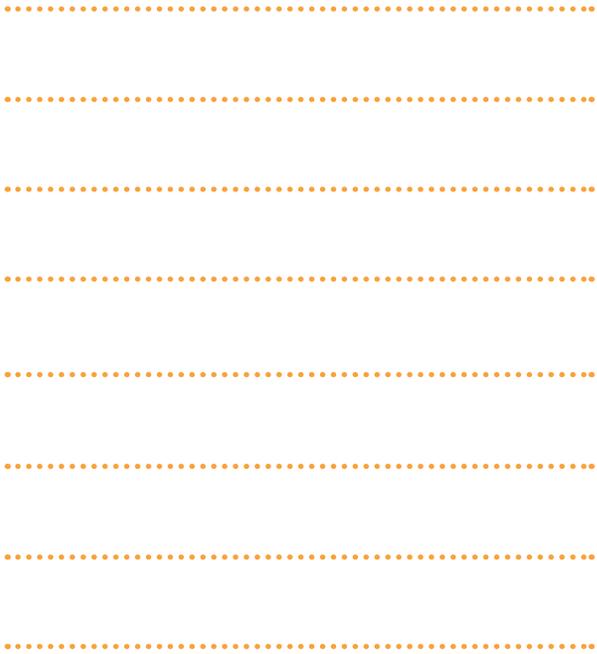


2014

**Clarius Group
Annual Report**



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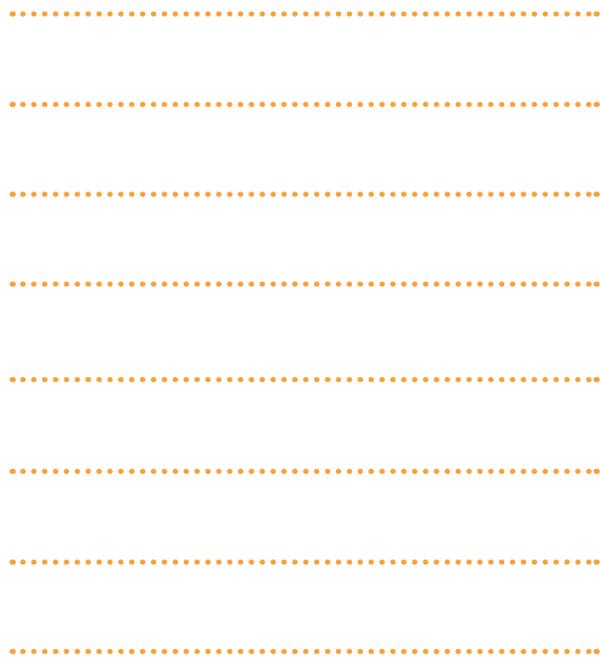
2014

**Clarius Group
Annual Report**



2014

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
E: feedback@clarius.com.au

Stock Exchange Listing

Australian Securities Exchange

Share Registry

Computershare
Level 4, 60 Carrington Street
Sydney NSW 2000
T: +612 8234 5000

Chairman

Garry R Sladden

Chief Financial Officer

Iain Skelton

Company Secretary

Nicholas Geddes

Auditor

Deloitte Touche Tohmatsu

2014

Clarius Group Annual Report

Chairman's Letter

Dear Shareholders,

This is my first report to you as Chairman, since being appointed to the role in November 2013.

Having joined the Clarius Board as a non-executive director in September 2013 I have since had the privilege to interact with the people, the brands and the clients, providing me with great insight into the strengths of the business. With an increased focus on improving operating efficiencies assisted by using new technologies, a focus on improving growth in new and existing sectors and expanding on our traditional revenue base I am confident that the future for the Group looks positive.

While financial year 2014 was another challenging year for the recruitment industry in Australia, we experienced strong revenue growth in both our Chinese and New Zealand operations. In Australia, difficult and challenging trading conditions persisted however the year finished strongly with two profitable months including May providing the best monthly result for a number of years.

FY2014 delivered a net loss after tax for the Group of \$1.7M. Following the upturn in results at the end of the financial year we remain cautiously optimistic in regards to our Australian operations as we enter FY2015 in an uncertain economic environment. The expectation, subsequent to the Federal election, that a new Federal Government would introduce a positive and stable political and economic environment leading to an increased demand for jobs is yet to materialise and consumer and business confidence remains subdued.

Given the current economic climate in Australia and the performance of our Australian operations, we are continuing to focus on reducing the cost-base in Australia and on driving operational efficiencies throughout the Group. We expect to see the results of these efforts flow through in FY2015 and beyond. Our operations in China saw substantial growth in the year and are now a significant contributor of the permanent revenue for the Group.

In May we reported the resignation of our CEO and Managing Director, Kym Quick. We have commenced the search for a new CEO that will lead the Group through a transformational phase to position us to ensure that we are well placed to take advantage of opportunities in the recruitment sectors in Australia, New Zealand and Asia. As at the date of this report, we are working on a short-list of potential candidates for the new CEO role and will only make an announcement once we are confident as a Board that we have identified the right individual to drive the Group forward.

During the year there have been a number of other management changes throughout the Group. This has allowed us to commence a full and detailed review of the current company structure to ensure that we operate a lean and highly efficient team to lead the Group into financial year 2015 and beyond.

2014

Clarius Group Annual Report

Chairman's Letter Continued

There were a number of board changes during the year. Lawrence Gibbs resigned as Chairman of the Company on 9th August 2013 and then resigned as a non-Executive Director on 10th September 2013. Simon Kelly stepped down from the Board on 30 October 2013 as a result of increasing work commitments and in March this year, the Group's founder Geoff Moles, retired from the Board after 30 years with the Group. Penny Morris previously announced that she will be stepping down from the Board at this year's AGM. Penny has served on the Board for the last 9 years and was also the interim Chairman from 9th August 2013 to 7th November 2013 following the resignation of Lawrence Gibbs. In May we appointed Jennifer Elliott to the Board as a non-Executive Director and in September we appointed Julian Sallabank to the Board as a non-Executive Director. Jennifer and Julian bring a wealth of knowledge and experience with them and are wonderful additions to the Board.

In March we announced the appointment of our new CFO, Iain Skelton. Iain brings significant skill sets and discipline to our business and he will be very closely involved in driving the necessary cost savings and operating efficiencies throughout the Group.

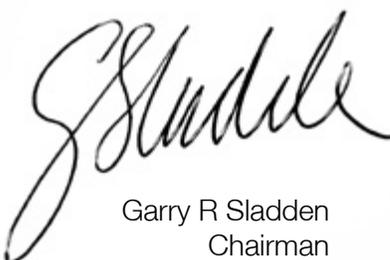
I have recently completed a personal visit to all of the Group's business operations throughout Australia and New Zealand and this gave me the opportunity to meet with most of our employees. This afforded me the opportunity to have open and creative discussions with our wonderful and talented staff, but most importantly to listen to their thoughts and ideas around how we collectively create a very successful business moving forward. We have a great talent pool within our Group and we will be leveraging their thoughts and ideas to drive the business in the future.

"Clarius Innovations" is where we believe the greatest changes and positive impacts can be created throughout the Group. By investing in cutting-edge technologies, we will drive cost savings and operating efficiencies, whilst also creating innovative solutions for our front line staff to deliver to our clients. A key component of "Clarius Innovations" is the recent investment in and creation of our Enterprise Solution Technology: transforming the business and all of its brands into an agile enterprise offering greater value to our customers at a lower cost. Together with updating our back office systems, these initiatives will automate a number of manual processes leading to further cost savings for the group.

With a renewed energy and passion throughout the Group, coupled with "Clarius Innovations", we are cautiously optimistic that FY2015 will see a recovery in sustainable profitability and the Clarius Group taking positive steps towards establishing itself as a market leader in its chosen specialised fields of recruitment and aligned services.

The Directors have chosen not to recommend a dividend for 2014.

On behalf of my fellow Directors, I would like to sincerely thank the executive team, senior management and all of the dedicated staff for their continued efforts in maintaining their focus, passion and commitment in what has been very challenging and testing times. The Clarius Group is a people business, and we are blessed to have an incredible team of people who share a passion and vision for the future of the Group.



Garry R Sladden
Chairman

2014

Clarius Group Annual Report

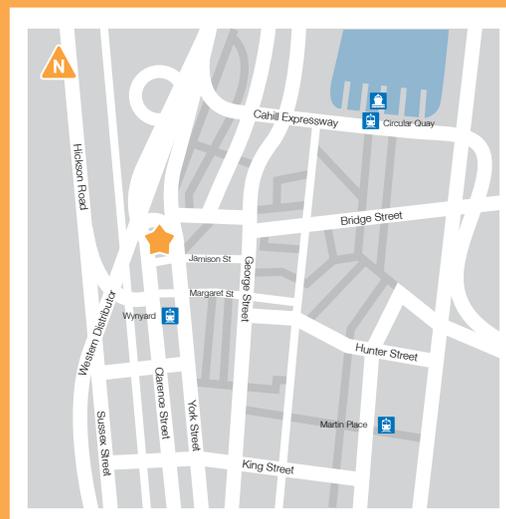
2014

Clarius Group Annual Report

Contents

About Clarius Group	1
Operational & Financial Review	2
Directors' Report	8
Financial Statements	22
Corporate Governance Statement	65
Our Sustainability Principles	72
Our Commitment to the Environment and Community	72-73
Our Diverse Workforce	74
Additional Information	75
Corporate Directory	77

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



Annual General Meeting

The Annual General Meeting of Clarius Group will be held at 11:30am on Tuesday, 25 November 2014, at Clarius Head Office on Level 5, 1 York Street, Sydney.

