combat impact of online recruitment alternatives.

The difficult market conditions present challenges in building our specialist brand proposition strategy. Social media and online search tools provide alternative avenues for clients to source and attract candidates. Focusing on our core strengths and delivering an excellent quality of service within an efficient delivery structure allows us to mitigate some of these external market risks.

*Investment in Growth Markets.* We will continue to consider acquisition opportunities that complement both our service offerings and geographical segments, especially in the Asian region. However, our ability to grow organically through diversification remains a core strategy of the group. Our strategy in China is to look at further geographical expansion into the many regional cities that are emerging. This will provide a strong platform for launching the recruitment opportunities that are not yet prevalent in this market. With a rapidly changing landscape in this region, we see the potential to lead our competitors in this space, taking advantage of the market conditions as they evolve.

China growth risks remain, given the impact of a relatively weaker global economy which has reduced the volume of Chinese exports. However the government’s drive to increase local consumption provides opportunities for the Clarius group, and we believe that our established and experienced sales teams can capitalise on local demand.

*Reduce dependence on volatile markets.* With the volatility of permanent recruitment in uncertain times, our focus is strongly on building more annuity style revenue streams that come from contracting and resource on demand services.

Entering new markets in difficult economic conditions presents many challenges, however by further evolving our current offerings and building on our core strengths, we are more easily able to adapt and develop. A good example is expanding our payroll outsourcing offering which is a natural progression from our core competency of paying contractors.



# Fo.cus

(Noun) The centre of interest or activity

## 2013 Clarius Group Annual Report

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**Fo.cus** (Noun) The centre of interest or activity

### Attain Operational Excellence

*Investment in internal systems and technology.* Our implementation of a new payroll and billing system is on track, and will be completed during FY2014. This will provide the group with greater efficiencies in the management of our contractor timesheets, payments and invoicing.

Large scale projects always have an element of implementation risk, and do divert resources from day to day activities. To mitigate this we have partnered with best in class technology partners and are employing proven project and change management methodologies.

### Develop Industry Leading Talent

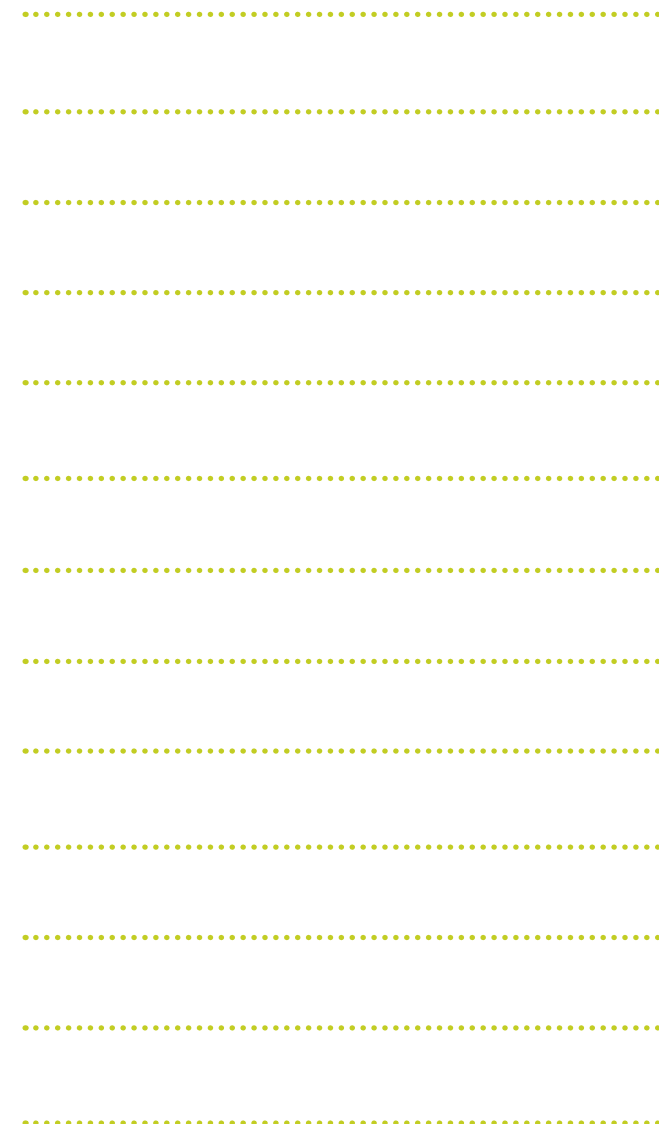
*Recruit, engage, retain.* We develop and provide industry leading training and leadership development, and have a performance based culture that is not accepting of mediocrity. This investment will help to deliver stronger returns and strengthen our people's ability to face constantly changing market conditions. Teamed with a consistent incentive scheme linked to delivering sustainable results, Clarius provides an environment that fosters high performance.

In challenging economic times, it is often easy to reduce or eliminate programs that may be perceived as discretionary. Clarius is committed to a strategy that supports, develops and rewards our key human capital. This in turn will support delivery of exceptional service to our clients and returns for our shareholders.

### Extend our capability into related lines of business

*Provide employment related services.* Using our existing infrastructure, with some enhancements and modifications, our core capabilities are able to be developed into "packaged" complementary services for our clients.

Developing offerings to take to market requires more investment than simply providing services "in-house". By focusing on our core skills and strengths and using proven project management and marketing methodologies we can improve our speed to market and capability.



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 financial year ended 30 June 2013 and the auditor’s report thereon.

### Directors

The directors of the Company at any time during or since the end of the financial year are:

Mrs. Penelope Morris <sup>(1)</sup>	Interim Independent Non-Executive Chairman	23 August 2005
Ms. Kym L Quick	Managing Director and Chief Executive Officer	30 June 2012
Mr. Lawrence J Gibbs <sup>(1)</sup>	Independent Non-Executive Director	29 August 2001
Mr. Simon C M Kelly	Independent Non-Executive Director	24 August 2011
Mr. Geoffrey J Moles <sup>(2)</sup>	Non-Executive Director	30 June 2012
Mr. Garry Sladden <sup>(3)</sup>	Independent Non-Executive Director	10 September 2013

<sup>(1)</sup> Lawrence J Gibbs resigned as Chairman on 9 August 2013 and was replaced on an interim basis by Mrs. Penelope Morris. Lawrence J Gibbs resigned as Independent Non-Executive Director on 10 September 2013.

<sup>(2)</sup> Geoffrey J Moles resigned as Managing Director and was appointed as a Non-Executive Director 30 June 2012. He has been a Director since 1 March 1984, in a variety of roles including Managing Director, Non-Executive Director and Non-Executive Chairman.

<sup>(3)</sup> Garry Sladden was appointed as an Independent Non-Executive Director on 10 September 2013.

### Principal Activities

Clarius Group (ASX: CND) is one of Asia Pacific's leading professional employment services providers, specialising in permanent, contract and temporary placements across all levels of seniority.

The Group recruits in the accounting, banking, corporate services, engineering, finance, information technology, information management, sales and marketing disciplines. As well as providing aligned services including contractor management, outsourced payroll and managed IT services.

Established over twenty-nine years ago and listed on the Australian Securities Exchange in 1997, Clarius Group maintains a reputation for high-quality delivery and remains one of the largest and longest standing recruitment suppliers in the region.

Clarius Group operates through a number of quality specialist brands:

### Recruitment

- Alliance Recruitment – Corporate Services
- Candle – Information Communications Technology
- Lloyd Morgan – Accounting, Banking and Finance
- SouthTech – Engineering and Technical
- The One Umbrella – Information Management

### Aligned Services

- Ignite – Contractor Management and Outsourced Payroll
- Jav IT – Managed IT Services

Clarius Group employs over 290 staff through a network of offices located in Adelaide, Brisbane, Canberra, Melbourne, Perth and Sydney in Australia; Auckland and Wellington in New Zealand; Singapore; and Beijing, Shanghai and Suzhou in China.

There were no significant changes in the nature of the consolidated entity's principal activities during the financial year.

### Operating Results

The consolidated loss of the consolidated entity after providing for income tax, goodwill impairment and de-recognition of tax losses for the financial year amounted to \$42,214,000 (FY2012 loss: \$9,443,000).

### Dividends

No dividends were paid, declared or recommended to members during the financial year 2013.

On 21 August 2013, the directors resolved not to declare a final dividend for the year ended 30 June 2013.

### Review of Operations

Net loss after tax for the year was \$0.9m (FY2012: Profit \$2.1m) (excluding non-cash goodwill impairment and de-recognition of tax losses). Refer to the reconciliation provided on page 25 of the Financial Review from loss after tax as per consolidated statement of profit or loss and other comprehensive income to net loss after tax.



## Financial Position

Cash from operating activities was \$4.4m (FY2012: Cash outflow \$2.0m). This has improved significantly over the previous year.

Overall, the Group is in a sound financial position with no net gearing and significant un-drawn finance facilities. The Directors believe the Group is well positioned to continue to manage through the current economic cycle whilst its cost base and resourcing levels continue to be optimised so as to ensure strong profit conversion on any uptick in the permanent placement market.

## Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

## Future Developments

The Group will continue to pursue its investment in growth markets and reduce its dependency on volatile markets.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of this information would be likely to result in unreasonable prejudice to the Group.

## Events Subsequent to the Reporting Date

No matters or circumstances have arisen since the end of the financial 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.

## Environmental Issues

The consolidated entity's operations are regulated by the relevant Commonwealth and State legislation.

The nature of the Company's business does not give rise to any significant environmental issues.



# Information on Directors



## Penelope Morris AM

Interim Independent Non-Executive Chairman

Penelope Morris was appointed as Interim Chairman on 9 August 2013. She has been a Company director for the past 20 years over which time she has served on a wide range of ASX listed and government enterprise boards, such as Mirvac Ltd, Country Road Ltd, Aristocrat Ltd, Jupiters Ltd, Howard Smith Ltd, Australia Post, Energy Australia, Landcom, Sydney Harbour Foreshore Authority and Indigenous Land Corporation. Penny is currently a director of the NSW Institute of Teachers, Bowel Cancer Australia, and several private companies.

Prior to this Penny held senior management and Executive Director positions with Lend Lease in Sydney, and the Commonwealth Government in Canberra. Penny's qualifications are Bachelor of Architecture (Hons), Master of Environmental Science and Diplomas of Company Directorship and International Company Directorship.

In June 2002 Penny was awarded a Member of the Order of Australia for service to the property and construction industries.

Penny is a member of the Board Audit, Risk and Compliance Committee and Chairman of the Board Remuneration and Nomination Committee.



## Kym L Quick

Managing Director and Chief Executive Officer

Kym Quick has over 20 years' experience in the recruitment industry and was appointed as Managing Director and Chief Executive Officer for the Clarius Group on 30 June 2012. Kym is responsible for the overall performance of the business.

Prior to recruitment, Kym was an accountant with KPMG and subsequently Ansett and Rothmans of Pall Mall. She began her recruitment career specialising in the recruitment of professional accounting staff. Kym then joined two former colleagues in their own business which went on to become Alliance Recruitment. Kym was active in the organic growth of the Alliance business in Melbourne working in both the temporary and permanent business support and professional accounting markets.

Kym has worked with the Clarius Group since 2001 when she joined as part of the acquisition of the Alliance business. In June 2005 Kym was appointed as National Manager of the Alliance business and responsible for the merging of Workskills Professionals and Premier Personnel into the Alliance brand.

In 2007 she moved into a role that saw her overseeing the Shared Services division for the Clarius Group. This was a new role that was responsible for the consolidation and integration of all the services supporting the brands. Kym took on the role of Chief Operating Officer in October 2010 and this saw her overseeing all of the recruitment brands in Australia and New Zealand and was promoted to CEO in September 2011. She currently sits on the Board of Directors for Clarius.



### Simon C M Kelly

Independent Non-Executive Director

Simon Kelly is currently Chief Operating Officer and Chief Financial Officer of Nine Entertainment Co., Australia's largest diversified media and entertainment group. Simon was formerly Chief Executive Officer at Deals Direct Group; Chief Financial Officer, Company Secretary and Board Director of ASX listed Aristocrat Leisure Limited and also held a number of senior executive roles at ASX listed Goodman Fielder Limited. He has over 27 years' experience in financial and general management.

Simon is Chairman and independent Non-Executive Director of Intrepica Pty Limited, a privately owned emerging online business. He holds a Bachelor of Arts degree (First Class, Honours) in economics and accounting, is a fellow of the Institute of Chartered Accountants in England & Wales, member of the Institute of Chartered Accountants in Australia and member of the Australian Institute of Company Directors.

Simon is the chairman of the Board Audit, Risk and Compliance Committee and a member of the Board Remuneration and Nomination Committee.



### Geoffrey J Moles

Non-Executive Director

Geoffrey Moles has over 43 years commercial experience in Information Technology (IT) and Recruitment including over 33 years at senior management levels. In 1984, he established Candle Computer Services Pty Ltd which became Candle Australia Limited when it listed on the ASX in 1997 before changing its name to Clarius Group Limited in 2007. Geoffrey's roles in the Clarius Group have been Founder, Managing Director, Chairman, and Non-Executive Director.

