Clarius Group Limited
Appendix 4D

Results for Announcement to the Market for the Half Year Ended 31 December 2016

ABN 43 002 724 334

Reporting Period

Report Period:	Previous Corresponding Period:
1 July 2016 – 31 December 2016	1 July 2015 – 31 December 2015

Review of Results and Operations

- **Loss from ordinary activities after tax of $1,359k (31 Dec 2015: loss of $221k);**
- **Revenue from ordinary activities declined 15.4% to $80,747k (31 Dec 2015: $95,456k);**
- **Gross profit declined 18% to $16,594k (31 Dec 2015: $20,225k).**

Results for Announcement to the Market

	Half Year to 31 Dec 2016 $000	Half Year to 31 Dec 2015 $000	% Change
Revenue from ordinary activities	**80,747**	95,456	(15.4%)
Gross profit	**16,594**	20,225	(18.0%)
Loss from ordinary activities after tax	**(1,359)**	(221)	(514.9%)
Loss for the period attributable to the Owners	**(1,359)**	(221)	(514.9%)

First Half FY 2017

During the half year ended 31 December 2016 Clarius Group Limited (the "Company") made a loss from ordinary activities of $1,359k (31 Dec 2015: loss of $221k). The reduction in statutory revenue of $14,709k (15.4%) compared with the prior half year was mainly due to the reduction in contractor placements with a major customer and the top line flow on effect of the decision in May 2016 to close the unprofitable local business operations in New Zealand. Despite the reduction in statutory revenue, at the end of the half year the Company had increased the number of overall contractors under placement by 3.6% over the prior half year, through a combination of new and existing clients.

In the Australian Specialist Recruitment business a 21.0% decline in the number of permanent placements in the half year versus the prior half year accounted for $2,200k of the statutory revenue decline. The decline in permanent placements can be mainly attributable to consultant turnover. A planned relocation of the Melbourne office during the half year encountered delays in the fitout and commissioning of the new premises with one-off higher operating expenses of $181k. The office relocated in late January 2017 and will realise annualised rental operating expense savings of $353k.

Statutory revenues for the Resource on Demand business, which provides outsourced and technical support services, declined 25.1% ($1,907k) in the current half year to $5,695k following the completion of three significant projects. The outlook for the Resource on Demand business is positive with a number of tender proposals on the short-list to be decided in the third quarter of the fiscal year and successful bids for a project in Queensland as well as an Australia/New Zealand trans-Tasman project.

The Outsourced People Services business, which focuses on the management and transitioning of contractors, including the provision of outsourced human resource and payroll solutions, continued to acquire new clients and staff, growing statutory revenue 95.7% against the prior half year to $1,656k.

The China Specialist Recruitment business (trading under the Lloyd Morgan Executive brand) has continued to maintain its performance in a competitive market during the half year. As previously reported, following a restructure in July 2016, two super regions covering the north and south of China were created together with the appointment of a highly experienced senior regional director to lead each region. In addition, as a result of continued business growth in Guangzhou, this office relocated from serviced offices to new permanent premises during the half year.

The regional focus facilitated by the restructure enabled the China business to maintain its Chinese Yuan statutory revenue at the same level as the prior half year. In Australian dollar terms, statutory revenue declined 10% against both budget and the prior half year due mainly to foreign currency movements with the Australian dollar appreciating against the Chinese Yuan. The restructure resulted in one-off costs of $201k.

During the half year the Company successfully refinanced its trade debtor financing facility with a new receivables financing facility for a two year term and successfully implemented this transition from the previous provider. In addition, the multiple back office financial databases were consolidated resulting in significant efficiency and productivity gains.

The Company rebrand, announced at the Annual General Meeting in November 2016, was rolled out across the Group in November and December 2016, incurring one-off costs of $313k.

In addition, a number of key executive appointments to the Group leadership team were made in the half year including a new Queensland General Manager in September 2016 and new Chief Executive Officer and Chief Financial Officer in December 2016.

The appointment of Julian Sallabank as Chief Executive Officer brings a wealth of experience to the business with his appointment being very well received and welcomed by clients and staff alike.

Second Half FY 2017

The new Chief Executive Officer, with a very hands-on approach to the business, has spent his first two months focusing on developing strategic plans to increase revenues across all business areas and has been re-focusing executives, leaders and consultants on retaining, supporting and servicing the needs of our key clients and directing attention to the acquisition of new clients.

This has commenced with our Chief Executive Officer and business leaders visiting our key clients to understand their current needs to further strengthen our relationships. The acquisition of new clients will be assisted by the Chief Executive Officer leveraging his extensive business networks, and those of the Directors, to drive and create new business opportunities and revenue pipelines.

This renewed focus on our clients and staff has resulted in greatly improved communication across the Group as we continue to roll-out the new Ignite brand and develop a one-team culture.

After a long and extensive due diligence process involving many potential global suppliers, the Company has selected its new applicant tracking system (ATS), which will replace the legacy system that has served the Group for over 16 years. The new ATS will provide a number of benefits to the Group, including:

- Rationalisation of databases;
- Supporting organisation-wide collaboration; and
- Assisting in the realisation of efficiencies and productivity improvements in the front office associated with client and candidate development.

The project to identify and implement a new payroll and invoicing system to replace the legacy system has also commenced with final due diligence being undertaken on alternative suppliers. A vendor is expected to be selected and a system implemented in the second half of the financial year. The new payroll and invoicing system will enable the business to achieve significant productivity improvements by automating and streamlining the current processes used to pay contractors and invoice clients, realising operating expenditure savings.

The issues which led to a disappointing half year relative to the prior half year have been largely identified and are in the process of being addressed. On the back of the new Ignite branding, and supported by the new executive leadership team as well as continued investment in technology infrastructure and training, the Company is well-positioned to attract, recruit and retain consultants to address the shortage of experienced consultants in the business. These initiatives will assist to develop our service lines, acquire new clients and deliver greater value for all stakeholders.

Dividends

No dividend was declared and paid during the half year ended 31 December 2016 (31 Dec 2015: Nil).

Net Tangible Assets per Share

	31 Dec 2016	31 Dec 2015	% Change
Net tangible assets per share[1] (cents per share)	**21**	25	(16.0%)

[1] Net tangible assets = Net assets less deferred tax assets less intangible assets

Parent Entity

The ultimate Australian parent entity and the ultimate parent of the consolidated entity is Clarius Group Limited.

Subsidiaries, Associates and Joint Ventures

The condensed consolidated financial statements incorporate the assets, liabilities and results of the following significant subsidiaries:

			Equity Holding[1]	
	Country of Incorporation	Class of Shares	2016 %	2015 %
Alliance Recruitment Pty Ltd	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
Candle Recruitment Pte Limited	Singapore	ordinary	**100**	100
Lloyd Morgan China Limited	China	ordinary	**89**	89

[1] The proportion of ownership interest is equal to the proportion of voting power held.

The Company does not have any holdings in associates and joint ventures.