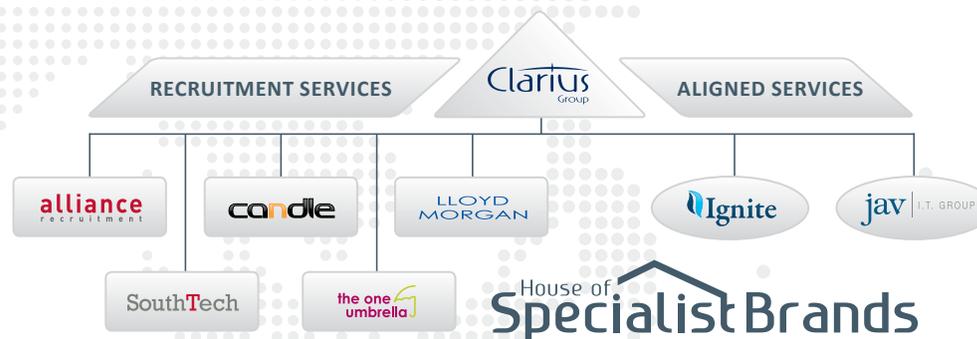
A separate Notice of Meeting and Proxy Form are included with this report.



2014 Clarius Group Annual Report

2014 Clarius Group
Annual Report

About Clarius Group



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.



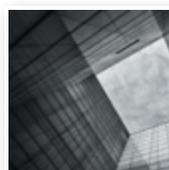
candle

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.

13 Cities

36 Offices

351 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 350 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.

Operational & Financial Review

Operational review

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 thirty 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 longest standing recruitment suppliers in the region.

Clarius Group operates through a number of 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 351 staff through a network of offices located in Adelaide, Brisbane, Canberra, Melbourne, Perth and Sydney in Australia; Auckland, Christchurch 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*

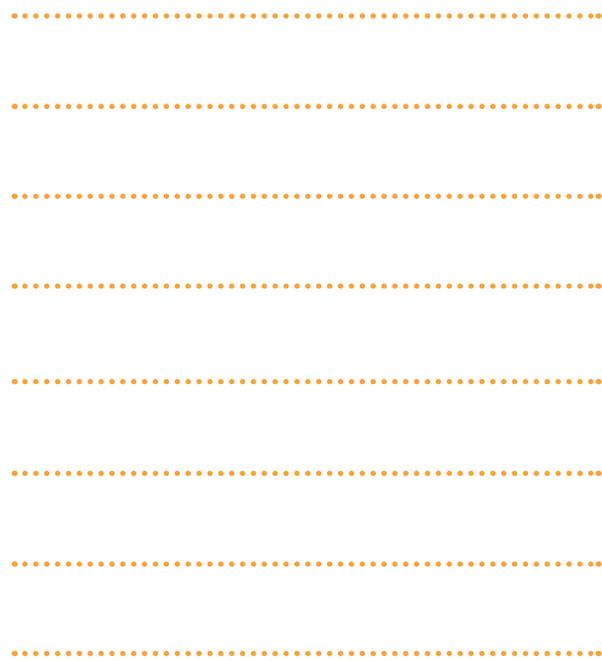


- 86% Recruitment Services
- 9% Managed Services
- 5% IT Services

* Refer to Note 5 of the financial statements

	Australia	New Zealand	China/Singapore	Total
Statutory revenue	\$162.4m	\$7.8m	\$9.2m	\$179.4m
Offices	28	3	5	36
Employees	212	13	126	351

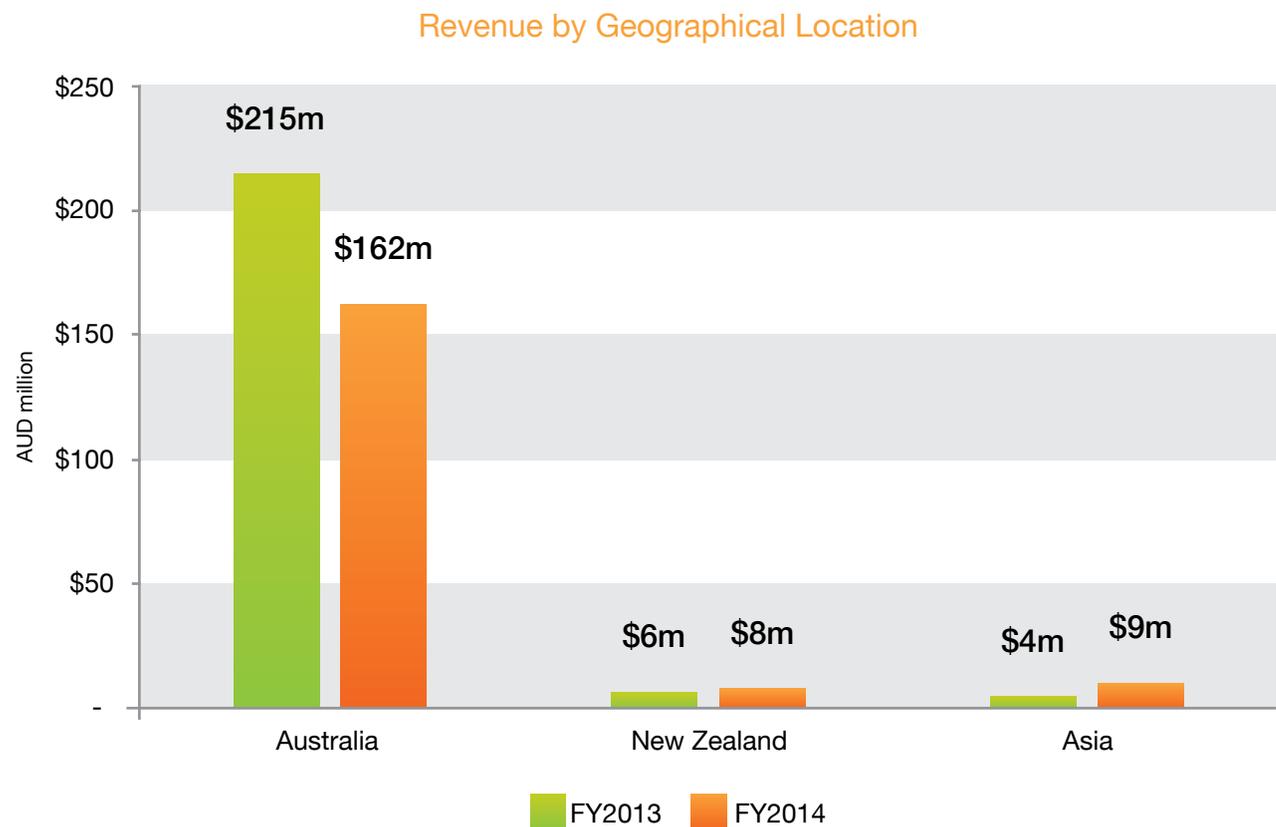
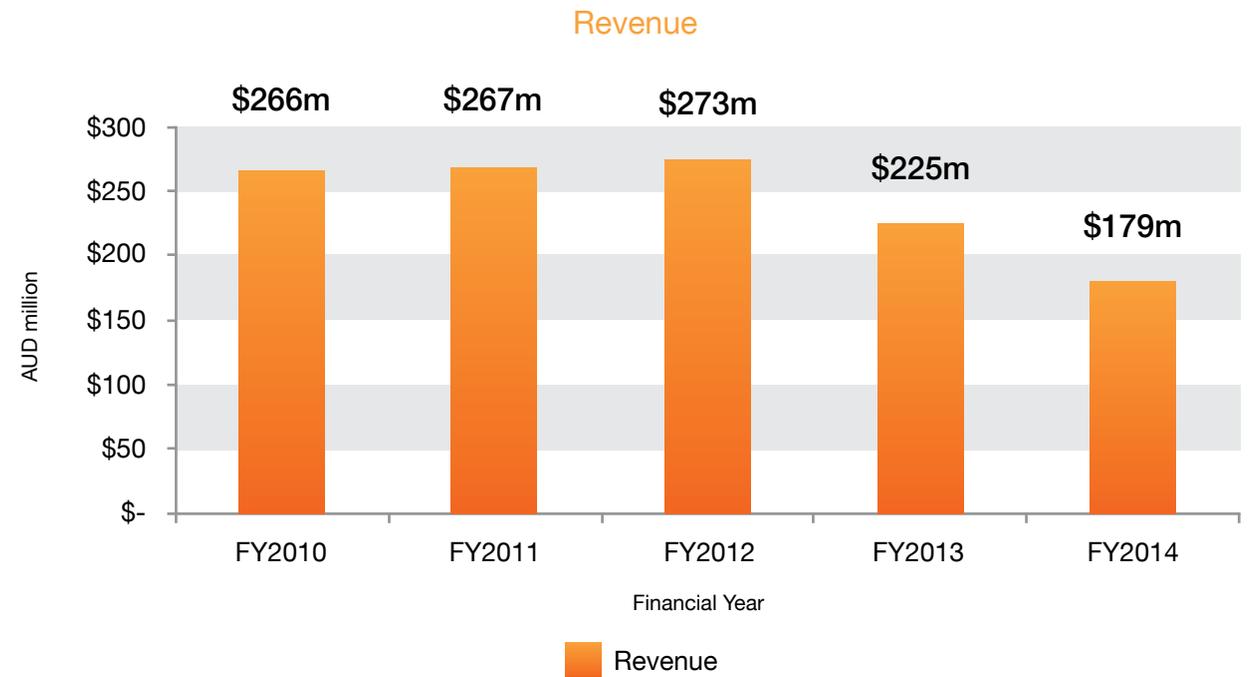
2014 Clarius Group Annual Report