Prior to Candle, Geoff worked in the IT industry with a major mainframe/hardware supplier and subsequently a major Australian based Software House.



### Garry Sladden

Independent Non-Executive Director

Garry Sladden is a business and strategic adviser who has a diversified business background in the areas of real estate, private equity, business operations, banking and finance, and equity raising, having held the position of General Manager Operations at Consolidated Press Holdings for six years and more recently (2007) the role of Group Operations Executive for a real estate investment, development and funds management group. Garry is Non-Executive Chairman of Folkestone Limited, Chairman of Ashton Manufacturing Pty Limited and a Non-Executive Director of Melanoma Institute Australia.

### Directors Interests in Shares and Options

At the date of this report, the particulars of shares and options in which each director has a relevant interest either directly or indirectly are:

**Penelope Morris**  
51,429 ordinary shares

**Kym L Quick**  
None

**Simon C M Kelly**  
None

**Geoffrey J Moles**  
4,678,948 ordinary shares

**Garry Sladden**  
None

### Company Secretary

Nick Geddes FCA, FCIS Company Secretary is the principal of Australian Company Secretaries, a Company secretarial practice that he formed in 1993. Nick is a past President of Chartered Secretaries Australia and a former Chairman of the NSW Council of that Institute. His previous experience, as a Chartered Accountant and Company Secretary, includes investment banking, development and venture capital in Europe, Africa, the Middle East and Asia.

Qualifications: Chartered Accountant (Fellow of Institute of Chartered Accountants in England & Wales) and Fellow of the Institute of Chartered Secretaries (Chartered Secretaries Australia).

### Remuneration Report – Audited

The remuneration report is set out under the following headings:

- Non-Executive Director Remuneration
- Principles used to determine the Nature and Amount of Executive Remuneration
- Details of Directors’ and Key Management Personnel Remuneration
- Short Term Incentive Bonus and Long Term Incentive
- Employment Contracts
- Share-Based Payments

The information provided under these headings includes remuneration disclosures that are required under the Corporations Act 2001. These disclosures have been transferred from the financial report and have been audited.

#### Non-Executive Director Remuneration

The Board’s policy is to remunerate non-executive directors at market rates for comparable companies. Such remuneration is provided in recognition of the time, commitment and responsibilities assumed by non-executive directors. The Remuneration and Nomination Committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is \$500,000 per annum as approved by shareholders at the 2005 Annual General Meeting. Fees for non-executive directors are not linked to the performance of the consolidated entity. Non-executive directors do not receive options or any form of equity as remuneration.

On 1 July 2013, non-executive Directors resolved to take a 10 per cent reduction in base fees until the financial performance of the Company improves.

#### Principles used to determine the Nature and Amount of Executive Remuneration

##### Executive Remuneration Principles

The Board Remuneration and Nomination Committee’s Terms of Reference include setting out the terms and conditions by which the Managing Director and other senior executives’ remuneration is determined. The Remuneration and Nomination Committee did not seek professional advice from independent external consultants in the financial year. All executives receive a base salary (which is based on factors such as experience) and superannuation and are eligible for fringe benefits and performance incentives. The Remuneration and Nomination Committee reviews executive remuneration annually, as requested by the Managing Director, by reference to the consolidated entity’s performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The Group’s executive remuneration practices have been designed to align executive and shareholder interests and objectives. The Board believes these practices to be appropriate and effective in attracting and retaining skilled executives to run and manage the business.

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(Noun) The centre of interest or activity

## 2013 Clarius Group Annual Report

The performance of executives is measured against criteria agreed bi-annually with each executive. The criteria are based predominantly on the forecast growth of the consolidated entity's profits and earnings per share. Bonuses and incentives are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the Board Remuneration and Nomination Committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract skilled executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share option arrangements.

The non-executive directors and executives are entitled to a superannuation guarantee contribution required by the Government and do not receive any other retirement benefits.

All remuneration paid to executives is valued at cost to the Company and expensed. Options are valued using the American Call Option Pricing methodology.

### Performance Based Remuneration

As part of the Managing Director and senior executives' remuneration packages there is a performance-based component, related to Key Performance Indicators (KPI's). The intention of this program is to facilitate congruence of goals between executives and those of the business and shareholders. The KPI's are set bi-annually, in consultation with executives to ensure their commitment to achieving those goals. The measures are specifically tailored to the areas of each executive's involvement within the business and over which they have control.

The annual KPI's include cash flow targets, earnings per share growth targets and those relating to succession planning and management team development. The KPI's target the areas the Board believes hold the greatest potential for the consolidated entity's expansion and profitability, covering financial and non-financial as well as short-term and long-term goals. The level set for each KPI is based on budgeted figures for the consolidated entity and industry standards.

Performance in relation to the KPI's is assessed bi-annually, with bonuses being awarded depending on the number and deemed difficulty of the KPI's achieved. Following the annual assessment, the KPI's are reviewed by the Managing Director, with assistance as may be required from the Board Remuneration and Nomination Committee in light of the desired and actual outcomes and their efficiency is assessed in relation to the consolidated entity's goals and shareholder wealth, before the KPI's are set for the following year.

In determining whether or not a financial KPI has been achieved, the Company bases the assessment on audited financial information.



Consequences of Performance on Shareholder Wealth

In considering the consolidated entity’s performance and impact on shareholder wealth, the Remuneration and Nomination Committee has regard to the following information in respect of the current financial year and prior four financial years.

	2013	2012	2011	2010	2009
(Loss)/Profit attributable to owners of the Company	(\$42,214,000)	(\$9,443,000)	(\$10,311,000)	\$3,019,000	(\$8,322,000)
*(Loss)/Profit excluding impairment and de-recognition of tax losses	(\$933,000)	\$2,058,000	\$4,251,000	\$3,019,000	\$1,798,000
Dividends paid	-	\$2,652,000	\$3,459,000	-	-
Share price at the end of the year	\$0.20	\$0.43	\$0.58	\$0.63	\$0.51
Return on capital employed	N/A	N/A	N/A	2.9%	N/A

\*Refer to the reconciliation provided on page 25 of the Financial Review from loss after tax as per consolidated statement of profit or loss and other comprehensive income to net loss after tax.

Options issued as part of Remuneration

Options may be issued to the Managing Director and senior executives as part of their remuneration. The options are issued based on performance criteria and to encourage staff retention. The goal is to increase congruence of goals between executives, directors and shareholders. Options only vest where the performance hurdle is satisfied, that is, where the Company’s total return to shareholders exceeds the relevant ASX Small Industries Index. The ASX Small Industries Index measures the weighted average return to shareholders for all industrial companies listed on the ASX All Ordinaries Index but not in the ASX 100 as calculated and reported to the ASX. No options have been issued since June 2009.

Details of Directors’ and Key Management Personnel Remuneration

The remuneration of each director of Clarius Group Limited is as follows:

	Short-term employee benefits			Post-employment benefits	Long term based benefits	
Parent Entity	Salary \$	Directors fees \$	Bonus \$	Superannuation \$	Long service leave \$	Total remuneration \$
Non-Executive Directors						
Penelope Morris <sup>(1)</sup>						
2013	-	73,394	-	6,606	-	80,000
2012	-	77,217	-	6,950	-	84,167
Lawrence J Gibbs <sup>(1)</sup>						
2013	-	100,917	-	9,083	-	110,000
2012	-	100,917	-	9,083	-	110,000
Simon C M Kelly <sup>(2)</sup>						
2013	-	77,982	-	7,018	-	85,000
2012	-	67,084	-	6,038	-	73,122
Geoffrey J Moles <sup>(3)</sup>						
2013	-	83,750	-	25,000	-	108,750
2012	260,469	-	15,000	15,775	-	291,244

<sup>(1)</sup> Lawrence J Gibbs resigned as Chairman on 9 August 2013. Penelope Morris who has been Non-Executive Director since 23 August 2005 was appointed as interim Non-Executive Chairman on 9 August 2013. Lawrence J Gibbs resigned as Non-Executive Director on 10 September 2013.

<sup>(2)</sup> Simon Kelly was appointed on 24 August 2011.

<sup>(3)</sup> Geoffrey J Moles resigned as Managing Director and was appointed as a Non-Executive Director 30 June 2012. His director’s fees for FY2013 included \$43,750 that had not been approved by the Board Remuneration and Nomination Committee in accordance with the Board’s charter. Upon recognising this error the amount was repaid in full in August 2013.

The remuneration of key management personnel of the consolidated entity not included above is as follows:

	Short-term employee benefits		Post-employment benefits	Long term benefits		
	Salary \$	Bonus \$	Superannuation \$	Long service leave \$	Termination payments \$	Total remuneration \$
Key Management Personnel						
Kym L Quick <i>Managing Director and Chief Executive Officer<sup>(1)</sup></i>						
2013	483,530	-	16,470	16,294*	-	516,294
2012	451,275	15,000	15,775	32,294	-	514,344
Paul A Barbaro <i>Executive General Manger Alliance, Lloyd Morgan and Ignite</i>						
2013	305,000	-	20,746	*	-	325,746
2012	305,000	56,000	15,775	20,570	-	397,345
Anne L Bastock <sup>(2)</sup> <i>Chief Financial Officer</i>						
2013	220,000	-	17,287	373*	-	237,660
2012	41,744	-	3,757	-	-	45,501
Linda A Trevor <sup>(3)</sup> <i>Executive General Manager Candle</i>						
2013	259,350	-	16,470	2,248*	-	278,068
2012	231,915	77,500	15,775	-	-	325,190

<sup>(1)</sup> Kym L Quick was COO of the Clarius Group before being appointed as CEO on 30 September 2011. Kym was appointed as Managing Director and CEO on 30 June 2012.  
<sup>(2)</sup> Anne L Bastock commenced employment on 23 April 2012.  
<sup>(3)</sup> Linda A Trevor resigned 9 August 2013.

\*As a result of management's review and revision of the assumptions used in the long service leave provision calculation, minimal/no long service leave expense has been recognised for these employees during the financial period. These employees continue to accrue long service leave entitlements at the statutory rate.

The relative proportions of the remuneration that are linked to performance and those that are fixed are as follows:

			Short term incentive bonus*	
	Fixed remuneration %	Performance based payments %	% Vested in year	% Forfeited in year
Directors				
Penelope Morris				
2013	100	-	-	-
2012	100	-	-	-
Lawrence J Gibbs <sup>(1)</sup>				
2013	100	-	-	-
2012	100	-	-	-
Simon C M Kelly <sup>(2)</sup>				
2013	100	-	-	-
2012	100	-	-	-
Geoffrey J Moles <sup>(3)</sup>				
2013	100	-	-	-
2012	95	5	8	92**
Key Management Personnel				
Kym L Quick <sup>(4)</sup>				
2013	72	28	-	100
2012	97	3	8	92**
Paul A Barbaro				
2013	68	32	-	100
2012	80	20	47	53
Anne L Bastock <sup>(5)</sup>				
2013	80	20	-	100
2012	100	-	-	-
Linda A Trevor <sup>(6)</sup>				
2013	75	25	-	100
2012	76	24	80	20

<sup>(1)</sup> Lawrence J Gibbs resigned as Chairman on 9 August 2013 and resigned as Non-Executive Director on 10 September 2013.  
<sup>(2)</sup> Simon C M Kelly was appointed on 24 August 2011.  
<sup>(3)</sup> Geoffrey J Moles resigned as Managing Director and was appointed as a Non-Executive Director 30 June 2012.  
<sup>(4)</sup> Kym L Quick was COO of the Clarius Group before being appointed as CEO on 30 September 2011. Kym was appointed as Managing Director and CEO on 30 June 2012.  
<sup>(5)</sup> Anne L Bastock commenced employment on 23 April 2012.  
<sup>(6)</sup> Linda A Trevor resigned on 9 August 2013.  
\*Vesting percentages are based on actual bonuses paid during the year.  
\*\*Second Half bonus renounced.

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## 2013 Clarius Group Annual Report

As discussed above in the Performance Based Remuneration, Managing Director and senior executives' remuneration packages contain a performance based component related to KPI's. The remuneration of key management personnel and the returns to the Company's shareholders are aligned through the remuneration policies implemented by the board as follows:

Performance linked compensation includes both short-term and long-term incentives, and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short term incentive is a bonus provided in the form of cash, while the long term incentive is provided as option over ordinary shares of the Company under the rules of the Employee and Executive Option Plan.

### Short Term Incentive Bonus (STI)

The objective of STI's is to reward executives for their contribution to the achievement of the Group and business unit outcomes, as well as individual KPI's. Each year the Board Remuneration and Nomination Committee sets KPI's for the key management personnel. The KPI's generally include measures relating to the Group, the relevant segment, and the individual, and include financial, people, customer and strategy measures. The measures are chosen as they directly align to an individual reward to the KPI's of the Group and to its strategy and performance.

The Company's STI plan provides for a cash payment based on achieving predetermined KPIs and are paid bi annually. The financial performance objectives are set annually and may include targets for earnings per share (EPS), earnings before interest, taxation, depreciation and amortisation (EBITDA) and other financial performance objectives as deemed appropriate by the Remuneration and Nomination Committee. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, adhering to legal and operational compliance, customer satisfaction and staff development. Each financial and non-financial objective accounts for between 20 to 30 percent of the maximum STI.

The KPI's assigned to key management personnel directly impact the amount of bonus payments made and potential salary increases. These KPI's are directly linked to the profitability of the business unit, and the achievement of the Company's financial goals during the respective twelve month service period. Therefore, the level of remuneration of key management personnel is directly linked to the performance of the Company in each twelve month period.

At the end of the financial year, the Board Remuneration and Nomination Committee assesses the actual performance of the Group, the relevant segment and individual against the KPI's set at the beginning of the financial year. The performance evaluation in respect of year ended 30 June 2013 has taken place in accordance with this process.

### Long Term Incentive (LTI)

The purpose of the long term incentive is to reward executives for their contribution to the creation of shareholders' value over the longer term. Options are issued under the Employee and Executive Option Plan and it provides for key management personnel to receive options as part of their remuneration. The options are issued based on performance criteria and to encourage staff retention.

The vesting conditions relating to the Employee and Executive Option plans include a requirement for the Company's share price to exceed the relevant ASX Small Industries Index which measures the weighted average return to shareholders for all industrial companies listed on the ASX All Ordinaries Index, but not in the ASX 100 as calculated and reported to the ASX. Notwithstanding the fact that the Company's share price is impacted by external factors and market movements that are outside the control of key management personnel, the extent of the benefit that key management personnel may derive from participation in the plan increases as the Company's share price increases over the longer term.



Employment Contracts

It is the Group’s policy that service contracts for key management personnel are on-going until terminated by either party. Remuneration and other terms of employment for the Managing Director and other key management personnel are formalised in contracts of employment. Each of these agreements provide for the remuneration terms including the provision of performance-related cash bonuses and other benefits. There are no specified lengths of service included within the contract. The Managing Director’s contract may be terminated by either party with three months’ notice. All other contracts with key management personnel may be terminated by either party with between two or three months’ notice.

The contracts detailed below are current as at 30 June 2013:

Name & Position	Term of agreement	Basis of salary payment	Notice period
<b>Kym L Quick</b> Managing Director & Chief Executive Officer	On-going until terminated by either party	Base salary, inclusive of superannuation, as at 30 June 2013 of \$500,000 to be reviewed annually by the Board Remuneration and Nomination Committee. Annual bonus eligibility of \$200,000.	Notice period of 3 months by either party
<b>Paul A Barbaro</b> Executive General Manager – Alliance, Lloyd Morgan and Ignite	On-going until terminated by either party	Base salary, inclusive of superannuation, as at 30 June 2013 of \$321,470 to be reviewed annually by the Managing Director. Annual bonus eligibility of \$150,000.	Notice period of 2 months by either party
<b>Anne L Bastock</b> Chief Financial Officer	On-going until terminated by either party	Base salary, inclusive of superannuation as at 30 June 2013 of \$236,470 to be reviewed annually by the Managing Director. Annual bonus eligibility of \$60,000.	Notice period of 3 months by either party
<b>Linda A Trevor<sup>(1)</sup></b> Executive General Manager – Candle	On-going until terminated by either party	Base salary, inclusive of superannuation, as at 30 June 2013 of \$300,000 to be reviewed annually by the Managing Director. Annual bonus eligibility of \$100,000.	Notice period of 2 months by either party

<sup>(1)</sup> Linda A Trevor resigned on 9 August 2013.

Share-Based Payments

Non-cash benefits include the annualised value of the options granted over unissued ordinary shares during the financial year valued using the American Call Option Pricing model. Options vest over four financial years and are exercisable only on the satisfaction of a performance hurdle. Options are exercisable where the performance hurdle is satisfied whereby the Company’s total return to shareholders exceeds the relevant ASX index.

All options vest 50 per cent after two and 50 per cent after three years from grant date and are exercisable subject to achievement of the performance hurdle. As the performance hurdle was not achieved, no options were granted over unissued ordinary shares pursuant to the rules of the Share Option Plan, during the financial year by the Company to key management personnel as part of their remuneration.

Option Holdings

	Grant Date	Exercise Price	Expiry Date	Balance 30/06/2012	% Vested in year	Lapsed	Balance 30/06/2013	Vested & Exercisable
Directors								
Penelope Morris	-	-	-	-	-	-	-	-
Kym L Quick	01 Sep 08	\$1.46	01/09/2012	200,000	-	(200,000)	-	-
	05 Jan 09	\$0.27	05/01/2013	50,000	-	(50,000)	-	-
	29 Jun 09	\$0.52	29/06/2013	50,000	-	(50,000)	-	-
Lawrence J Gibbs	-	-	-	-	-	-	-	-
Simon C M Kelly	-	-	-	-	-	-	-	-
Geoffrey J Moles	-	-	-	-	-	-	-	-
Key Management Personnel								
Paul A Barbaro	01 Sep 08	\$1.46	01/09/2012	200,000	-	(200,000)	-	-
	05 Jan 09	\$0.27	05/01/2013	50,000	-	(50,000)	-	-
	29 Jun 09	\$0.52	29/06/2013	50,000	-	(50,000)	-	-
Anne L Bastock	-	-	-	-	-	-	-	-
Linda A Trevor	-	-	-	-	-	-	-	-
Total		-		600,000	-	(600,000)	-	-

Shareholdings

	Balance 01/07/2012	Received as remuneration	Options exercised	Other Movement	Balance 30/06/2013
Directors					
Penelope Morris	51,429	-	-	-	51,429
Kym L Quick	-	-	-	-	-
Lawrence J Gibbs	71,323	-	-	25,000	96,323
Simon C M Kelly	-	-	-	-	-
Geoffrey J Moles	4,678,948	-	-	-	4,678,948
Key Management Personnel					
Paul A Barbaro	-	-	-	-	-
Anne L Bastock	-	-	-	-	-
Linda A Trevor	-	-	-	-	-
Total	4,801,700	-	-	25,000	4,826,700

No shares were issued during the year to key management personnel under the exercise of options.

### Meetings of Directors

During the financial year, fifteen meetings of directors were held. Attendances were:

Director	Number of meetings held <sup>(1)</sup>	Number of meetings attended
Penelope Morris	15	15
Kym L Quick	15	15
Lawrence J Gibbs	15	14
Simon C M Kelly	15	14
Geoffrey J Moles	15	11

<sup>(1)</sup> The number of meetings held during the time the director was a member of the board.

### Board Audit Risk and Compliance Committee Meetings

During the financial year, five Committee meetings were held. Attendances were:

Director	Number of meetings held <sup>(1)</sup>	Number of meetings attended
Penelope Morris	5	5
Lawrence J Gibbs	5	5
Simon C M Kelly	5	5

<sup>(1)</sup> The number of meetings held during the time the director was a member of the board.

### Board Remuneration and Nomination Committee Meetings

During the financial year, two Committee meetings were held. Attendances were:

Director	Number of meetings held <sup>(1)</sup>	Number of meetings attended
Lawrence J Gibbs	2	2
Simon C M Kelly	2	2
Penelope Morris	2	2

<sup>(1)</sup> The number of meetings held during the time the director was a member of the board.

### Indemnifying Officers or Auditor

The Company has entered into deeds of indemnity, insurance and access with each of the directors and the Company secretary. These were approved by shareholders at the 2001 annual general meeting. The indemnity will only indemnify a director to the extent permitted by the law and the Company's constitution.

The Company during or since the end of the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate has not:

- Indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs of expenses to defend legal proceedings; with the exception of the following;

During the year the Company paid a premium to insure the directors listed in this report against liabilities for the costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of directors of the Company. The terms of the policy prohibit disclosure of the premium paid.

### Directors' Benefits

No director has received or become entitled to receive, during or since the end of the financial year, a benefit because of a contract made by the Company, controlled entity or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest other than as disclosed in note 10 of the financial statements.

This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors and shown in the Company's financial statements, or the fixed salary of a full-time employee of the Company, controlled entity or a related body corporate.

### Proceedings on Behalf of the Company

No person has applied for leave of Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceeding to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

### Non-Audit Services

The Board of Directors, in accordance with the advice from the Board Audit Risk and Compliance Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed in Note 11 did not compromise the external auditor's independence for the following reasons:

- the nature and scope of all non-audit services are reviewed and approved by the Board Audit Risk and Compliance Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the APES 110 Code of Ethics for Professional Accountants.

Refer to Note 11 'Remuneration of Auditors' for amounts paid or payable during the financial year to the external auditors in respect of non-audit services.



### Auditor’s Independence

The lead auditor’s independence declaration for the year ended 30 June 2013 is set out below.

### Rounding of Amounts

The Company has applied the relief available to it in ASIC Class Order 98/100, and accordingly, amounts in the financial statements have been rounded to the nearest thousand dollars. Directors’ and Executive remuneration has been rounded to the nearest dollar.

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



**Kym L Quick**  
Managing Director and Chief Executive Officer



**Penelope Morris AM**  
Interim Independent Non-Executive Chairman

Dated at Sydney this 21<sup>st</sup> day of August 2013.



### Lead Auditor’s Independence Declaration under section 307C of the Corporations Act 2001

To: The directors of Clarius Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 there have been:

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



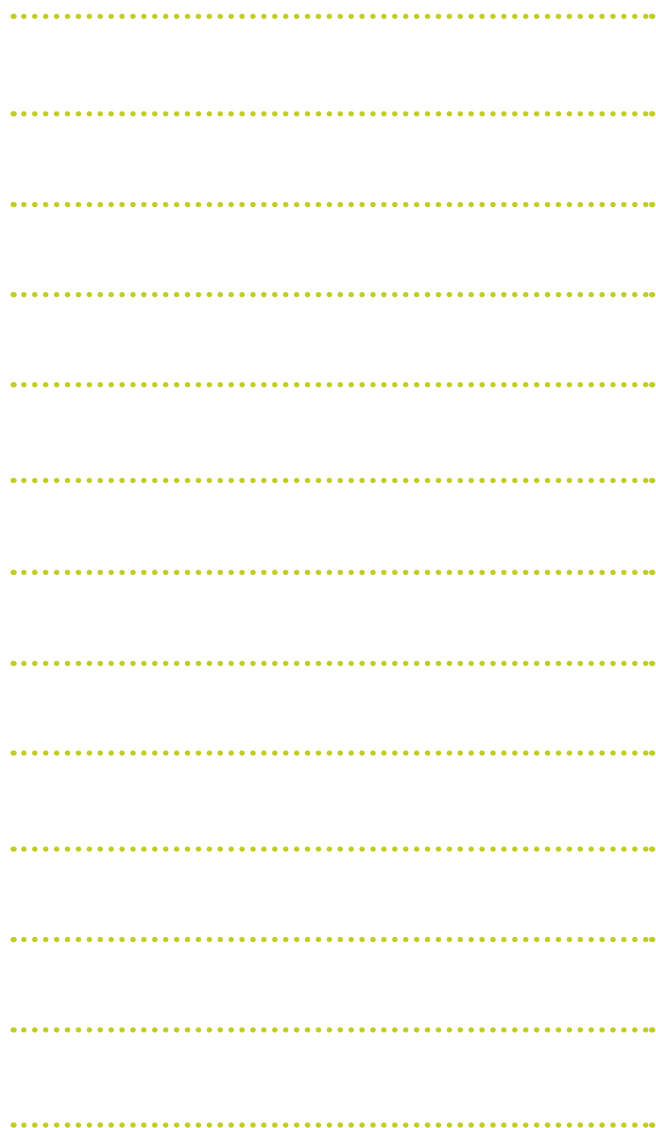
**KPMG**



**John Wigglesworth**  
Partner

Dated at Sydney this 21<sup>st</sup> day of August 2013.

# Financial Statements



Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 30 June 2013

	Note	2013 \$000	2012 \$000
Revenues	6	225,278	273,374
On hired labour costs		(187,823)	(227,118)
Gross profit		37,455	46,256
Employee benefits expense		(27,040)	(32,299)
Depreciation and amortisation expense	7	(951)	(637)
Restructuring expenses		(722)	-
Operating rental expense		(3,459)	(3,401)
Other expenses	7	(5,968)	(5,865)
Impairment loss		(40,911)	(11,501)
Results from operating activities		(41,596)	(7,447)
Finance income		18	43
Finance cost	7	(271)	(300)
Net finance costs		(253)	(257)
Loss before income tax		(41,849)	(7,704)
Income tax expense	8	(365)	(1,739)
Loss for the year attributable to the owners of the Company		(42,214)	(9,443)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations		403	7
Income tax on other comprehensive income		-	-
Other comprehensive income for the period, net of income tax		403	7
Total comprehensive loss for the year attributed to the owners of the Company		(41,811)	(9,436)
			Cents Per Share
Basic earnings per share	12	(47.15)	(10.63)
Diluted earnings per share	12	(46.62)	(10.32)

The Consolidated Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes on pages 51 to 87.