2014 Clarius Group Annual Report

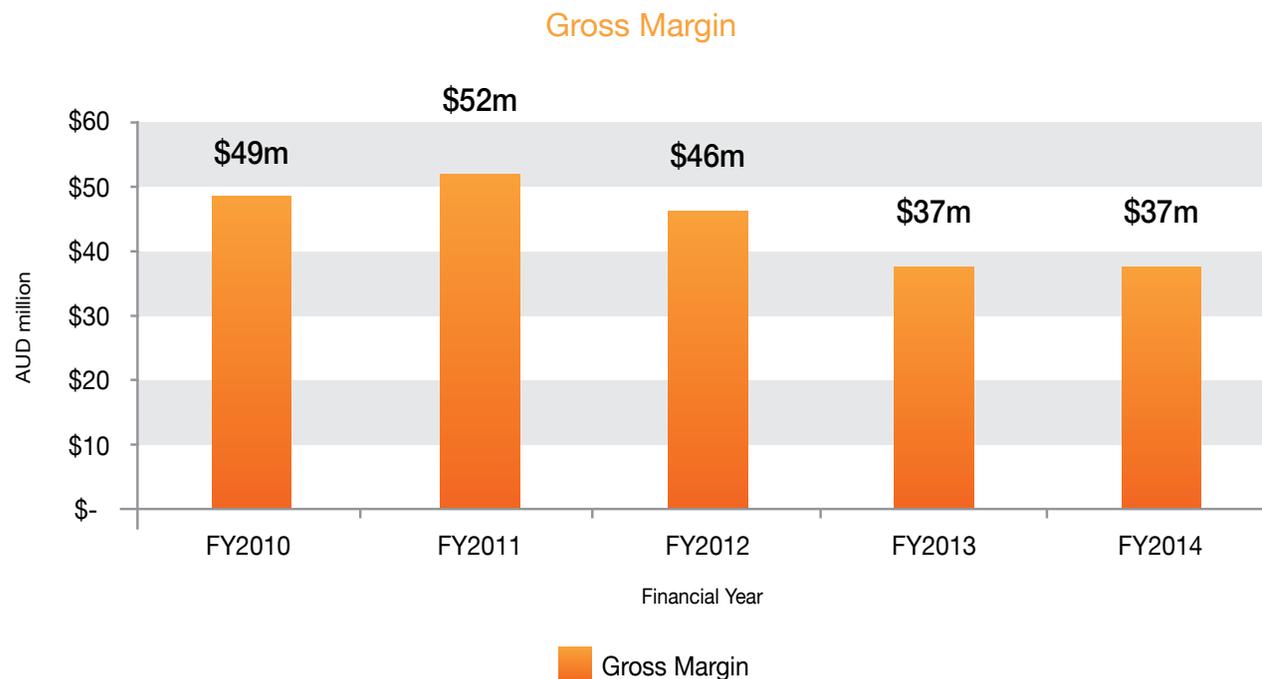
Financial Review

Review of revenue and gross margin



2014

Clarius Group Annual Report



The 2014 financial year ended with a decrease in group revenue compared to prior corresponding period of \$45.9m to \$179.4m (FY2013: \$225.3m). There was a strong improvement in gross margin to 20.7% (FY2013: 16.6%) as a result of a disciplined focus on profitability during the year.

Revenues from Recruitment Services was \$259.1m (FY2013: \$274.5m), IT Services \$15.2m (FY2013: \$13.0m) and Managed Services \$28.6m (FY2013: \$43.0m). The Australian recruitment business continued to face challenges from difficult market conditions. Recruitment operations in Asia which include China and Singapore, provided revenue growth of 111% to \$9.2m (FY 2013: \$4.4m). The business in China is providing a solid contribution to the group's overall profitability with our 4 offices in Greater China ending strongly for the financial year. The New Zealand recruitment business performed well, with growth in revenues as a result of improved hiring in the IT sector.

The group's mix of temporary and permanent business has now shifted towards higher margin permanent business which is now contributing 41.0% (FY2013: 30.6%) of gross profit.

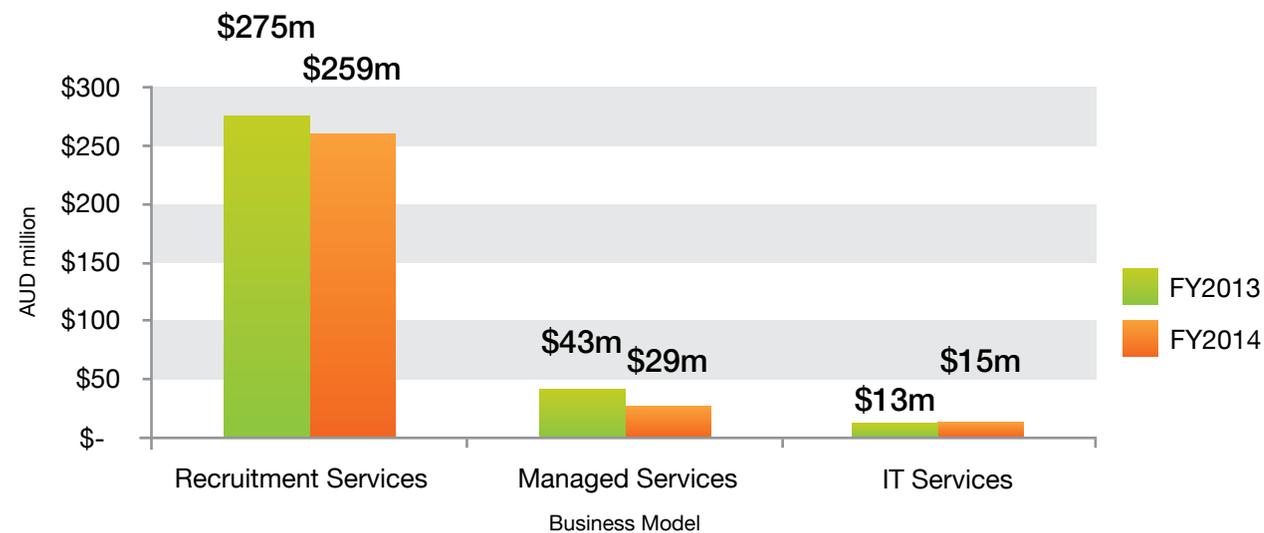
Competition in the Australian labour hire market has led to a number of agencies reducing prices and margin in order to sustain market share. As a group, we have continued to negotiate competitive pricing models with our key customers as well as deliver an excellent quality of service.

2014 Clarius Group Annual Report

2014 Clarius Group Annual Report

Recruitment and aligned services*

Revenue by Business Model



* Refer to Note 5 of the financial statements

Recruitment Service revenue remains a significant revenue contribution to the group's overall revenue of 86% (2013: 83%), followed by Managed Services of 9% (2013: 13%) and IT Services of 5% (2013: 4%).

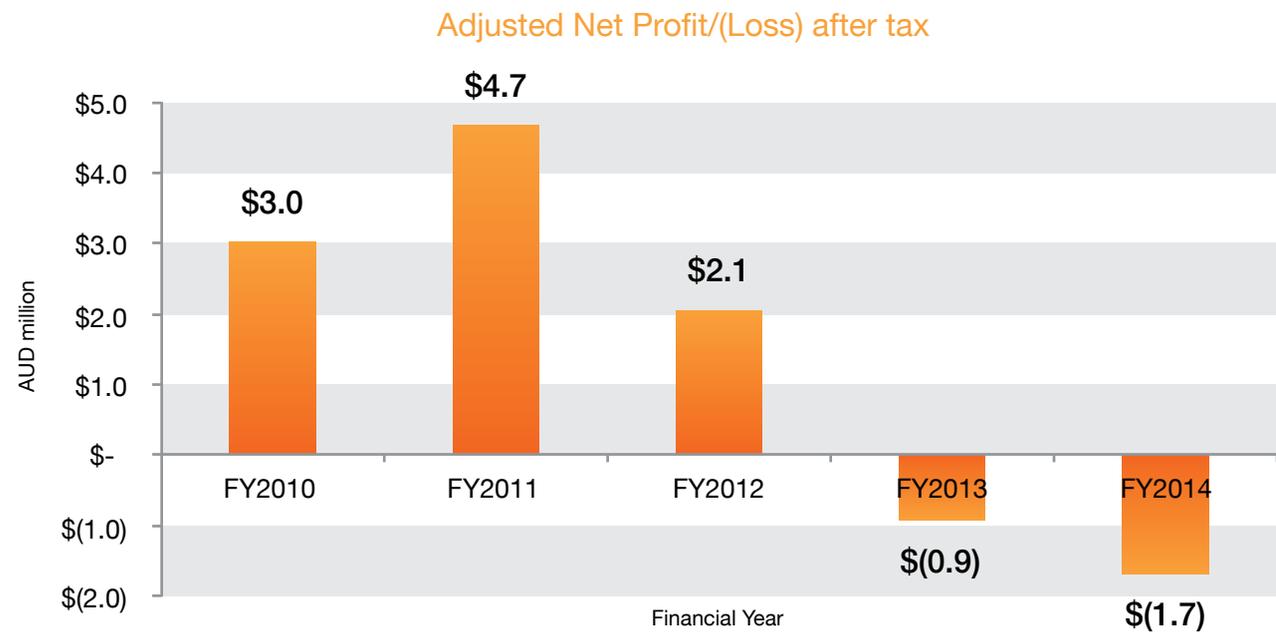
Recruitment Services and Managed Services revenue decreased by \$15.4m and \$14.4m respectively. Despite challenging market conditions, our IT Services business recorded an increase in revenue of \$2.2m. The increase in IT Services revenue is due to increased cross selling to other brands within the Clarius Group and diversifying into other revenue sources.