**As at 30 June 2013**

	Note	2013 \$000	2012 \$000
<b>Current assets</b>			
Cash and cash equivalents	14	969	932
Trade and other receivables	15	48,825	60,468
Current tax receivables	21	1,352	-
<b>Total current assets</b>		<b>51,146</b>	61,400
<b>Non-current assets</b>			
Plant and equipment	17	2,615	2,257
Deferred tax assets	16	1,779	2,219
Intangible assets	19	2,500	42,358
<b>Total non-current assets</b>		<b>6,894</b>	46,834
<b>Total assets</b>		<b>58,040</b>	108,234
<b>Current liabilities</b>			
Trade and other payables	20	17,870	23,978
Bank overdraft	14	735	5
Interest bearing liabilities	13 (b)	-	2,683
Current tax liabilities	21	-	296
Provisions	22	2,065	1,959
<b>Total current liabilities</b>		<b>20,670</b>	28,921
<b>Non-current liabilities</b>			
Provisions	22	390	537
<b>Total non-current liabilities</b>		<b>390</b>	537
<b>Total liabilities</b>		<b>21,060</b>	29,458
<b>Net Assets</b>		<b>36,980</b>	78,776
<b>Equity</b>			
Share Capital	23	83,541	91,616
Reserves	24	70	(312)
Accumulated losses	25	(46,631)	(12,528)
<b>Total equity</b>		<b>36,980</b>	78,776

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes on pages 51 to 87.



Consolidated Statement of Changes in Equity

As at 30 June 2013

	Share Capital \$000	Translation Reserve \$000	Share Based Payment Reserve \$000	Retained Earnings \$000	Total \$000
Balance at 1 July 2012	91,616	(1,677)	1,365	(12,528)	78,776
<b>Total comprehensive income for the period</b>					
Loss for the year attributed to the owners of the Company	-	-	-	(42,214)	(42,214)
<b>Other comprehensive income</b>					
Foreign currency translation differences for foreign operations	-	403	-	-	403
<b>Total comprehensive loss for the period</b>	-	403	-	(42,214)	(41,811)
<b>Transactions with owners recorded directly in equity</b>					
Issue of ordinary shares	36	-	-	-	36
Share based payment transactions	-	-	(21)	-	(21)
Reduction in share capital <sup>^</sup>	(8,111)	-	-	8,111	-
<b>Total transactions with owners</b>	(8,075)	-	(21)	8,111	15
<b>Balance as at 30 June 2013</b>	<b>83,541</b>	<b>(1,274)</b>	<b>1,344</b>	<b>(46,631)</b>	<b>36,980</b>

<sup>^</sup> Pursuant to Section 256B and Section 258F of the Corporations Act as approved at the 2012 AGM, the capital of the Company has been reduced by applying an amount of \$8,111,000 being the accumulated losses of Clarius Group Limited against the share capital and paid up options which are considered permanently lost.

Prior Year

	Note	Share Capital \$000	Translation Reserve \$000	Share Based Payment Reserve \$000	Retained Earnings \$000	Total \$000
Balance at 1 July 2011		91,040	(1,684)	1,359	(433)	90,282
<b>Total comprehensive income for the period</b>						
Loss for the year attributed to the owners of the Company		-	-	-	(9,443)	(9,443)
<b>Other comprehensive income</b>						
Foreign currency translation differences for foreign operations		-	7	-	-	7
<b>Total comprehensive loss for the period</b>		-	7	-	(9,443)	(9,436)
<b>Transactions with owners recorded directly in equity</b>						
Issue of ordinary shares		576	-	-	-	576
Share based payment transactions		-	-	6	-	6
Distribution to owners	9	-	-	-	(2,652)	(2,652)
<b>Total transactions with owners</b>		576	-	6	(2,652)	(2,070)
<b>Balance as at 30 June 2012</b>		<b>91,616</b>	<b>(1,677)</b>	<b>1,365</b>	<b>(12,528)</b>	<b>78,776</b>

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes on pages 51 to 87.

**For the year ended 30 June 2013**

	Note	2013 \$000	2012 \$000
<b>Cash flows from operating activities</b>			
Receipts from customers		348,538	379,416
Payments to suppliers and employees		(323,487)	(357,483)
Interest received		18	43
Interest and other borrowing costs paid		(271)	(300)
Income tax paid		(1,540)	(2,202)
GST paid		(18,864)	(21,515)
Net cash provided by / (used in) operating activities	13	4,394	(2,041)
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment	17(a)	(1,059)	(1,191)
Payments for software development and intangible assets	19(a)	(1,400)	(437)
Net cash used in investing activities		(2,459)	(1,628)
<b>Cash flows from financing activities</b>			
(Repayment of) / Proceeds from borrowings		(2,683)	2,683
Loans to related parties		-	(7)
Dividends paid to shareholders		-	(2,085)
Proceeds from the issue of shares		36	2
Net cash (used in) / provided by financing activities		(2,647)	593
Net decrease in cash held		(712)	(3,076)
Cash at the beginning of the financial year		927	4,049
Effect of exchange rates on cash holdings in foreign currencies		19	(46)
Cash at the end of the financial year	14	234	927

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes on pages 51 to 87.

### Note 1 Reporting Entity

Clarius Group Limited (the “Company”) is a for-profit listed public Company, incorporated and domiciled in Australia. The Consolidated financial statements of the Company as at and for the year ended 30 June 2013 cover the consolidated entity of Clarius Group Limited and its controlled entities.

### Note 2 Basis of Preparation

The consolidated financial statements are a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated financial statements comply with the International Financial Reporting Standards (IFRS) and interpretations adopted by The International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the board of directors on 21st August 2013.

### Note 3 Significant Accounting Policies

#### (a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Clarius Group Limited as at 30 June 2013 and the results of all subsidiaries for the year ended 30 June 2013. Clarius Group Limited and its subsidiaries are collectively referred to in this financial report as the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity. Subsidiaries are consolidated based on beneficial ownership.

Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the consolidated entity.

Intercompany transactions, balances and unrealised gains on transactions between entities comprising the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

#### (b) Revenue

Revenue is measured at the fair value of the consideration received or receivable. The consolidated entity recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the consolidated entity activities as described below.

Revenue is recognised for the major business activities as follows:

##### (i) Contracting revenue

Contracting revenue is brought to account as the services are provided. Services provided but not yet billed are taken up as accrued revenue.

##### (ii) Permanent recruitment revenue

Permanent recruitment revenue is brought to account on the following basis:

Executive positions – on the completion of the recruitment assignment

Administration positions – on start date of the employee

##### (iii) Payroll services

Where the consolidated entity provides payroll services to clients, payroll service fees are brought to account as the services are provided.

#### (iv) On hired labour

On hired labour is brought to account as the services are provided. Services provided but not yet billed are taken up as accrued revenue.

#### (v) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

#### (vi) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

### (c) Income tax

Income tax expense comprises current and deferred tax. The charge for current income tax expense is based on profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting profit or loss or taxable income.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is recorded directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future taxable income will be available against which they can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

#### Tax consolidation legislation

Clarius Group Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. As a consequence, all members of the tax consolidated group are taxed as a single entity. The head entity within the tax consolidated group is Clarius Group Limited.

### (d) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year, have been measured as the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the consolidated entity to employee defined contribution superannuation funds and are charged as expenses when incurred.

#### Share based payments

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using the American option call pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The employee benefits expense recognised in the equity reserve is based on the revised number of options that have vested as at balance date. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

#### Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The consolidated entity recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.



### (e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the consolidated entity are classified as finance leases. Leased assets are amortised over the lower of their useful life and the lease term. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

### (f) Intangible assets

#### (i) Candidate databases

Candidate databases represent the consolidated entity's candidate databases that were acquired. These assets are recorded at their respective cost of acquisition, which were supported by independent valuations performed immediately prior to the respective acquisitions.

The candidate databases represent accumulated private and proprietary information regarding the technical people of the various businesses. They are amortised on a straight line basis over a period of two years from the date of acquisition.

The candidate databases are constantly updated as an integral part of the business and are the major basis for the generation of revenue and profit. All costs incurred in maintaining, upgrading and improving the candidate databases are expensed as incurred.

#### (ii) Goodwill

Goodwill is recorded initially at the amount by which the purchase price for a business exceeds the fair value attributed to its identifiable net assets at the date of acquisition. Goodwill acquired on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised.

Goodwill is tested at each balance date for impairment or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses.

#### (iii) Software development costs

Software development costs are capitalised where future benefits are expected to contribute to a future period financial benefit through revenue generation and/or cost reduction. Otherwise such costs are expensed in the period in which they are incurred. Capitalised software development costs include external direct cost of materials and services, direct payroll and payroll related costs of employees' time spent on the project. These costs are amortised over periods between three to five years on the basis of the expected useful life of the software.

Unamortised costs are reviewed at each balance date to determine the amount (if any) that is no longer recoverable. Any amount so identified is written off.

### (g) Plant and equipment

Plant and equipment is brought to account at cost less, where applicable, any accumulated depreciation and any accumulated impairment losses. The carrying amount of property, plant and equipment is reviewed annually to ensure it is not in excess of its recoverable amount.

The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows are discounted to their present values in determining recoverable amounts.

The depreciable amount of all fixed assets, including capitalised leased assets is depreciated over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The cost method of accounting is used for all acquisitions of assets. Cost is determined as the fair value of the consideration at the date of acquisition plus costs directly attributable to bringing the assets to a working condition for their intended use.

The gain or loss on disposal of all fixed assets, is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in profit or loss before income tax of the consolidated entity in the year of disposal.

The depreciation rates and methods used for each class of depreciable assets are:

Class of Asset	Rate	Method
Plant & Equipment	9% - 37.5%	Diminishing Value
Leasehold Improvements	11% - 50%	Straight Line/ Diminishing Value

(h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is the net present value of the future cash inflows. It is determined using a present value model based on management's estimate of future net cash inflows from continued use, including movements in working capital and subsequent disposal of assets. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impairment losses in respect of goodwill are not reversed.

(i) Foreign currency transactions and balances

(i) Functional and presentation currency

Items included in the financial statements of each of the entities that make up the consolidated entity are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Clarius Group Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the respective entities functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(iii) Clarius Group Limited group companies

The results and financial position of all the entities making up the consolidated entity (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the exchange rates at the reporting date;
- income and expenses are translated at average exchange rates unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions; and
- all resulting exchange differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of a foreign entity and translated at the exchange rates at the reporting date.

(j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash includes:

- cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts;
- investments in money market instruments with less than 14 days to maturity; and
- bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### (k) Rounding of amounts

The Company has applied the relief available under ASIC Class Order 98/100 and accordingly, amounts in the financial report have been rounded to the nearest thousand dollars. Directors’ and Executive remuneration has been rounded to the nearest dollar.

### (l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment losses. Trade receivables are generally due for settlement within 30 days.

Recoverability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off to profit or loss. An impairment allowance on trade receivables is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will become insolvent, and default or delinquency in payments outside the trading terms are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the provision is recognised in profit or loss in other expenses. When a trade receivable for which a provision for impairment had been recognised becomes uncollectable in a subsequent period, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

### (m) Financial instruments

#### Classification

The consolidated entity classifies its financial assets in the following categories: loans and receivables and available for sale assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

#### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the consolidated entity provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after balance sheet date which are classified as non-current assets. Loans and receivables represent trade and other receivable on the statement of financial position.

#### (ii) Financial Liabilities

Non-derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost. Financial liabilities comprise trade payables and bank overdrafts.

#### (iii) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

### Recognition and de-recognition

Regular purchases and sales of financial assets are recognised or derecognised on trade-date being the date on which the consolidated entity commits to purchase or derecognise the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

### (n) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

### (o) Dividends

A provision is recognised for dividends when they have been declared, determined or publicly recommended by the Directors on or before the end of the year but not distributed at balance date.

### (p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. The GST components of cash flows arising from investing or financing activities which are recoverable from or payable to the taxation authority are presented as operating cash flows.

### (q) Earnings per share

#### (i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

#### (ii) Diluted earnings per share

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise relevant share options granted to employees.

### (r) Critical accounting estimates and judgements

#### (i) Impairment of non-financial assets

The consolidated entity tests at each balance date whether goodwill has suffered any impairment, in accordance with the accounting policy in note 3 (f). The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of a number of assumptions. Refer to note 19 for details of these assumptions.

#### (ii) Income taxes

The consolidated entity is subject to income taxes in Australia and jurisdictions where it has foreign operations. Judgement is required in determining the consolidated entity's provision for income taxes.

#### (iii) Impairment of receivables/provision of bad debts

Included in trade receivables is an allowance for doubtful debts. At the reporting date this amount represents balances that are uncertain in relation to collectability.

### (s) Segment reporting

The consolidated entity determines and presents operating segments based on the information that internally is provided to the Board of Directors (Board) who are the consolidated entities' chief operating decision maker.

An operating segment is a component of the consolidated entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the consolidated entity's other components. All operating segments' operating results are regularly reviewed by the Board to make decisions about resources to be allocated to the segment and assess its performance.

Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the consolidated entity's head office), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.



(t) New standards and accounting interpretations not yet adopted

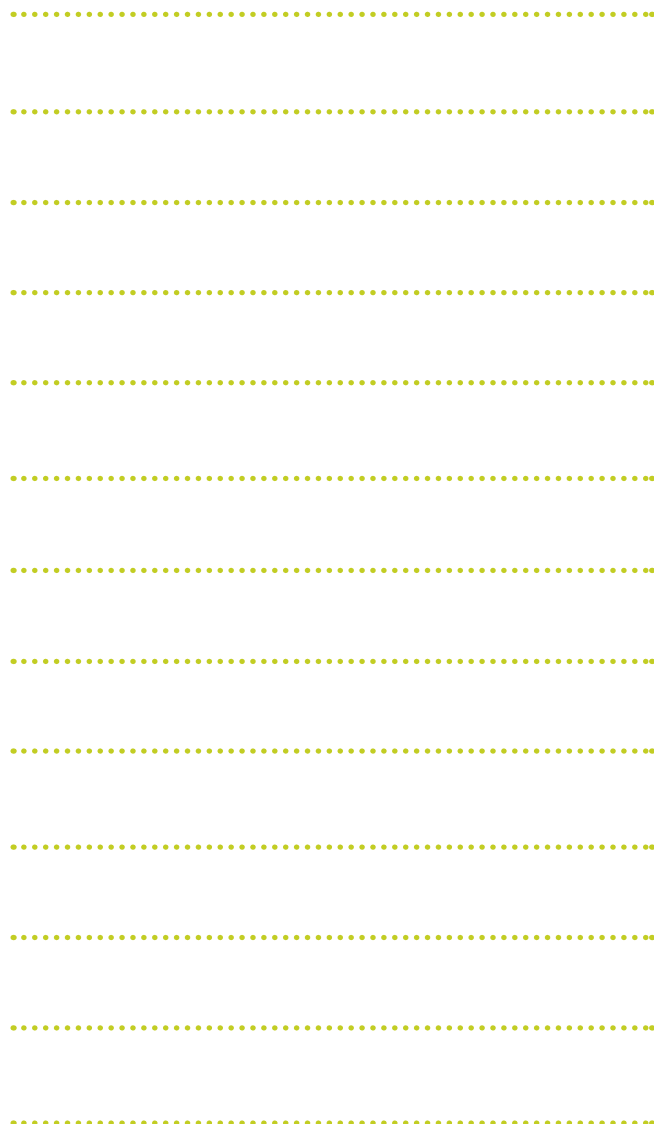
A number of new standards, amendments to standards and interpretations are available for early adoption at 30 June 2013, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 Financial Instruments, which becomes mandatory for the Group's 2016 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

(u) Removal of parent entity financial statements

The consolidated group has applied amendments to the Corporations Act (2001) that remove the requirement for the lodgement of parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosure in note 31.

(v) Comparatives

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



	Note	2013 \$000	2012 \$000
<b>Financial Assets:</b>			
Cash and cash equivalents	14	969	932
Trade receivables (net of doubtful debts)	15	36,649	48,728
Accrued income	15	11,215	10,638
		48,833	60,298
<b>Financial Liabilities:</b>			
Trade creditors and other payables	20	17,870	23,978
Bank overdraft	13(c)	735	5
Interest bearing liabilities	13(b)	-	2,683
		18,605	26,666

(a) Market Risk

Foreign Exchange Risk

The consolidated entity operates internationally and is exposed to foreign exchange risk arising from foreign currency exposures, primarily with respect to the New Zealand dollar, the Chinese renminbi, Hong Kong dollar, Singapore dollar and Malaysian ringgit.

Exposure to Currency Risk

To limit the exposure to foreign currency risk, the consolidated entity’s foreign subsidiaries transactions are carried out in local currency and cash inflows and outflows are largely offset to minimise impact of foreign currency translation. The consolidated entity does not undertake any hedging activities with regard to day-to-day foreign exchange exposures.

The consolidated entity’s exposure to foreign currency risk was as follows, based on notional amounts:

30 June 2013					
	HKD \$000	NZD \$000	CNY \$000	SNG \$000	MYR \$000
Trade and other receivables	56	4,541	11,179	172	-
Cash	39	296	1,532	130	1
Bank Overdraft	-	(2)	-	-	-
Trade and other payables	(273)	(1,367)	(2,031)	(21)	-
Total Exposure	(178)	3,468	10,680	281	1

30 June 2012					
	HKD \$000	NZD \$000	CNY \$000	SNG \$000	MYR \$000
Trade and other receivables	1,266	5,251	2,091	98	-
Cash	185	693	281	5	-
Bank Overdraft	-	-	-	(7)	-
Trade and other payables	(576)	(2,412)	(1,023)	(22)	-
Total Exposure	875	3,532	1,349	74	-

The following exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2013	2012	2013	2012
AUD \$1	7.942	8.062	7.195	7.904
HKD	1.246	1.283	1.187	1.277
NZD	6.386	6.585	5.699	6.478
CNY	1.268	1.304	1.173	1.294
SGD	3.163	3.198	2.938	3.233
MYR				

Currency Sensitivity on Consolidated Entity

The following table represents the impact of changes in different currencies against the Australian dollar on the consolidated entity's net loss after tax and equity reserves.

	Impact of 10% Increase of AUD against foreign currencies on consolidated balances				
	HKD \$000	NZD \$000	CNY \$000	SNG \$000	MYR \$000
30 June 2013					
Equity	2	(266)	(170)	(22)	-
Impact on Net Loss After Tax	(43)	6	(27)	(29)	(2)
30 June 2012					
Equity	(10)	(250)	(19)	(5)	-
Impact on Net Loss After Tax	(69)	(260)	(66)	(9)	(2)

	Impact of 10% Decrease of AUD against foreign currencies on consolidated balances				
	HKD \$000	NZD \$000	CNY \$000	SNG \$000	MYR \$000
30 June 2013					
Equity	(2)	292	187	24	-
Impact on Net Loss After Tax	48	(7)	30	31	2
30 June 2012					
Equity	11	276	21	6	-
Impact on Net Loss After Tax	76	286	72	10	2



Cash flow and fair value interest rate risk

The consolidated entity’s main interest rate risk arises from potential utilisation of overdraft facilities in the New Zealand subsidiaries.

For the parent borrowing facilities, the policy is to utilise a combination of its trade receivable financing facility and overdraft facilities to minimise its interest costs whilst maintaining the flexibility to accommodate short term working capital requirements that vary in particular with the on-hired labour funding cycle.

As at the reporting date, the consolidated entity had the following variable rate borrowings:

		30 June 2013		30 June 2012	
	Note	Weighted average interest rate	Balance \$000	Weighted average interest rate	Balance \$000
Bank Overdraft	13 (c)	10.1%	735	10.7%	5
Receivables Financing Facility	13 (b)	4.5%	-	5.3%	2,683

The following two tables demonstrate the impact on net profit after tax if the average interest rate had either increased or decreased by 1 per cent over the whole of the years ending 30 June 2013 and 30 June 2012.

Consolidated Entity Sensitivity

	30 June 2013		30 June 2012	
	1% increase in average interest rate \$000	1% decrease in average interest rate \$000	1% increase in average interest rate \$000	1% decrease in average interest rate \$000
Impact on Net Profit After Tax	(38)	38	(34)	34

Price Risk

The consolidated entity does not hold any investments in equities or commodities and is therefore not subject to price risk for any recognised financial assets.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from credit exposures to customer accounts receivable balances and accrued income. Independent credit assessments are used for all new customers and only those with a low risk of default rating are accepted. If there is insufficient credit history to give an accurate rating, other factors such as assessment of financial position, nature of proposed transactions and directors’ personal guarantees are considered. Compliance to credit limits is monitored internally by the consolidated entity’s executives. Receivables reports are submitted to the Board of Directors regularly for review.

The consolidated entity maintains standard credit terms in its terms and conditions. Some preferred supplier agreements dictate longer payment terms, however, the credit risk remains unaffected.

The carrying values less impairment provision of trade receivables are assumed to approximate their fair values due to their short term nature. At balance date, examination of the consolidated trade debtors’ ledger reveals no impairment.

The following table demonstrates the consolidated entity’s aged receivables at balance date aged from their due dates.

Consolidated Entity Receivables

30 June 2013	Current	1-30 Days	31-60 Days	61-90 Days	90+ Days	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Consolidated Entity Receivables	27,693	6,494	1,429	523	510	36,649
	76%	18%	4%	1%	1%	100%

30 June 2012	Current	1-30 Days	31-60 Days	61-90 Days	90+ Days	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Consolidated Entity Receivables	34,984	9,447	2,618	1,230	449	48,728
	72%	19%	5%	3%	1%	100%

Management have reviewed all trade receivables that are currently held in the trade receivables ledger that are outside trade terms and are satisfied that adequate provisions have been made. Refer to note 15.

### (c) Liquidity Risk

The consolidated entity manages liquidity risk by monitoring cash flows daily and ensuring that adequate overdraft and borrowing facilities are maintained. The consolidated entity maintains cash and cash equivalents to meet its liquidity requirements and also raises equity when required. Funding for long-term liquidity needs is secured by having adequate credit facilities in place.

Compliance with debt covenants is monitored as part of the cash flow management process.

Refer to note 13 Cash Flow information for a summary of credit facilities both available and utilised as at balance date.

The carrying values of trade payables are assumed to approximate their fair values due to their short term nature. Trade payables are settled within six months. Bank overdrafts are expected to be settled within one year.

## Note 5 Segment Reporting

### (a) Segments

	Recruitment Services		Information Technology Services		Managed Services		Consolidated	
Operating Segments	2013 \$000	2012 \$000	2013 \$000	2012 \$000	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Revenue								
Services to external customers	274,510	321,483	12,997	15,408	17,702	12,310	305,209	349,201
Inter-segment revenues	-	-	-	-	25,279	35,173	25,279	35,173
<b>Total segment revenue</b>	<b>274,510</b>	<b>321,483</b>	<b>12,997</b>	<b>15,408</b>	<b>42,981</b>	<b>47,483</b>	<b>330,488</b>	<b>384,374</b>
Total segment revenue							330,488	384,374
Less: Intercompany elimination							(24,701)	(34,351)
Less: Reclassification of direct gross margin							(80,509)	(76,649)
Consolidated revenue							225,278	273,374
Reportable Segment								
Profit before tax	6,793	10,877	363	619	550	820	7,706	12,316
Less : Corporate overheads							(8,644)	(8,519)
Less : Impairment							(40,911)	(11,501)
Consolidated loss before tax							(41,849)	(7,704)
Interest Revenue	15	40	-	-	3	3	18	43
Interest Expenses	184	191	87	109	-	-	271	300
Depreciation and amortisation	916	599	28	38	7	-	951	637
Impairment on goodwill	40,911	10,049	-	1,452	-	-	40,911	11,501

In FY2013, management reassessed its aggregation of operating segments to provide more useful information to the chief operating decision maker. As a result, the prior year corresponding period has been restated in accordance with accounting standards.

	Australia		New Zealand		Asia		Consolidated	
Geographic Split	2013 \$000	2012 \$000	2013 \$000	2012 \$000	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Revenue								
External sales	215,382	266,975	5,530	5,018	4,366	1,381	225,278	273,374
Interest revenue	18	35	-	5	-	3	18	43
Total revenue	215,400	267,010	5,530	5,023	4,366	1,384	225,296	273,417
Non-current assets <sup>(1)</sup>	4,552	44,289	38	43	525	283	5,115	44,615

<sup>(1)</sup> Excluding deferred tax assets.

The following summary describes the operations in each of the Group’s three reportable segments:

Recruitment services

- (i) Provision of recruitment services (permanent and contract placements).

Information technology services

- (ii) Outsourcing and technical support services delivering significant cost reductions and major process improvements.

Managed services

- (iii) Management and transitioning of contractors, including outsourced payroll solutions.

(b) Segment accounting policies

Segment information is prepared in accordance with the accounting policies of the entity as disclosed in note 3(s) and accounting standard AASB 8: Segment Reporting. Management has organised the entity around geographical and operational segments. The services provided are all recruitment related. The Group’s on hired labour revenue makes up 95 per cent (FY2012: 97 per cent) of the consolidated revenue, and 5 per cent (FY2012: 3 per cent) relates to permanent recruitment services. During the year, there were no changes in segment accounting policies that had a material effect on the segment information.

(c) Income

The consolidated entity derived income from the provision of contract and temporary personnel and recruitment services for business and Government in Australia, New Zealand and Asia.

(d) Inter-segment transactions

The pricing of inter-segment transactions is the same as prices charged on transactions with parties outside the consolidated entity. Such transactions are eliminated on consolidation.