Review of net profit/(loss) after tax

	FY2010 \$m	FY2011 \$m	FY2012 \$m	FY2013 \$m	FY2014 \$m
Profit/(Loss) after tax as per consolidated statement of profit or loss and other comprehensive income	3.0	(10.3)	(9.4)	(42.2)	(1.7)
Add : Non cash impairment	-	14.6	11.5	40.9	-
Add : De-recognition of tax losses	-	0.4	-	0.4	-
Adjusted net profit/(loss) after tax	3.0	4.7	2.1	(0.9)	(1.7)

2014 Clarius Group Annual Report

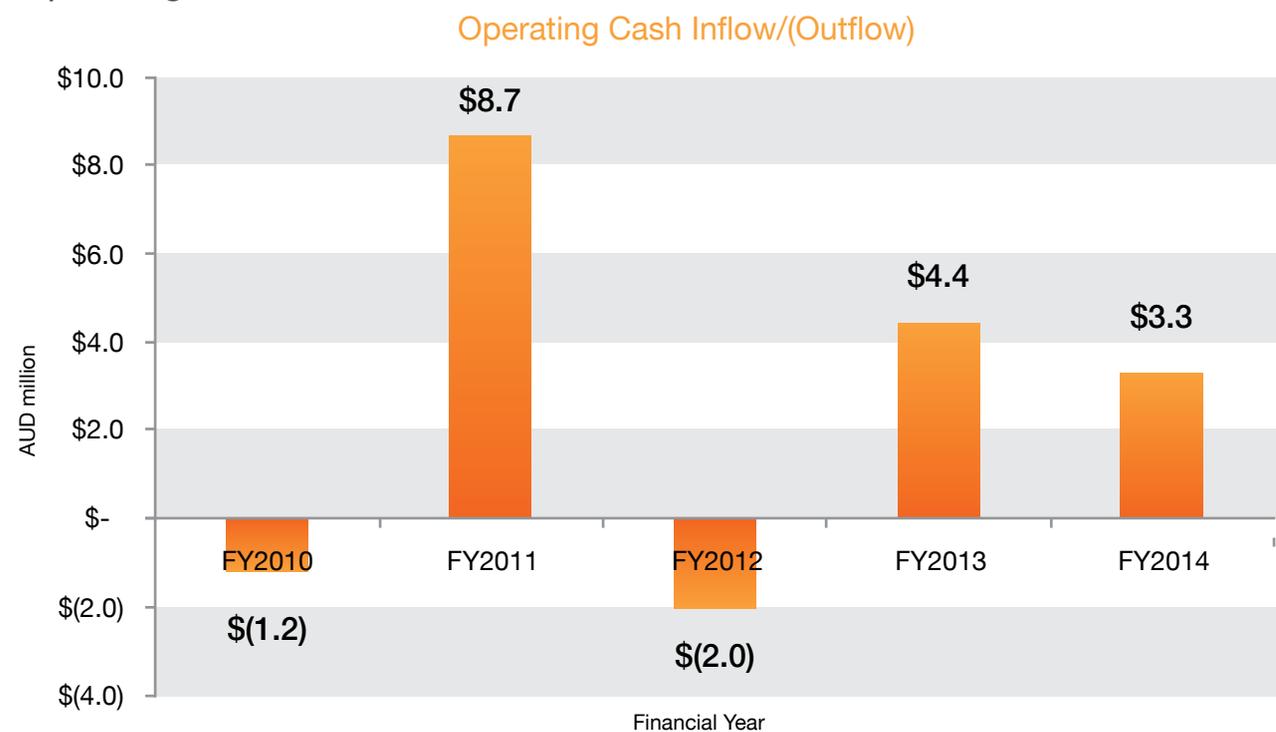
Adjusted Net Profit/(Loss) after tax



Current year loss after tax was \$1.7m (FY2013: Adjusted loss after tax \$0.9m) before impairment and de-recognition of tax losses.

We continue to manage overhead costs in response to the challenging market conditions whilst maintaining our investment in employees to maximise the opportunities available when the Australian market recovers.

Operating cash flow



Cash from operating activities has only reduced slightly to \$3.3m (FY2013: \$4.4m), despite the larger reduction in revenue. This includes a \$1.2m tax refund from the Australian Taxation Office for income tax assessment relating to the year ended 30 June 2013.

2014

Clarius Group Annual Report

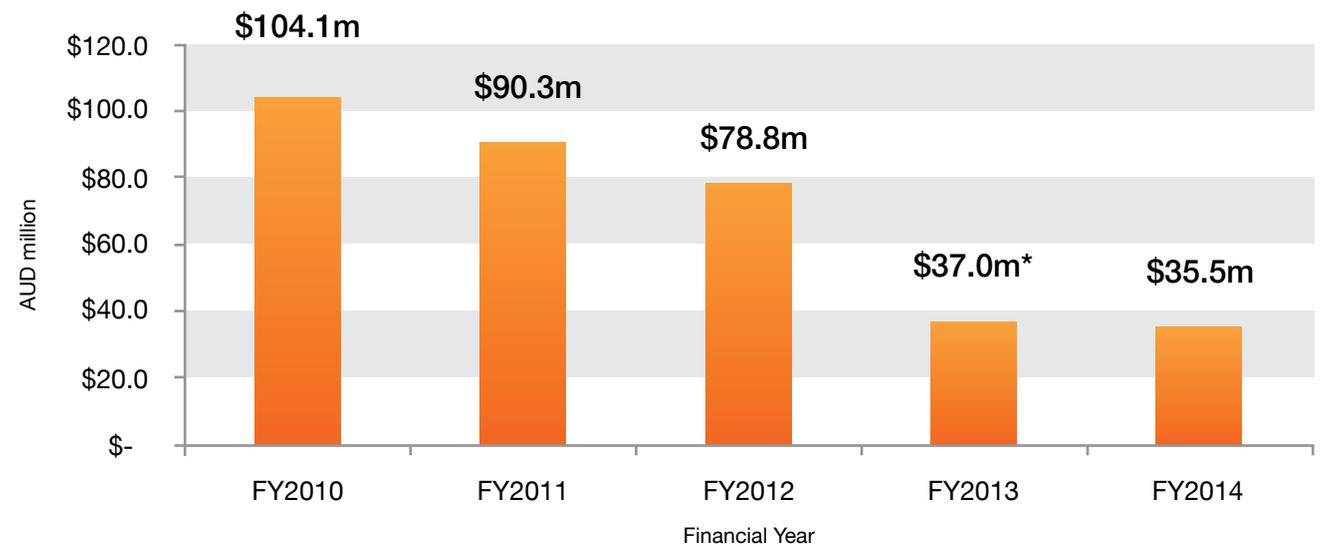
2014 Clarius Group Annual Report

Review of dividends per share

No dividends have been declared or paid in 2014 (2013: Nil).

Review of net assets

Net Assets



* After non-cash impairment write down and de-recognition of tax losses

At 30 June 2014, Clarius Group had net assets of \$35.5m (FY2013: \$37.0m).

The group's net assets primarily consist of net trade receivables \$41.3m (2013: \$36.6m), accrued income of \$6.8m (2013: \$11.2m) and trade and other payables of \$20.7m (2013: \$17.9m). Net assets as at 30 June 2014 reduced by \$1.5m mainly due to an increase in trade payables relating to contractor salaries and wages paid in July 2014.

At year end, only 2% (FY2013: 1%) of our receivables balance was overdue by more than 90 days. The Group continues to actively manage its cashflow.

Directors' Report

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 2014 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:

Garry R Sladden	Chairman (Appointed as Director on 10 Sept 2013, Chairman on 7 November 2013 and Interim Chief Executive Officer on 1 July 2014)
Penelope (Penny) Morris AM	Independent Non-Executive Director (Appointed as Chairman from 9 August 2013 to 7 November 2013)
Jennifer Elliott	Independent Non-Executive Director (Appointed as Director on 20 May 2014)
Kym L. Quick	Managing Director and Chief Executive Officer (Resigned on 19 May 2014)
Mr. Geoffrey J Moles	Non-Executive Director (Resigned on 31 March 2014)
Simon C. M. Kelly	Independent Non-Executive Director (Resigned on 30 Oct 2013)
Lawrence J. Gibbs	Independent Non-Executive Director (Resigned as Chairman on 9 August 2013 and resigned as Independent Non-Executive Director on 10 Sept 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 thirty 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 longest standing recruitment suppliers in the region.

Clarius Group operates through a number of 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 351 staff through a network of offices located in Adelaide, Brisbane, Canberra, Melbourne, Perth and Sydney in Australia; Auckland, Christchurch 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 entity for the financial year was \$1.7m (FY2013 Loss: \$42.2m).

Dividends

No dividends were paid, declared or recommended to members during the financial year 2014.

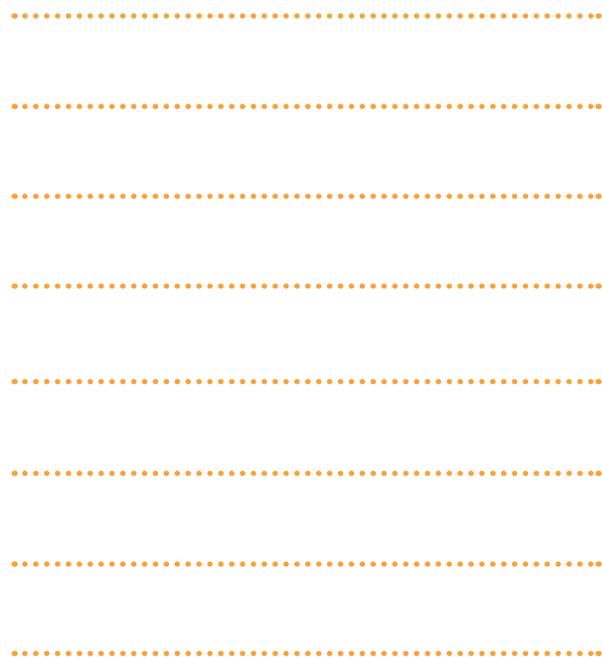
On 26 August 2014, the directors resolved not to declare a final dividend for the year ended 30 June 2014.

Review of Operations

Net loss after tax for the year was \$1.7m (FY2013: Loss \$0.9m - excluding non-cash goodwill impairment and de-recognition of tax losses). Refer to the reconciliation provided on page 5 of the Operating and Financial Review from loss after tax as per consolidated statement of profit or loss and other comprehensive income to net loss after tax.