Note 6

Revenue

	Consolidated	
	2013 \$000	2012 \$000
Rendering of services	225,278	273,374
Total revenue	225,278	273,374

Note 7

Expenses

		Consolidated	
	Notes	2013 \$000	2012 \$000
Finance costs:			
Third parties		271	300
Total borrowing costs and expenses		271	300
Depreciation of non-current assets			
Plant and equipment		361	431
Leasehold improvements		259	158
Plant and equipment	17	620	589
Amortisation of non-current assets			
Capitalised computer software	19	331	48
Total amortisation		331	48
Total depreciation and amortisation expense		951	637
Other expenses:			
Net advertising costs		387	547
Foreign exchange		5	9
Bad and doubtful debts		33	84
Operating overheads		5,543	5,225
Total other expenses		5,968	5,865
Share based payment transactions		(21)	6
Contributions to superannuation plans		2,101	2,097

	2013 \$000	2012 \$000
Dividend franking account		
Amount of franking credits available to shareholders of Clarius Group Limited for subsequent financial years	15,525	16,175
Imputation credit available to Candle NZ Limited	1,369	1,273

Note 10 Key Management Personnel Disclosures

Key management personnel compensation

The key management personnel compensation comprised:

	2013 \$	2012 \$
Short-term employment benefits	1,603,923	1,894,679
Post-employment benefits	118,680	103,909
Termination benefits	-	38,587
Other long term benefits	18,915	52,864
Share-based payment	-	-
Total Amount	1,741,518	2,090,039

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation and some equity instalment disclosures as required by *Corporations Regulation 2M.3.03* is provided in the remuneration report section of the Directors' Report.

Option holdings

The number of options over ordinary shares in the Company held during the financial year by each director of Clarius Group Limited and other key management personnel of the consolidated entity, including their personally related parties, are set out below and continues on page 68.

2013	Balance 01/07/2012	Granted	Exercised	Lapsed	Balance 30/06/2013	Vested 30/06/2013
Directors						
Penelope Morris	-	-	-	-	-	-
Lawrence J Gibbs	-	-	-	-	-	-
Simon C M Kelly	-	-	-	-	-	-
Geoffrey J Moles	-	-	-	-	-	-
Key Management Personnel						
Kym L Quick	300,000	-	-	(300,000)	-	-
Paul A Barbaro	300,000	-	-	(300,000)	-	-
Anne L Bastock	-	-	-	-	-	-
Linda A Trevor <sup>(3)</sup>	-	-	-	-	-	-
Total	600,000	-	-	(600,000)	-	-

<sup>(3)</sup> Linda A Trevor resigned on 9 August 2013.

2012	Balance 01/07/2011	Granted	Exercised	Lapsed	Balance 30/06/2012	Vested 30/06/2012
Directors						
Penelope Morris	-	-	-	-	-	-
Lawrence J Gibbs	-	-	-	-	-	-
Simon C M Kelly <sup>(1)</sup>	-	-	-	-	-	-
Geoffrey J Moles	-	-	-	-	-	-
Key Management Personnel						
Kym L Quick	500,000	-	-	(200,000)	300,000	300,000
Paul A Barbaro	500,000	-	-	(200,000)	300,000	300,000
Anne L Bastock <sup>(2)</sup>	-	-	-	-	-	-
Linda A Trevor	-	-	-	-	-	-
Total	1,000,000	-	-	(400,000)	600,000	600,000

<sup>(1)</sup> Simon C M Kelly was appointed on 24 August 2011  
<sup>(2)</sup> Anne L Bastock commenced employment on 23 April 2012

Further information regarding the option plan is set out in note 28.

Shareholdings	Balance 01/07/2012	Received as Remuneration	Options Exercised	Other Movement	Balance 30/06/2013
Directors					
Penelope Morris	51,429	-	-	-	51,429
Kym L Quick	-	-	-	-	-
Lawrence J Gibbs	71,323	-	-	25,000	96,323
Simon C M Kelly	-	-	-	-	-
Geoffrey J Moles	4,678,948	-	-	-	4,678,948
Key Management Personnel					
Paul A Barbaro	-	-	-	-	-
Anne L Bastock	-	-	-	-	-
Linda A Trevor <sup>(3)</sup>	-	-	-	-	-
Total	4,801,700	-	-	25,000	4,826,700

Prior Year	Balance 01/07/2011	Received as Remuneration	Options Exercised	Other Movement	Balance 30/06/2012
Directors					
Penelope Morris	51,429	-	-	-	51,429
Kym L Quick	-	-	-	-	-
Lawrence J Gibbs	71,323	-	-	-	71,323
Simon C M Kelly <sup>(1)</sup>	-	-	-	-	-
Geoffrey J Moles	4,678,948	-	-	-	4,678,948
Key Management Personnel					
Paul A Barbaro	-	-	-	-	-
Anne L Bastock <sup>(2)</sup>	-	-	-	-	-
Linda A Trevor	-	-	-	-	-
Total	4,801,700	-	-	-	4,801,700

<sup>(1)</sup> Simon C M Kelly was appointed on 24 August 2011.  
<sup>(2)</sup> Anne L Bastock commenced employment on 23 April 2012.  
<sup>(3)</sup> Linda A Trevor resigned on 9 August 2013.



During the year, the following fees were paid or were payable for services provided by the auditor of the parent entity, its related practices and to audit firms of subsidiary entities:

	Consolidated	
	2013 \$	2012 \$
<b>Audit Services:</b>		
Auditors of the Company:		
<i>KPMG Australia</i>		
Audit and review of group financial reports	195,909	179,000
Audit and review of subsidiary financial reports	15,000	-
<i>Overseas KPMG firms</i>		
Audit and review of financial reports	32,583	44,673
	243,492	223,673
<i>Other Auditors</i>		
Audit and review of financial reports	23,642	20,360
	267,134	244,033
<b>Services other than Audit:</b>		
Auditors of the Company:		
<i>KPMG Australia</i>		
Economic research and other similar analysis	48,000	67,500
Taxation services	47,000	32,570
	95,000	100,070
<i>Overseas KPMG firms</i>		
Preparation of financial statements	9,341	15,021
Taxation services	4,315	6,891
	13,656	21,912
<i>Other Auditors</i>		
Preparation of financial statements	-	12,256
	108,656	134,238
	375,790	378,271

Note 12 Earnings per Share

	Consolidated	
	2013 cents	2012 cents
Basic earnings per share	(47.15)	(10.63)
Diluted earnings per share	(46.62)	(10.32)

(a) Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	2013 \$000	2012 \$000
Loss after tax used in calculating basic earnings per share	(42,214)	(9,443)
Adjustments for calculation of diluted earnings per share:		
Notional Interest earned on conversion of options	-	30
Net loss used in calculating diluted earnings per share	(42,214)	(9,413)

(b) Weighted average number of shares used as the denominator

	Consolidated	
	2013 '000	2012 '000
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	89,528	88,816
Adjustment for calculation of diluted earnings per share:		
Weighted average number of options	1,025	2,388
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	90,553	91,204

(c) Classification of securities

Options granted to employees under the Employee Share Option Plan are considered to be potential ordinary securities and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 28.

Note 13 Cash Flow Information

(a) Reconciliation of Profit after tax to net cash flow from operating activities

Consolidated		
	2013 \$000	2012 \$000
Loss for the year	(42,214)	(9,443)
Adjustments for:		
Depreciation and amortisation	951	637
Loss on disposal of fixed asset	98	-
Impairment losses on intangible assets	40,911	11,501
Non-cash employee benefits expense – share based payments	(21)	6
Income tax expense	365	1,739
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
Decrease/ (Increase) in trade debtors and accrued income	11,628	(6,573)
Decrease/ (Increase) in prepayments	15	(251)
(Decrease) / Increase in trade creditors and accruals	(5,758)	2,281
Increase in provisions	(41)	264
Income tax paid	(1,540)	(2,202)
Net cash from /(used in) operating activities	4,394	(2,041)

(b) Credit standby arrangements with banks

Consolidated		
	2013 \$000	2012 \$000
Receivables Purchase Facility	15,000	15,000
Amount utilised under recourse facility	-	(2,683)
Amount utilised under non-recourse facility	(4,325)	(2,360)
Unused Receivables Purchase Facility	10,675	9,957

The Group has a bank overdraft facility and an invoice financing facility. Under the invoice financing facility certain invoices are sold to the finance providers of Clarius Group Limited. The finance providers purchase these invoices on either recourse or a non-recourse basis. Invoices sold to the Group’s finance providers under the non-recourse arrangement of \$4.325m (FY2012: \$2.360m) have been derecognised in the financial statements at 30 June 2013. Invoices sold on a recourse basis of \$nil (FY2012: \$2.683m) have been recognised at their full amount in the financial statements at 30 June 2013.

(c) Overdraft facilities

	Consolidated	
	2013 \$000	2012 \$000
Overdraft facility	2,203	2,175
Amount utilised	(735)	(5)
Unused overdraft facility	1,468	2,170

The trade receivables financing facility and parent entity overdraft are subject to annual reviews with a term of agreement due for renewal at 31 December 2013.

Bank overdrafts

The current interest rate on the parent overdraft facility is 10.1 per cent. Bank overdraft facilities are arranged with Australian (AUD\$1,000,000), and New Zealand (NZD\$1,500,000) banks with the general terms and conditions being agreed to on a regular basis. Interest rates are variable and subject to adjustment. The directors anticipate that these facilities will continue to be available provided the consolidated entity, and the companies within the consolidated entity with overdraft facilities have not breached any borrowing covenants and the required financial ratios continue to be met. As at 30 June 2013 these requirements have been met.

Note 14 Cash and Cash Equivalents

	Consolidated	
	2013 \$000	2012 \$000
Cash at bank and on hand	969	495
Deposits at call	-	437
	969	932

The deposits at call in 2012 were bearing interest rates 4.45 per cent.

Reconciliation of cash

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

		Consolidated	
	Notes	2013 \$000	2012 \$000
Balances as above		969	932
Bank overdrafts	13(c)	(735)	(5)
		234	927



Note 15 Trade and Other Receivables

	Consolidated	
	2013 \$000	2012 \$000
Current		
Trade receivables	36,649	48,728
Allowance for doubtful debts	-	-
	36,649	48,728
Accrued income	11,215	10,638
Prepayments	710	725
Other debtors	251	377
	48,825	60,468

(a) Fair values

The fair value approximates to the carrying value of the receivables.

(b) Interest rate risk

The trade and other receivables are non-interest bearing.

(c) Credit and foreign exchange risks

Refer to the disclosure in note 4.

(d) Trade receivables aging analysis

Refer to the disclosure in note 4.

(e) Movement in the provision for impairment of trade receivables

	Consolidated	
	2013 \$000	2012 \$000
At July 1	-	-
Provision for impairment recognised during the year	-	58
Unused amount reversed	-	(58)
At 30 June	-	-

The creation and release of the provision for impaired receivables has been included in ‘other expenses’ in the income statement. The allowance accounts in respect of trade and other receivables are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

(f) Past due but not impaired

As of 30 June 2013, trade receivables of \$8,956,000 (FY2012: \$13,744,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2013 \$000	2012 \$000
Overdue 1 to 30 days	6,494	9,447
Overdue 30 to 60 days	1,429	2,618
Overdue 60 to 90 days	523	1,230
Overdue greater than 90 days	510	449
	8,956	13,744

Other receivables do not contain impaired assets and are not past due. Based on the credit history of other receivables, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

Note 16 Deferred Tax Assets

Consolidated		
	2013 \$000	2012 \$000
The balance comprises temporary differences attributable to:		
Employee benefits	607	644
Provision for make good on leased premises	20	47
Lease incentive	62	179
Accruals	1,152	1,075
Losses	-	274
Prepayment	(62)	-
	1,779	2,219
Movements		
Balance at the beginning of the year	2,219	2,438
Charged / (Credited) to the income statement	(166)	(172)
De-recognition of tax losses in subsidiary	(274)	-
Losses carried forward	-	(47)
Balance at the end of the year	1,779	2,219

There are unrecognised deferred tax assets in relation to tax losses of \$1,726,000 (FY2012: \$1,057,000).

Note 17 Plant and Equipment

Consolidated		
	2013 \$000	2012 \$000
Plant and equipment, at cost	4,829	6,224
Accumulated depreciation	(3,924)	(5,115)
	905	1,109
Leasehold improvements, at cost	3,452	2,613
Accumulated amortisation	(1,742)	(1,465)
	1,710	1,148
Total plant and equipment	2,615	2,257

(a) Movements in carrying amounts - 2013

	Plant and Equipment	Leasehold Improvements	Total
	\$000	\$000	\$000
Consolidated			
Balance at the beginning of the year	1,109	1,148	2,257
Additions	226	833	1,059
Disposals	(69)	(12)	(81)
Depreciation expense	(361)	(259)	(620)
Carrying amount at the end of the year	905	1,710	2,615

(b) Movements in carrying amounts - 2012

	Plant and Equipment	Leasehold Improvements	Total
	\$000	\$000	\$000
Consolidated			
Balance at the beginning of the year	1,179	476	1,655
Additions	361	830	1,191
Disposals	-	-	-
Depreciation expense	(431)	(158)	(589)
Carrying amount at the end of the year	1,109	1,148	2,257

Note 18 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following significant subsidiaries in accordance with the accounting policy described in note 3 (a):

	Country of Incorporation	Class of Shares	Equity Holding <sup>(1)</sup>	
			2013 %	2012 %
Alliance Recruitment Pty Limited	Australia	ordinary	100	100
Candle Holdings Limited	New Zealand	ordinary	100	100
Candle New Zealand Limited	New Zealand	ordinary	100	100
Lloyd Morgan International Pty Limited	Australia	ordinary	100	100
JAV IT Group Pty Limited	Australia	ordinary	100	100
Ignite Management Services Pty Limited	Australia	ordinary	100	100
Lloyd Morgan Limited	Hong Kong	ordinary	100	100
Lloyd Morgan Hong Kong Limited	Hong Kong	ordinary	100	100
Lloyd Morgan Singapore Pte Limited	Singapore	ordinary	100	100
Lloyd Morgan China Limited	China	ordinary	89	89

<sup>(1)</sup> The proportion of ownership interest is equal to the proportion of voting power held.

Note 19 Intangible Assets

Consolidated		
	2013 \$000	2012 \$000
Candidate databases	1,876	1,876
Accumulated amortisation	(1,876)	(1,876)
	-	-
Capitalised software development costs	5,395	4,065
Accumulated amortisation	(2,895)	(2,618)
	2,500	1,447
Goodwill	77,094	77,094
Accumulated impairment losses	(77,094)	(36,183)
	-	40,911
Total intangible assets	2,500	42,358

(a) Movements in carrying amounts - 2013

	Capitalised Software Costs \$000	Goodwill \$000	Total \$000
Consolidated			
Balance at the beginning of the year	1,447	40,911	42,358
Additions	1,400	-	1,400
Disposals	(17)	-	(17)
Amortisation expense	(331)	-	(331)
Impairment write down	-	(40,911)	(40,911)
Exchange differences	1	-	1
Carrying amount at the end of the year	2,500	-	2,500

(b) Movements in carrying amounts - 2012

	Capitalised Software Costs \$000	Goodwill \$000	Total \$000
Consolidated			
Balance at the beginning of the year	1,016	52,375	53,391
Additions	437	-	437
Amortisation expense	(48)	-	(48)
Impairment write down	-	(11,501)	(11,501)
Exchange differences	42	37	79
Carrying amount at the end of the year	1,447	40,911	42,358

Intangible assets, other than goodwill have finite useful lives. The current year amortisation charges in respect of intangible assets are included under depreciation and amortisation expense per the income statement.



(c) Impairment tests

Goodwill is allocated to the consolidated entity’s cash-generating units, which are based on the consolidated entity’s individual brands and geographical segments.

	Consolidated	
	2013 \$000	2012 \$000
Candle	-	17,132
Alliance Recruitment and SouthTech	-	23,779
Total	-	40,911

Impairment tests are carried out to ensure that assets are carried at amounts that are not in excess of their recoverable amount. Recoverable amount is assessed on the basis of value in use. Value in use is calculated using the present value of the future cash flows expected to be derived from each cash generating unit (CGU).

(d) Key Assumptions used in value-in-use calculations

The recoverable amount of Clarius Group intangibles has been determined based on a value in use calculation. Value in use was determined by discounting the future cash flows after tax generated from the continuing use of the CGU. The calculation of the value in use was based on the following assumptions.

Cash flows were projected based on financial budgets approved by management covering a five year period, and a discount rate of post-tax 14.09 per cent (FY2012: 11.05 per cent). The increase in rates since 30 June 2012 reflects our view that there is more risk to the underlying market sentiment in which Clarius’ operates.

Cash flows beyond that five year period have been extrapolated using growth rates that reflect the trading expectations for each individual CGU. The estimated future cash flows of the CGU’s have been determined using the budgets for the year ending 30 June 2014. Detailed budgets were prepared by branch, built up by individual revenue generating head count for the year ending 30 June 2014. These base year branch budgets were then forecast for the next four years by applying assumptions for growth to both temporary and permanent revenue, with assumptions relating to labour cost and head count and other overheads.

The average short term rate of growth in profit before tax for years one to five is 9 per cent (FY2012: 21 per cent). After year five a terminal value is calculated using long term growth rates which are assumed to be 2.5 per cent (FY2012: 3 per cent), in line with the long-term average growth rate for the industry. For FY2014 the projections are based on the most recent growth trends and sentiment in the market as assessed by the specialist brand managers. The key assumptions relate to the number of contractor and permanent placements for each branch within each CGU. A range of factors are taken into consideration in determining budgeted contractor and permanent placements including anticipated client demand, internal capacity and economic trends. The business has taken steps to significantly reduce overheads and improve productivity to increase profitability. Short term growth rates reflect the benefit of strategies to contain the cost base, improve profitability and increased market share and reflect the significant leverage to return in the recruitment market.

(e) Impairment test result

Based on the impairment testing conducted as described above, all CGU’s have a value in use that is less than their carrying amount, and, accordingly impairment write downs of \$40.9m have been recognised which are largely attributable to on-going challenging conditions. The impairment write downs were allocated to goodwill.

Note 20 Trade and Other Payables

	Consolidated	
	2013 \$000	2012 \$000
Current		
Trade and Other Payables	17,870	23,978
	17,870	23,978

(a) Interest rate exposure

All trade and other payables are non-interest bearing.

(b) Financial guarantees

Bank guarantees for \$1.834m (FY2012: \$3.536m) have been provided by the consolidated entity to parties outside the group. In the event of default, the Bank has recourse to the consolidated group for this amount.

Note 21 Current Tax Receivable/(Payable)

	Consolidated	
	2013 \$000	2012 \$000
Current		
Income tax receivable / (payable)	1,352	(296)

Note 22 Provisions

	Consolidated	
	2013 \$000	2012 \$000
Current		
Employee benefits	1,726	1,783
Lease incentive	224	56
Work under guarantee	115	120
	2,065	1,959
Non-current		
Employee benefits	313	378
Make good on leased premises	77	159
	390	537
	2,455	2,496

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

	Lease Incentive	Make-good	Work under Guarantee	Total
	\$000	\$000	\$000	\$000
Consolidated				
Carrying amount at the beginning of the year	56	159	120	335
Additional provision recognised	356	7	85	448
Amounts utilised	(188)	(89)	(90)	(367)
Carrying amount at the end of the year	224	77	115	416

	Consolidated	
	2013 \$000	2012 \$000
89,582,175 fully paid ordinary shares (FY2012: 89,449,675 )	83,541	91,616
Ordinary shares at the beginning of the year	91,616	91,040
Reduction in share capital:	(8,111)	-
Dividend Reinvestment Plan	-	574
Exercise of employee options	36	2
At the end of the year	83,541	91,616

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Ordinary Shares

	Consolidated	
	2013 no.	2012 no.
At the beginning of the year	89,449,675	88,161,315
Shares issued during the year:		
Dividend Reinvestment Plan	-	1,280,860
Exercise of employee options	132,500	7,500
At the end of the year	89,582,175	89,449,675

Share Options

Further information relating to the Company’s share option plan is set out in note 28. Details of options granted to directors and executive officers are set out in the remuneration report on pages 35 to 42. At 30 June 2013 there were no options outstanding (FY2012: 2,067,000).

Capital Risk Management

The consolidated entity’s objectives when managing capital is to safeguard the ability to continue as a going concern, so that the Company can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to minimise the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity monitors capital on the basis of its gearing ratio. This ratio is calculated as net debt divided by total capital. Total capital is calculated as ‘equity’ as shown in the balance sheet plus debt.

	Notes	Consolidated	
		2013 \$000	2012 \$000
Total borrowings	13(b) and 13(c)	735	2,688
Less: cash and cash equivalents	14	(969)	(932)
Net (cash) / debt		(234)	1,756
Total equity		36,980	78,776
Total capital		36,746	80,532
Gearing ratio		(0.6%)	2.2%

Note 24 Reserves

Consolidated			
	Notes	2013 \$000	2012 \$000
Share-based payments	24 (a)(i)	1,344	1,365
Foreign currency translation	24 (a)(ii)	(1,274)	(1,677)
Total		70	(312)

(a) Nature and Purpose of Reserves

(i) Share-based payments

The share-based payments reserve is used to recognise the fair value of options issued over their vesting period.

(ii) Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled entities. The reserve is recognised in profit and loss when the net investment is disposed.

Note 25 Retained Profits

Consolidated			
	Notes	2013 \$000	2012 \$000
Accumulated losses at the beginning of the financial year		(12,528)	(433)
Loss for the year		(42,214)	(9,443)
Reduction of share capital <sup>(1)</sup>		8,111	-
Dividends paid	9	-	(2,652)
Accumulated losses at the end of the financial year		(46,631)	(12,528)

<sup>(1)</sup> Pursuant to Section 256B and Section 258F of the Corporations Act as approved at the 2012 AGM, the capital of the Company has been reduced by applying an amount of \$8,111,000 being the accumulated losses of Clarius Group Limited against the share capital and paid up options which are considered permanently lost.

Note 26 Operating Lease Commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases payable are as follows:

Consolidated		
	2013 \$000	2012 \$000
Within one year	1,563	2,686
Later than one year but not later than five years	8,528	6,980
Later than five years	133	836
	10,224	10,502

Operating lease commitments refer to property leases for the 15 locations (FY2012: 18 locations) operating across Australia, New Zealand and Asia.



Note 27    Contingent Liabilities

There are no material contingent liabilities.

Note 28    Share Based Payments

Set out below is a summary of options granted under the share based payment plan:

Consolidated – 2013

Grant date	Date of expiry	Exercise price \$	Balance at start of year no.	Granted during year no.	Exercised during year no.	Forfeited during year no.	Lapsed during year no.	Balance at end of year no.
01 Sep 08	01 Sep 12	1.46	400,000	-	-	-	(400,000)	-
05 Jan 09	05 Jan 13	0.27	587,000	-	(132,500)	(102,500)	(352,000)	-
30 Mar 09	30 Mar 13	0.38	50,000	-	-	-	(50,000)	-
18 May 09	18 May 13	0.44	300,000	-	-	(300,000)	-	-
26 May 09	26 May 13	0.52	240,000	-	-	-	(240,000)	-
29 Jun 09	29 Jun 13	0.52	490,000	-	-	-	(490,000)	-
			2,067,000	-	(132,500)	(402,500)	(1,532,000)	-
Weighted average exercise price			\$0.62	-	\$0.27	\$0.40	\$0.70	-

Consolidated – 2012

Grant date	Date of expiry	Exercise price \$	Balance at start of year no.	Granted during year no.	Exercised during year no.	Forfeited during year no.	Lapsed during year no.	Balance at end of year no.
27 Sep 07	27 Sep 11	3.27	873,000	-	-	-	(873,000)	-
01 Sep 08	01 Sep 12	1.46	400,000	-	-	-	-	400,000
05 Jan 09	05 Jan 13	0.27	667,000	-	(7,500)	(72,500)	-	587,000
30 Mar 09	30 Mar 13	0.38	50,000	-	-	-	-	50,000
18 May 09	18 May 13	0.44	300,000	-	-	-	-	300,000
26 May 09	26 May 13	0.52	340,000	-	-	-	(100,000)	240,000
29 Jun 09	29 Jun 13	0.52	540,000	-	-	-	(50,000)	490,000
			3,170,000	-	(7,500)	(72,500)	(1,023,000)	2,067,000
Weighted average exercise price			\$1.33	-	\$0.27	\$0.27	\$2.87	\$0.62

No options were granted during the year ended 30 June 2013. The weighted average remaining contractual life of share options outstanding at the year end was nil (FY2012: 0.67 years).

Share option plan

A share option plan has been in place since the Company listed on the Australian Stock Exchange in 1997. The plan includes a performance hurdle for the exercise of options granted, whereby the Clarius Group Limited total return to shareholders must outperform the relevant ASX Index at the vesting dates.

The options hold no voting or dividend rights, and are not transferable.

The current period share based payment transaction was \$21,000 credit (FY2012: \$6,000 expense).

Fair value of options granted

The assessment of fair value of options is made at each grant date during the year. The fair value at grant date is determined using, independently applied, the American Option Call Pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, and the risk free interest rate for the term of the option. The expected price volatility is based on the historic volatility adjusted for any expected changes to future volatility due to publicly available information.

No options have been granted during the year.

Note 29 Related Party Disclosures

(a) Parent entity

The ultimate parent entity and ultimate controlling party within the consolidated entity is Clarius Group Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 18.

(c) Directors and key management personnel

Disclosures relating to director and key management personnel are set out in note 10.

(d) Terms and conditions

All transactions between related parties were made on normal commercial terms and conditions, with the exception of the item noted in (e) below. There are no fixed terms for the repayment of loans between group companies.

(e) Other transactions and balances

The Company made payments totalling \$43,750 to Mr Geoffrey Moles that had not been approved by the Board Remuneration and Nomination Committee in accordance with the Board’s charter. Upon recognising this error, they were repaid in full in August 2013.

Note 30 Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly owned subsidiary listed below is relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors’ report.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under the provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiary has also given similar guarantees in the event that the Company is wound up.

The subsidiary subject to the Deed is Alliance Recruitment Pty Ltd.

Alliance Recruitment Pty Limited became a party to the Deed on 20 April 2011, by virtue of a Deed of Assumption.