2014

Clarius Group Annual Report



2014 Clarius Group Annual Report

Financial Position

Cash generated from operating activities was \$3.3m (FY2013: Cash inflow \$4.4m).

Overall, the Group is in a sound financial position with no net gearing. 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 upturn 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.

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



Garry Sladden

Chairman

Garry 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. He was a General Manager Operations at Consolidated Press Holdings for six years and was the 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.

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



Penelope (Penny) Morris AM

Independent Non-Executive Director

Penny was the Interim Chairman from 9 August 2013 to 7 November 2013. She has been a Company director for the past 21 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, Indigenous Land Corporation and the NSW Institute of Teachers. Penny is currently a director of 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 a 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 chairman of the Board Audit, Risk and Compliance Committee and chairman of the Board Remuneration and Nomination Committee.



Jennifer A Elliott

Independent Non-Executive Director

Jennifer has previously held the roles of Managing Director, Head of Moody's Asia Pacific, Chief Human Resources Officer, Moody's Corporation and solicitor with Clayton UTZ, Solicitor and Attorneys. Jennifer holds an MA, Asian Business Studies – School of Oriental and Asian Studies, London University and a BA (Hons), LLB (Hons) – University of Sydney.

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

2014 Clarius Group Annual Report

2014 Clarius Group Annual Report

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:

Garry R Sladden

None

Penelope (Penny) Morris AM

51,429 ordinary shares

Jennifer A Elliott

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 the 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.

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

On 1 July 2013, non-executive Directors resolved to take a 10% 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.

2014

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.

	2014 \$m	2013 \$m	2012 \$m	2011 \$m	2010 \$m
(Loss)/Profit attributable to owners of the Company	(\$1.7)	(\$42.2)	(\$9.4)	(\$10.3)	\$3.0
(Loss)/Profit excluding impairment and de-recognition of tax losses	(\$1.7)	(\$0.9)	\$2.1	\$4.3	\$3.0
Dividends paid	-	-	\$2.7	\$3.5	-

	2014 cents	2013 cents	2012 cents	2011 cents	2010 cents
Share price at the end of the year	\$0.24	\$0.20	\$0.43	\$0.58	\$0.63
Return on capital employed	N/A	N/A	N/A	N/A	2.9%

2014

Clarius Group Annual Report

2014 Clarius Group Annual Report

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:

Parent Entity	Short-term employee benefits			Post-employment benefits	Long term based benefits	Total remuneration \$
	Salary \$	Directors fees \$	Bonus \$	Superannuation \$	Long service leave \$	
Non-Executive Directors						
Garry R Sladden⁽¹⁾						
2014	-	67,889	-	6,280	-	74,169
2013	-	-	-	-	-	-
Penelope (Penny) Morris AM⁽²⁾						
2014	-	76,983	-	6,316	-	83,299
2013	-	73,394	-	6,606	-	80,000
Jennifer A Elliott⁽³⁾						
2014	-	6,316	-	584	-	6,900
2013	-	-	-	-	-	-
Geoffrey J Moles⁽⁴⁾						
2014	-	40,374	-	3,735	-	44,109
2013	-	83,750	-	25,000	-	108,750
Lawrence J Gibbs⁽⁵⁾						
2014	-	16,840	-	1,473	-	18,313
2013	-	100,917	-	9,083	-	110,000
Simon C M Kelly⁽⁶⁾						
2014	-	24,447	-	2,261	-	26,708
2013	-	77,982	-	7,018	-	85,000

⁽¹⁾ Garry R Sladden was appointed as an Independent Non Executive Director on 10 September 2013 and as Chairman on 7 November 2013.

⁽²⁾ Penelope (Penny) Morris AM was the Interim Non-Executive Chairman from 9 August 2013 to 7 November 2013.

⁽³⁾ Jennifer A Elliott was appointed as an Independent Non-Executive Director on 20 May 2014.

⁽⁴⁾ Geoffrey J Moles resigned as Non-Executive Director on 31 March 2014. Included in his director's fees for FY2013 was \$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.

⁽⁵⁾ Lawrence J Gibbs resigned as Chairman on 9 August 2013 and resigned as Independent Non-Executive Director on 10 September 2013.

⁽⁶⁾ Simon C Kelly resigned as Independent Non-Executive Director on 30 October 2013.

2014 Clarius Group Annual Report

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	Termination payments \$	Total remuneration \$
	Salary \$	Bonus \$	Superannuation \$	Long service leave \$		
Key Management Personnel						
Iain Skelton⁽¹⁾ <i>Chief Financial Officer</i>						
2014	87,692	-	5,618	68	-	93,378
2013	-	-	-	-	-	-
Paul A Barbaro⁽²⁾ <i>Executive General Manager</i>						
2014	305,000	-	17,775	*	-	322,775
2013	305,000	-	20,746	*	-	325,746
Kym L Quick⁽³⁾ <i>Managing Director and Chief Executive Officer</i>						
2014	482,225	-	17,775	-	254,830	754,830
2013	483,530	-	16,470	16,294*	-	516,294
Anne L Bastock⁽⁴⁾ <i>Chief Financial Officer</i>						
2014	144,946	-	9,426	-	226	154,598
2013	220,000	-	17,287	373*	-	237,660
Linda A Trevor⁽⁵⁾ <i>Executive General Manager Candle</i>						
2014	31,261	-	2,963	-	52,558	86,782
2013	259,350	-	16,470	2,248*	-	278,068

⁽¹⁾ Iain Skelton commenced employment on 17 March 2014.

⁽²⁾ Paul A Barbaro resigned on 19 June 2014.

⁽³⁾ Kym L Quick resigned on 19 May 2014. Termination benefits of \$254,380 consists of termination payment of \$80,371, \$61,322 annual leave and \$113,137 long service leave.

⁽⁴⁾ Anne L Bastock resigned on 17 March 2014 as Chief Financial Officer.

⁽⁵⁾ Linda A Trevor resigned on 9 August 2013. Termination benefits of \$52,558 consists of termination payment of \$47,255 and \$5,303 annual leave.

*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.

2014

Clarius Group Annual Report

2014 Clarius Group Annual Report

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

	Fixed remuneration %	Performance based payments %	Short term incentive bonus*	
			% Vested in year	% Forfeited in year
Directors				
Garry R Sladden⁽¹⁾				
2014	100	-	-	-
2013	100	-	-	-
Penelope (Penny) Morris AM				
2014	100	-	-	-
2013	100	-	-	-
Jennifer A Elliott⁽²⁾				
2014	100	-	-	-
2013	100	-	-	-
Geoffrey J Moles⁽³⁾				
2014	100	-	-	-
2013	100	-	-	-
Lawrence J Gibbs⁽⁴⁾				
2014	100	-	-	-
2013	100	-	-	-
Simon C M Kelly⁽⁵⁾				
2014	100	-	-	-
2013	100	-	-	-
Key Management Personnel				
Iain Skelton⁽⁶⁾				
2014	80	20	-	100
2013	-	-	-	-
Paul A Barbaro⁽⁷⁾				
2014	68	32	-	100
2013	68	32	-	100
Kym L Quick⁽⁸⁾				
2014	71	29	-	100
2013	72	28	-	100
Anne L Bastock⁽⁹⁾				
2014	72	28	-	100
2013	80	20	-	100
Linda A Trevor⁽¹⁰⁾				
2014	100	-	-	100
2013	75	25	-	100

⁽¹⁾ Garry R Sladden was appointed as an Independent Non-Executive Director on 10 September 2013 and Chairman on 7 November 2013.
⁽²⁾ Jennifer A Elliott was appointed as an Independent Non-Executive Director on 20 May 2014.
⁽³⁾ Geoffrey J Moles resigned as Non-Executive Director on 31 March 2014.
⁽⁴⁾ Lawrence J Gibbs resigned as Chairman on 9 August 2013 and resigned as Independent Non-Executive Director on 10 September 2013.
⁽⁵⁾ Simon C M Kelly resigned as Independent Non-Executive Director on 30 October 2013.
⁽⁶⁾ Iain Skelton was appointed as Chief Financial Officer effective 17 March 2014.
⁽⁷⁾ Paul A Barbaro resigned on 19 June 2014.
⁽⁸⁾ Kym L Quick resigned on 19 May 2014.
⁽⁹⁾ Anne L Bastock resigned on 17 March 2014 as Chief Financial Officer.
⁽¹⁰⁾ Linda A Trevor resigned on 9 August 2013.

*Vesting percentages are based on actual bonuses paid during the year.

2014

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 an 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 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 32 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 2014 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.

2014

Clarius Group Annual Report

2014 Clarius Group Annual Report

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 six 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 2014:

Name & Position	Term of agreement	Basis of salary payment	Notice period
Iain Skelton Chief Financial Officer (commence employment on 17 March 2014)	On-going until terminated by either part	Base salary, inclusive of superannuation as at 30 June 2014 of \$317,775 to be reviewed annually by the Managing Director. Annual bonus eligibility of \$80,000.	Notice period of 3 months by either party

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% after two years and 50% 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.

2014

Clarius Group Annual Report

Option Holdings

There were no options granted or exercised by key management personnel during the financial year as part of their remuneration. All options were fully lapsed in the last financial year.

Shareholdings

	Balance 01/07/2013	Received as remuneration	Options exercised	Other Movement	Balance 30/06/2014
Directors					
Garry R Sladden	-	-	-	-	-
Penelope (Penny) Morris AM	51,429	-	-	-	51,429
Jennifer A Elliott	-	-	-	-	-
Kym L Quick	-	-	-	-	-
Lawrence J Gibbs	96,323	-	-	-	96,323
Simon C M Kelly	-	-	-	-	-
Geoffrey J Moles	4,678,948	-	-	(4,616,454)	62,494
Key Management Personnel					
Paul A Barbaro	-	-	-	-	-
Iain Skelton	-	-	-	-	-
Anne L Bastock	-	-	-	-	-
Linda A Trevor	-	-	-	-	-
Total	4,826,700	-	-	(4,616,454)	210,246

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

2014 Clarius Group Annual Report

2014 Clarius Group Annual Report

Meetings of Directors

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

Director	Number of meetings held ⁽¹⁾	Number of meetings attended
Garry R Sladden	12	12
Penelope (Penny) Morris AM	16	16
Jennifer A Elliott	2	2
Kym L Quick	13	12
Lawrence J Gibbs	3	1
Simon C M Kelly	6	6
Geoffrey J Moles	12	10

⁽¹⁾ 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, four Committee meetings were held. Attendances were:

Director	Number of meetings held ⁽¹⁾	Number of meetings attended
Garry R Sladden	3	3
Penelope (Penny) Morris AM	4	4
Jennifer A Elliott	1	1
Geoffrey J Moles	1	1
Simon C M Kelly	2	2

⁽¹⁾ 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, four Committee meetings were held. Attendances were:

Director	Number of meetings held ⁽¹⁾	Number of meetings attended
Garry R Sladden	3	3
Penelope (Penny) Morris AM	4	4
Jennifer A Elliott	1	1
Geoffrey J Moles	1	1
Simon C M Kelly	1	1

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

2014

Clarius Group Annual Report

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 the Remuneration Report.

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 10 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 10 'Remuneration of Auditors' for amounts paid or payable during the financial year to the external auditors in respect of non-audit services.

2014 Clarius Group Annual Report

2014 Clarius Group Annual Report

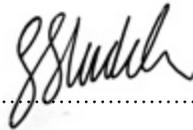
Auditor's Independence

The lead auditor's independence declaration for the year ended 30 June 2014 is set out below.

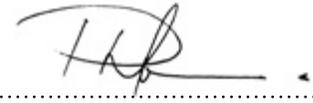
Rounding of Amounts

The Company has applied the relief available to it in ASIC Class Order 98/100, dated 10 July 1998, 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



Garry R Sladden
Chairman



Penelope (Penny) Morris AM
Independent Non-Executive Director

Dated at Sydney this 26th day of August 2014



Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7021

www.deloitte.com.au

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

As lead audit partner for the audit of the financial statements of Clarius Group Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relations to the audit.



Deloitte Touche Tohmatsu



Jason Thorne
Partner

Dated at Sydney this 26th day of August 2014

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Financial Statements

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 30 June 2014

	Note	2014 \$000	2013 \$000
Revenues	6	179,392	225,278
On hired labour costs		(142,312)	(187,823)
Gross profit		37,080	37,455
Employee benefits expense		(28,270)	(27,040)
Depreciation and amortisation expense	7	(1,051)	(951)
Restructuring expenses		(286)	(722)
Operating rental expense		(3,699)	(3,459)
Other expenses	7	(6,111)	(5,968)
Impairment loss		-	(40,911)
Results from operating activities		(2,337)	(41,596)
Finance income		10	18
Finance cost	7	(158)	(271)
Net finance costs		(148)	(253)
Loss before income tax		(2,485)	(41,849)
Income tax benefit/(expense)	8	808	(365)
Loss for the year attributable to the owners of the Company		(1,677)	(42,214)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations		185	403
Income tax on other comprehensive income		-	-
Other comprehensive income for the period, net of income tax		185	403
Total comprehensive loss for the year attributed to the owners of the Company		(1,492)	(41,811)
			Cents Per Share
Basic loss per share	11	(1.87)	(47.15)
Diluted loss per share	11	(1.87)	(47.15)

The Consolidated Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes on pages 26 to 61.

2014

Clarius Group Annual Report

2014 Clarius Group Annual Report

Consolidated Statement of Financial Position

As at 30 June 2014

	Note	2014 \$000	2013 \$000
Current assets			
Cash and cash equivalents	13	2,500	969
Trade and other receivables	14	48,868	48,825
Current tax receivables	20	36	1,352
Total current assets		51,404	51,146
Non-current assets			
Plant and equipment	16	2,112	2,615
Deferred tax assets	15	2,690	1,779
Intangible assets	18	3,033	2,500
Total non-current assets		7,835	6,894
Total assets		59,239	58,040
Current liabilities			
Trade and other payables	19	20,684	17,870
Bank overdraft	13	-	735
Provisions	21	1,999	2,065
Total current liabilities		22,683	20,670
Non-current liabilities			
Provisions	21	1,068	390
Total non-current liabilities		1,068	390
Total liabilities		23,751	21,060
Net Assets		35,488	36,980
Equity			
Share Capital	22	83,541	83,541
Reserves	23	255	70
Accumulated losses	24	(48,308)	(46,631)
Total equity		35,488	36,980

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes on pages 26 to 61.

2014

Clarius Group Annual Report

Consolidated Statement of Changes in Equity

As at 30 June 2014

	Share Capital \$000	Translation Reserve \$000	Share Based Payment Reserve \$000	Retained Earnings \$000	Total \$000
Balance at 1 July 2013	83,541	(1,274)	1,344	(46,631)	36,980
Total comprehensive income for the period					
Loss for the year attributed to the owners of the Company	-	-	-	(1,677)	(1,677)
Other comprehensive income					
Foreign currency translation differences for foreign operations	-	185	-	-	185
Total comprehensive loss for the period	-	185	-	(1,677)	(1,492)
Transactions with owners recorded directly in equity					
Issue of ordinary shares	-	-	-	-	-
Share based payment transactions	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Balance as at 30 June 2014	83,541	(1,089)	1,344	(48,308)	35,488

Prior Year

	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
Total comprehensive income for the period					
Loss for the year attributed to the owners of the Company	-	-	-	(42,214)	(42,214)
Other comprehensive income					
Foreign currency translation differences for foreign operations	-	403	-	-	403
Total comprehensive loss for the period	-	403	-	(42,214)	(41,811)
Transactions with owners recorded directly in equity					
Issue of ordinary shares	36	-	-	-	36
Share based payment transactions	-	-	(21)	-	(21)
Reduction in share capital [^]	(8,111)	-	-	8,111	-
Total transactions with owners	(8,075)	-	(21)	8,111	15
Balance as at 30 June 2013	83,541	(1,274)	1,344	(46,631)	36,980

[^] 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.

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes on pages 26 to 61.

2014

Clarius Group Annual Report

2014 Clarius Group Annual Report

Consolidated Statement of Cash Flows

For the year ended 30 June 2014

	Note	2014 \$000	2013 \$000
Cash flows from operating activities			
Receipts from customers		315,317	348,538
Payments to suppliers and employees		(295,456)	(323,487)
Interest received		10	18
Interest and other borrowing costs paid		(158)	(271)
Income tax refund/(paid)		1,197	(1,540)
Sales tax paid		(17,577)	(18,864)
Net cash provided by operating activities	12	3,333	4,394
Cash flows from investing activities			
Purchase of plant and equipment	16(a)	(174)	(1,059)
Payments for software development and intangible assets	18(a)	(912)	(1,400)
Net cash used in investing activities		(1,086)	(2,459)
Cash flows from financing activities			
Repayment of borrowings		-	(2,683)
Proceeds from the issue of shares		-	36
Net cash used in financing activities		-	(2,647)
Net increase/(decrease) in cash held		2,247	(712)
Cash at the beginning of the financial year		234	927
Effect of exchange rates on cash holdings in foreign currencies		19	19
Cash at the end of the financial year	13	2,500	234

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes on pages 26 to 61.

2014

Clarius Group Annual Report

2014 Clarius Group
Annual Report

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 2014 cover the consolidated entity of Clarius Group Limited and its controlled entities.

Registered Office	Principal place of business
Australian Company Secretaries Pty Limited Level 3, 70 Pitt Street Sydney NSW 2000	Level 9, 1 York Street Sydney NSW 2000

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 26th August 2014.

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 2014 and the results of all subsidiaries for the year ended 30 June 2014. Clarius Group Limited and its subsidiaries are collectively referred to in this financial report as the consolidated entity.

The consolidated entity controls the subsidiaries when it has power over the subsidiaries, it is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. The consolidated entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the controls elements.

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.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary’s profit or loss and net assets that is not held by the consolidated entity. The consolidated entity attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

(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

2014

Clarius Group Annual Report

2014 Clarius Group Annual Report

(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. Short term employee benefits expected to be settled within one year together with entitlements arising from wages and salaries and annual leave, have been measured as the amounts expected to be paid when the liability is settled, plus related on-costs. Other long-term employee benefits payable and annual leave expected to be settled more 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 at the earlier of when the offer of the termination benefits can no longer be withdrawn and when the costs for a restructuring that is within the scope of AASB 137 and involves the payment of termination benefits are recognised. If the termination benefits are payable more than 12 months after reporting date, they 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.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(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.

2014

Clarius Group Annual Report

2014 Clarius Group Annual Report

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

Class of Asset	Rate	Method
Plant & Equipment	9% - 60%	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 statement of financial position.

(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 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.

2014

Clarius Group Annual Report

2014 Clarius Group Annual Report

(i) Work under guarantee

A provision for work under guarantee is recognised when a permanent placement falls out within the guarantee period provided to customers. This is based on the average permanent placement fees.

(ii) Make good on leased premises

A provision is made for the expected cost to restore the leased property to its original condition. The provision is based on an estimate of the costs to fulfil the individual rental contracts.

(iii) Lease incentives

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

(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.

Potential ordinary shares are antidilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share.

(r) Critical accounting estimates and judgements

(i) Impairment of non-financial assets

The consolidated entity tests at each balance date whether the non-financial assets have 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 18 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 (refer to Note 14).