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are party to the Deed, after elimination of all transaction between parties to the Deed of Cross Guarantee, at 30 June 2013 is set out as follows:

Statement of Profit or Loss and other Comprehensive Income  
For the year ended 30 June 2013

	Consolidated	
	2013 \$000	2012 \$000
Revenue from continuing operations	179,033	231,355
On hired labour costs	(153,097)	(195,824)
Gross Profit	25,936	35,531
Employee benefits expense	(19,771)	(24,828)
Depreciation and amortisation expense	(688)	(445)
Operating rental expense	(2,135)	(2,093)
Other expenses	(1,809)	(2,078)
Impairment loss	(50,631)	(26,031)
Results from operating activities	(49,098)	(19,944)
Finance income	197	1,029
Finance cost	(247)	(798)
Net finance cost	(50)	231
Loss before income tax	(49,148)	(19,713)
Income tax expense	(431)	(1,818)
Total comprehensive loss for the period	(49,579)	(21,531)
Retained earnings at beginning of year	(12,252)	11,931
Loss after income tax	(49,579)	(21,531)
Reduction of share capital	8,111	-
Dividends recognised during the year	-	(2,652)
Accumulated losses at end of year	(53,720)	(12,252)

Statement of financial position  
As at 30 June 2013

	Consolidated	
	2013 \$000	2012 \$000
<b>Current assets</b>		
Cash assets and cash equivalents	216	259
Trade and other receivables	36,317	44,209
Current tax receivables	1,343	-
<b>Total current assets</b>	<b>37,876</b>	<b>44,468</b>
<b>Non-current assets</b>		
Other receivables	7,769	18,804
Plant and equipment	1,883	1,593
Deferred tax assets	1,383	1,234
Investments	3,225	1,043
Goodwill	-	40,911
Other intangible assets	2,370	1,413
<b>Total non-current assets</b>	<b>16,630</b>	<b>64,998</b>
<b>Total assets</b>	<b>54,506</b>	<b>109,466</b>
<b>Current liabilities</b>		
Other payables	14,836	17,857
Interest bearing liabilities	65	2,683
Current tax liabilities	-	138
Provisions	1,861	1,599
<b>Total current liabilities</b>	<b>16,762</b>	<b>22,277</b>
<b>Non-current liabilities</b>		
Trade and other payables	6,355	6,237
Provisions	225	549
<b>Total non-current liabilities</b>	<b>6,580</b>	<b>6,786</b>
<b>Total liabilities</b>	<b>23,342</b>	<b>29,063</b>
<b>Net Assets</b>	<b>31,164</b>	<b>80,403</b>
<b>Equity</b>		
Share capital	83,540	91,616
Reserves	1,344	1,039
Accumulated losses	(53,720)	(12,252)
<b>Total equity</b>	<b>31,164</b>	<b>80,403</b>

Note 31 Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2013 the parent entity of the Group was Clarius Group Limited.

	Consolidated	
	2013 \$000	2012 \$000
Result of parent entity		
Loss for the year	(47,814)	(18,725)
Other comprehensive income	-	-
Total comprehensive loss for the year	(47,814)	(18,725)
Financial position of parent entity at year end		
Current Assets	34,969	40,672
Total Assets	52,484	105,618
Current Liabilities	15,599	20,614
Total Liabilities	15,739	21,074
Net Assets	36,745	84,544
Share capital	83,540	91,616
Reserves	1,344	1,039
Accumulated losses	(48,139)	(8,111)
Total equity	36,745	84,544

Parent entity contingencies

There are no material contingent liabilities as at 30 June 2013.

There are no capital commitments for acquisition of property plant and equipment as at 30 June 2013 (FY2012: Nil)

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiary Alliance Recruitment Pty Ltd.

Further details of the Deed are of Cross Guarantee and the subsidiaries to the deed are disclosed in note 30.

Note 32 Events Subsequent to the Reporting Date

No matters or circumstances have arisen since the end of the financial 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.



### Director's Declaration

The Directors of the Company declare that:

1. In the opinion of the directors of Clarius Group Limited (the Company):
  - (a) the consolidated financial statements and notes that are contained in pages 47 to 87 and the remuneration report in the Directors' report, set out on pages 35 to 42, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the financial 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 Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the controlled entity identified in note 30 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and the controlled entity pursuant to ASIC Class Order 98/1418.
3. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2013.
4. The directors draw attention to Note 2 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:



**Kym L Quick**  
Managing Director and Chief Executive Officer



**Penelope Morris AM**  
Interim Independent Non-Executive Chairman

Dated at Sydney this 21st day of August 2013.

# Fo.cus

(Noun) The centre of interest or activity

# CUS

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**Fo.cus** (Noun) The centre of interest or activity



### Independent auditor's report to the members of Clarius Group Limited

#### Report on the financial report

We have audited the accompanying financial report of Clarius Group Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2013, and consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

#### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.



## Independence

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

## Auditor's Opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 35 to 42 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

## Auditor's Opinion

In our opinion, the remuneration report of Clarius Group Limited for the year ended 30 June 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

John Wigglesworth  
Partner

Dated at Sydney this 21st day of August 2013.



# Additional Information



The following information is required by the Australian Securities Exchange Limited.

There is only one class of equity securities, being ordinary shares.

The number of shareholdings holding less than marketable parcels is 952.

The voting rights in respect of the ordinary shares are established by the Constitution, which reads as follows:

Clause 5.12: ‘one vote for every fully paid share’

There is currently no On-Market Buy-Back

Distribution of Shareholders Number

Category	Number of Holders
1 – 1,000	522
1,001 – 5,000	1,155
5,001 – 10,000	541
10,001 – 100,000	664
100,001 and over	62
	2,944

The names of substantial shareholders listed in the holding Company’s register as at 30 August 2013

Shareholder	Number of Ordinary Shares
Victor John Plummer	17,865,000
Nicholas Johnston	6,246,952
Schroder Investment Management Australia Limited	5,936,613
Telstra Super Pty Ltd	5,431,067
Geoffrey John Moles	4,678,948



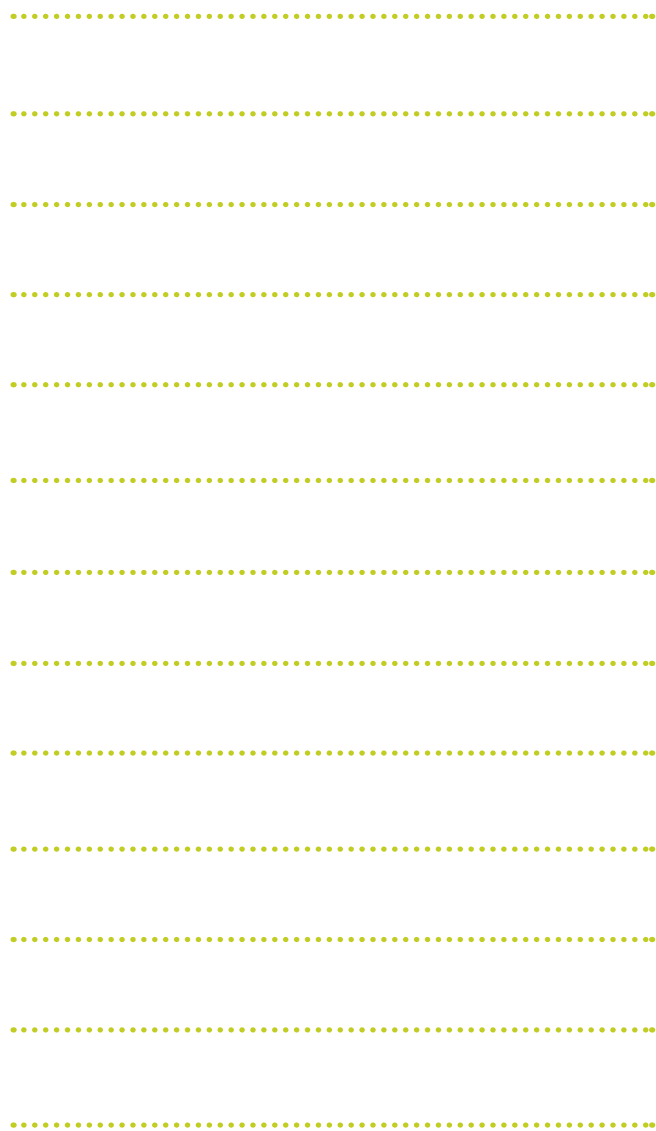


20 largest shareholders of fully paid ordinary shares as at 30 August 2013

Rank	Name of Holder	Number of Units	%
1	MR VICTOR JOHN PLUMMER	17,955,000	20.04
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,629,416	11.87
3	NATIONAL NOMINEES LIMITED	6,866,416	7.66
4	MFPH SUPERANNUATION MANAGEMENT PTY LTD	3,969,527	4.43
5	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	3,416,903	3.81
6	AVANTEOS INVESTMENTS LIMITED	2,748,442	3.07
7	CITICORP NOMINEES PTY LIMITED	2,701,366	3.02
8	PERMAN INVESTMENTS PTY LTD	1,450,337	1.62
9	BOND STREET CUSTODIANS LIMITED	1,328,873	1.48
10	MR IAN WALLACE EDWARDS + MRS JOSEPHINE EDWARDS	1,083,072	1.21
11	MR MATTHEW DONALD MULLINS	723,700	0.81
12	J P MORGAN NOMINEES AUSTRALIA LIMITED	639,534	0.71
13	HOLTEX PTY LTD	600,000	0.67
14	ENGOORDINA PTY LTD	550,000	0.61
15	MR GEOFF MOLES + MRS JANICE BARBARA MOLES	486,927	0.54
16	FIVE TALENTS LIMITED	425,266	0.47
17	MARK THOMPSON PTY LTD	401,460	0.45
18	SERLETT PTY LTD	379,994	0.42
19	MRS JACQUELINE GARRETT	370,239	0.41
20	MR BARRY PAUL KING	356,879	0.40
		57,083,249	63.72



# Corporate Directory



# Fo . c u s

(Noun) The centre of interest or activity

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Fo . c u s (Noun) The centre of interest or activity

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Level 3, 70 Pitt Street  
Sydney NSW 2000  
T: 1300 134 875

Company Secretary

Mr Nicholas J V Geddes  
Level 3, 70 Pitt Street  
Sydney NSW 2000  
T: 1300 134 875

Share Registrar

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Sydney NSW 2000  
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Australian Securities Exchange Listing

CND

Auditors

KPMG  
10 Shelly Street  
Sydney NSW 2000

Solicitors

Lander & Rogers Lawyers  
Level 5, 123 Pitt Street  
Sydney NSW 2000

Bankers

Westpac Banking Corporation  
273 George Street  
Sydney, NSW 2000



[www.clarius.com.au](http://www.clarius.com.au)

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# FoCUS

(Noun) The centre of interest or activity

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# F o c u s

(Noun) The centre of interest or activity

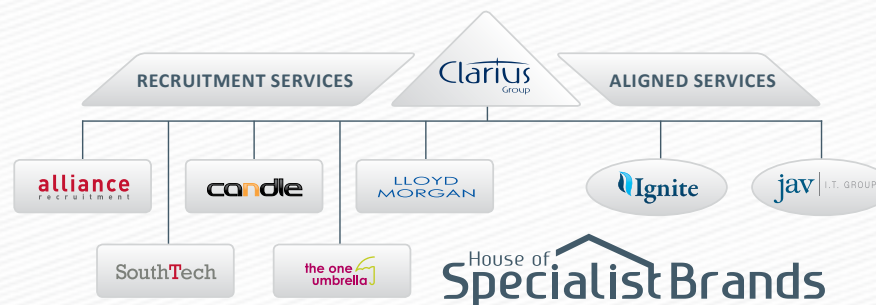
# C u s

## 2013 Clarius Group Annual Report

At Clarius Group, our focus continues to be protecting, developing and expanding our core business in the Asia Pacific region.

We aim to mitigate some of the external risks that are present in a difficult market by focusing on our core strengths and delivering an excellent quality of service within an efficient delivery structure. Attain operational excellence by continuing our investment in internal systems and technology and developing industry leading talent.

The vision for our “House of Specialist Brands” strategy is to be recognised in each of our sectors as a specialist by our clients and candidates allowing us exclusive access to talent and greater business opportunities.



We will continue to invest in growth markets, especially in the Asian region such as China, as well as consider opportunities that complement both our service offerings and geographical segments. Using our existing infrastructure, with some enhancements and modifications, we are able to extend our core capabilities into related lines of business that will build more annuity style revenue streams.

Clarius is focused on building and expanding its core capabilities to maximise shareholder return.

## ClariusCares



As part of Clarius Group’s ongoing commitment to the environment, we aim to ensure we conserve resources, use energy efficient equipment, recycle and act to reduce our environmental impact wherever possible.

The Clarius Group Annual Report 2013 is printed on Monza Recycled stock which contains 55 per cent recycled fibre (25 per cent post consumer and 30 per cent pre consumer) and 45 per cent elemental chlorine free pulp. All virgin pulp is derived from well-managed forests and controlled sources. It is manufactured by an ISO 14001 certified mill.