2014

Clarius Group Annual Report

(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

(i) New and revised AASBs affecting amounts reported and/or disclosures in the financial Statements

In the current year, the Group applied a number of new and revised AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

New and revised Accounting Standards that are relevant to the Group include:

- ▶ AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'
- ▶ AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'

- ▶ AASB CF 2013-1 'Amendments to the Australian Conceptual Framework' and AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' (Part A Conceptual Framework)
- ▶ AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- ▶ AASB 12 'Disclosure of Interests in Other Entities'
- ▶ AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'
- ▶ AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'

Impact of the application of AASB 10

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and Interpretation 112 'Consolidation – Special Purpose Entities'. AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over an investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in AASB 10 to explain when an investor has control over an investee.

The directors have considered the impact of AASB 10 which has no material impact on the disclosures or the amounts recognised in the consolidated financial statements.

2014

Clarius Group Annual Report

2014 Clarius Group Annual Report

Impact of the application of AASB 12

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 does not have material impact on the disclosure in the consolidated financial statements.

Impact of the application of AASB 119

In the current period, the Group has applied AASB 119 (as revised in 2011) 'Employee Benefits' and the related consequential amendments for the first time.

AASB 119 changes the definition of short-term employee benefits. These were previously benefits that were due to be settled within twelve months after the end of the reporting period in which the employees render the related service, however, short-term employee benefits are now defined as benefits expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service. As a result, accrued annual leave balances which were previously classified by the Group as short-term benefits no longer meet this definition and are now classified as long-term benefits. This has resulted in a change of measurement for the annual leave provision from an undiscounted to discounted basis.

The directors have considered the impact of AASB 119 which has no material impact on the disclosures or the amounts recognised in the consolidated financial statements.

Impact of the application of AASB 2011-4

The standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures'. As a result, the Group only discloses the key management personnel compensation in total and for each of the categories required in AASB 124.

In the current year, the individual key management personnel disclosure previously required by AASB 124 is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001 issued in June 2013.

Impact of the application of AASB 2012-5

The Group has applied the amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle for the first time in the current period. The amendments provide further guidance on the nature of clarifications or removals of unintended inconsistencies between International Financial Reporting Standards.

The directors have considered the impact of AASB 2012-5 which has no material impact on the disclosures or the amounts recognised in the consolidated financial statements.

Impact of the application of AASB 2012-10

The Group has applied the Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments for the first time in the current period. The main requirement relates to amendments to AASB 10 Consolidated Financial Statements and related Standards to clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments.

The directors have considered the impact of AASB 2012-10 which has no material impact on the disclosures or the amounts recognised in the consolidated financial statements.

Impact of the application of AASB CF 2013-1

This amendment has incorporated IASB's Chapters 1 and 3 Conceptual Framework for Financial Reporting as an Appendix to the Australian Framework for the Preparation and Presentation of Financial Statements. The amendment also included not-for-profit specific paragraphs to help clarify the concepts from the perspective of not-for-profit entities in the private and public sectors.

As a result the Australian Conceptual Framework now supersedes the objective and the qualitative characteristics of financial statements, as well as the guidance previously available in Statement of Accounting Concepts SAC 2 'Objective of General Purpose Financial Reporting'. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

2014 Clarius Group Annual Report

(ii) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2017	30 June 2018
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	1 January 2014	30 June 2015

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Narrow-scope amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 July 2014	30 June 2015
Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2014	30 June 2015
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014	30 June 2015
IFRS 15 Revenue from contracts with customers	1 January 2017	30 June 2019

The potential impact of the initial application of the above standards has not been determined.

2014

Clarius Group Annual Report

2014 Clarius Group Annual Report

(u) Removal of parent entity financial statements

The consolidated group has applied amendments to the Corporations Act (2001) that remove the requirement for the disclosure of parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosure in Note 30.

(v) Comparatives

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

Note 4 Financial Risk Management

The Board of the Company has a formally constituted Board Audit, Risk and Compliance Committee (the "Committee"). This 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; and recognising and managing risk.

In meeting these objectives, the Committee is responsible for, among other matters, identifying, monitoring and assessing the consolidated entity's internal control framework and risk management strategies and processes in relation to specific risks associated with financial, economic, operational, compliance, intellectual capital, security and human capital.

The risks of the consolidated entity are periodically assessed and the Committee, with management, agree on risk mitigation strategies, including monitoring and reporting.

In regard to financial risk, the consolidated entity has identified potential exposure to:

- ▶ Market risk (including foreign exchange risk and interest rate risk);
- ▶ Credit risk; and
- ▶ Liquidity risk

The consolidated entity uses a variety of methods to measure these financial risks including sensitivity analysis for market risks, ageing analysis and pre-trade credit assessment for credit risks and cash flow forecasting and debt covenant monitoring for liquidity risks.

The consolidated entity holds the following financial instruments:

	Note	2014 \$000	2013 \$000
Financial Assets:			
Cash and cash equivalents	13	2,500	969
Trade receivables (net of doubtful debts)	14	41,281	36,649
Other debtors	14	267	251
		44,048	37,869
Financial Liabilities:			
Trade creditors and other payables	19	20,684	17,870
Bank overdraft	12(c), 13	-	735
		20,684	18,605

2014 Clarius Group Annual Report

(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 and Singapore dollar.

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 2014			
	NZD \$000	CNY \$000	SNG \$000	HKD \$000
Trade and other receivables	5,159	16,719	279	2
Cash	174	4,841	59	29
Trade and other payables	(1,902)	(5,133)	(27)	(159)
Total Exposure	3,431	16,427	311	(128)

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

The following exchange rates applied during the year:

AUD \$1	Average rate		Reporting date spot rate	
	2014	2013	2014	2013
NZD	1.102	1.246	1.076	1.187
CNY	5.624	6.386	5.847	5.699
SGD	1.153	1.268	1.176	1.173
HKD	7.095	7.942	7.301	7.195

2014

Clarius Group Annual Report

2014 Clarius Group Annual Report

Currency Sensitivity on Consolidated Entity

The following table details the Consolidated Entity's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. 10% sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rates.

	Impact of 10% Increase of AUD (strengthening) against foreign currencies on consolidated balances			
	NZD \$000	CNY \$000	SNG \$000	HKD \$000
30 June 2014				
Equity	(290)	(255)	(24)	2
Impact on Net Loss After Tax	4	36	(18)	(3)
30 June 2013				
Equity	(266)	(170)	(22)	2
Impact on Net Loss After Tax	6	(27)	(29)	(43)

	Impact of 10% decrease of AUD (weakening) against foreign currencies on consolidated balances			
	NZD \$000	CNY \$000	SNG \$000	HKD \$000
30 June 2014				
Equity	319	281	26	(2)
Impact on Net Loss After Tax	(4)	(40)	20	3
30 June 2013				
Equity	292	187	24	(2)
Impact on Net Loss After Tax	(7)	30	31	48

2014 Clarius Group Annual Report

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:

	Note	30 June 2014		30 June 2013	
		Weighted average interest rate	Balance \$000	Weighted average interest rate	Balance \$000
Bank Overdraft	12	9.8%	-	10.1%	735
Receivables Financing Facility	12	4.0%	-	4.5%	-

The receivable financing facility of \$6,520k (FY2013: \$4,325k) is under the non-recourse arrangement and has been derecognised on the financial statements at 30 June 2014.

The following two tables demonstrate the impact on net profit after tax if the average interest rate had either increased or decreased by 1% over the whole of the years ending 30 June 2014 and 30 June 2013.

Consolidated Entity Sensitivity

	30 June 2014		30 June 2013	
	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 (Loss)/Profit After Tax	(25)	25	(38)	38

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.

2014

Clarius Group Annual Report

2014 Clarius Group Annual Report

(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 2014	Current	1-30 Days	31-60 Days	61-90 Days	90+ Days	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Consolidated Entity Receivables	30,698	7,934	1,594	423	899	41,548
	74%	19%	4%	1%	2%	100%

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%

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 14.

2014

Clarius Group Annual Report

2014 Clarius Group
Annual Report

(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 12(c) 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

Operating Segments	Recruitment Services		Information Technology Services		Managed Services		Consolidated	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Revenue								
Services to external customers	259,138	274,510	15,202	12,997	10,073	17,702	284,413	305,209
Inter-segment revenues		-		-	18,493	25,279	18,493	25,279
Total segment revenue	259,138	274,510	15,202	12,997	28,566	42,981	302,906	330,488
Total segment revenue							302,906	330,488
Less: Intercompany elimination							(18,187)	(24,701)
Less: Reclassification of direct gross margin							(105,327)	(80,509)
Consolidated revenue							179,392	225,278
Reportable Segment Profit before tax	4,725	6,793	716	363	338	550	5,779	7,706
Less: Corporate overheads							(8,264)	(8,644)
Less: Impairment							-	(40,911)
Consolidated loss before tax							(2,485)	(41,849)
Interest Revenue	9	15	-	-	1	3	10	18
Interest Expenses	158	184	-	87	-	-	158	271
Depreciation and amortisation	1,007	916	39	28	5	7	1,051	951
Impairment on goodwill	-	40,911	-	-	-	-	-	40,911

2014

Clarius Group Annual Report

2014 Clarius Group Annual Report

Geographic Split	Australia		New Zealand		Asia		Consolidated	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Revenue								
External sales ⁽¹⁾	162,422	215,382	7,772	5,530	9,198	4,366	179,392	225,278
Interest revenue	6	18	4	-	-	-	10	18
Total revenue	162,428	215,400	7,776	5,530	9,198	4,366	179,402	225,296
Non-current assets ⁽²⁾	4,633	4,552	47	38	465	525	5,145	5,115

⁽¹⁾ This reconciles to statutory revenue
⁽²⁾ 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 92% (FY2013: 95%) of the consolidated revenue, and 8% (FY2013: 5%) 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.

(e) Information about major customers

Included in revenue arising from recruitment services of \$259,138k (FY2013 : \$274,510k) are revenues of approximately \$90,812k (FY2013: \$90,831k) which arose from sales to the Group's two largest customers. No other single customer contributed 10% or more to the Group's revenue for both 2014 and 2013.

2014

Clarius Group Annual Report

Note 6 Revenue

	Consolidated	
	2014 \$000	2013 \$000
Rendering of services	179,392	225,278
Total revenue	179,392	225,278

Note 7 Expenses

	Notes	Consolidated	
		2014 \$000	2013 \$000
Finance costs:			
Third parties		158	271
Total borrowing costs and expenses		158	271
Depreciation of non-current assets			
Plant and equipment		283	361
Leasehold improvements		385	259
Total depreciation	16	668	620
Amortisation of non-current assets			
Capitalised computer software	18	383	331
Total amortisation		383	331
Total depreciation and amortisation expense		1051	951
Other expenses:			
Net advertising costs		293	387
Foreign exchange		32	5
Bad and doubtful debts		371	33
Telephone charges		663	749
Travelling expenses		665	554
Subscriptions		418	319
Recruitment costs		366	472
Marketing and promotional expenses		292	165
Parking, office expenses, printing and stationery		569	646
Other operating overheads		2,442	2,638
Total other expenses		6,111	5,968
Share based payment transactions		-	(21)
Contributions to superannuation plans		2,551	2,101

2014

Clarius Group Annual Report

2014 Clarius Group Annual Report

Note 8 Income Tax Benefit/(Expense)

	Notes	Consolidated	
		2014 \$000	2013 \$000
Current tax		(16)	(78)
Adjustment for prior year		13	3
Deferred tax expense	15	(3)	(75)
Total income tax (benefit)/expense		(808)	365
The prima facie tax on profit before income tax is reconciled to the income tax as follows:			
Prima facie tax payable on profit before income tax at 30%		(746)	(12,555)
		(746)	(12,555)
<i>Add tax effect of:</i>			
Impairment		-	12,273
Other non-deductible expenses		37	34
Tax incentives on capital expenditure		(54)	(64)
De-recognition of tax losses in subsidiary		-	274
Current year losses for which no deferred tax asset was recognised		74	395
Prior period income tax expense		13	3
Effect of concession		(16)	-
Utilisation of tax losses in current year		(119)	-
Tax rate adjustment on wholly-owned foreign subsidiaries		3	5
Total income tax (benefit)/expense		(808)	365

Note 9 Dividends

No dividends were declared or paid by the Group in the financial year.

On 26 August 2014, the Directors resolved not to declare a final dividend for the year ended 30 June 2014.

Franking Credit Balance

	2014 \$000	2013 \$000
Dividend franking account		
Amount of franking credits available to shareholders of Clarius Group Limited for subsequent financial years	15,679	15,525
Imputation credit available to Candle NZ Limited	1,511	1,369

Note 10 Remuneration of auditors

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	
	2014 \$	2013 \$
Audit Services:		
Auditors of the Company:		
<i>Australia</i>		
Audit and review of group financial reports – Deloitte Touche Tohmatsu	138,958	-
Audit and review of group financial reports - KPMG	-	195,909
Audit and review of subsidiary financial reports - KPMG	-	15,000
<i>Overseas Audit Fees – Network firm of the parent entity auditor</i>		
Audit and review of financial reports – Deloitte Touche Tohmatsu	20,687	-
Audit and review of financial reports - KPMG	-	32,583
	159,645	243,492
<i>Other Auditors</i>		
Audit and review of financial reports	22,153	23,642
	181,798	267,134
Services other than Audit:		
Auditors of the Company:		
<i>Australia</i>		
Taxation services – Deloitte Touche Tohmatsu	20,000	-
<i>Network firm of the parent entity auditor</i>		
Taxation services	10,687	-
<i>Other Auditors</i>		
Preparation of financial statements	4,558	9,341
Economic research and other similar analysis – KPMG	-	48,000
Taxation services – KPMG and other auditors	-	51,315
	4,558	108,656
	217,043	375,790

2014

Clarius Group Annual Report

2014 Clarius Group Annual Report

Note 11 Earnings per Share

	Consolidated	
	2014 cents	2013 cents
Basic earnings per share	(1.87)	(47.15)
Diluted earnings per share	(1.87)	(47.15)

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

	Consolidated	
	2014 \$000	2013 \$000
Loss after tax used in calculating basic earnings per share	(1,677)	(42,214)
Adjustments for calculation of diluted earnings per share:		
Notional Interest earned on conversion of options	-	-
Net loss used in calculating diluted earnings per share	(1,677)	(42,214)

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

	Consolidated	
	2014 '000	2013 '000
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	89,582	89,582
Adjustment for calculation of diluted earnings per share:		
Weighted average number of options	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	89,582	89,582

(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 27.

Note 12 Cash Flow Information

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

	Consolidated	
	2014 \$000	2013 \$000
Loss for the year after income tax	(1,677)	(42,214)
Adjustments for:		
Depreciation and amortisation	1,051	951
Loss on disposal of fixed asset	9	98
Impairment losses on intangible assets	-	40,911
Non-cash employee benefits expense – share based payments	-	(21)
Income tax	(808)	365
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
(Increase) / Decrease in trade debtors and accrued income	(208)	11,628
Decrease in prepayments	164	15
Increase / (Decrease) in trade creditors and accruals	2,993	(5,758)
Increase / (Decrease) in provisions	612	(41)
Income tax refund / (paid)	1,197	(1,540)
Net cash from operating activities	3,333	4,394

(b) Credit standby arrangements with banks

	Consolidated	
	2014 \$000	2013 \$000
Receivables Purchase Facility	7,500	15,000
Amount utilised under non-recourse facility	(6,520)	(4,325)
Unused Receivables Purchase Facility	980	10,675

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 a non-recourse basis. Invoices sold to the Group's finance providers under the non-recourse arrangement of \$6,520k (FY2013: \$4,325k) have been derecognised in the financial statements at 30 June 2014.

2014

Clarius Group Annual Report

2014 Clarius Group Annual Report

(c) Overdraft facilities

	Consolidated	
	2014 \$000	2013 \$000
Overdraft facility	2,394	2,203
Amount utilised	-	(735)
Unused overdraft facility	2,394	1,468

The trade receivables financing facility and parent entity overdraft has been renewed to 30 September 2015.

Bank overdrafts

The current interest rate on the parent overdraft facility is 9.8%. 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 2014 these requirements have been met.

Note 13 Cash and Cash Equivalents

	Consolidated	
	2014 \$000	2013 \$000
Cash at bank and on hand	2,461	969
Deposit at call	39	-
	2,500	969

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:

	Notes	Consolidated	
		2014 \$000	2013 \$000
Balances as above		2,500	969
Bank overdrafts	12(c)	-	(735)
		2,500	234

Note 14 Trade and Other Receivables

	Consolidated	
	2014 \$000	2013 \$000
Current		
Trade receivables	41,548	36,649
Allowance for doubtful debts	(267)	-
	41,281	36,649
Accrued income	6,774	11,215
Prepayments	546	710
Other debtors	267	251
	48,868	48,825

(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.

2014

Clarius Group Annual Report

2014 Clarius Group Annual Report

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

	Consolidated	
	2014 \$000	2013 \$000
At July 1	-	-
Provision for impairment recognised during the year	267	-
Unused amount reversed	-	-
At 30 June	267	-

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the consolidated statement of profit or loss and other comprehensive income. The allowance accounts in respect of trade and other receivables are used to record impairment losses unless the consolidated entity 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 2014, trade receivables of \$10,850,000 (FY2013: \$8,956,000) 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	
	2014 \$000	2013 \$000
Overdue 1 to 30 days	7,934	6,494
Overdue 31 to 60 days	1,594	1,429
Overdue 61 to 90 days	423	523
Overdue greater than 90 days	899	510
	10,850	8,956

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 15 Deferred Tax Assets

	Consolidated	
	2014 \$000	2013 \$000
The balance comprises temporary differences attributable to:		
Employee benefits	616	607
Provision for make good on leased premises	10	20
Lease incentive	255	62
Accruals	1,212	1,152
Losses	597	-
Prepayment	-	(62)
	2,690	1,779
Movements		
Balance at the beginning of the year	1,779	2,219
Reclassification from current tax receivables	106	-
Credited/ (charged) to the income statement	805	(166)
De-recognition of tax losses in subsidiary	-	(274)
Balance at the end of the year	2,690	1,779

There are unrecognised deferred tax assets in relation to tax losses (revenue in nature) of \$1,254,000 (FY2013: \$1,726,000).

Note 16 Plant and Equipment

	Consolidated	
	2014 \$000	2013 \$000
Plant and equipment, at cost	4,890	4,829
Accumulated depreciation	(4,161)	(3,924)
	729	905
Leasehold improvements, at cost	3,497	3,452
Accumulated amortisation	(2,114)	(1,742)
	1,383	1,710
Total plant and equipment	2,112	2,615

2014

Clarius Group Annual Report

2014 Clarius Group Annual Report

(a) Movements in carrying amounts - 2014

	Plant and Equipment	Leasehold Improvements	Total
	\$000	\$000	\$000
Consolidated			
Balance at the beginning of the year	905	1,710	2,615
Additions	112	62	174
Disposals	(5)	(4)	(9)
Depreciation expense	(283)	(385)	(668)
Carrying amount at the end of the year	729	1,383	2,112

(b) 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

Note 17 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 ⁽¹⁾	
			2014 %	2013 %
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.

Note 18 Intangible Assets

	Consolidated	
	2014 \$000	2013 \$000
Candidate databases	1,876	1,876
Accumulated amortisation	(1,876)	(1,876)
	-	-
Capitalised software development costs	6,307	5,395
Accumulated amortisation	(3,274)	(2,895)
	3,033	2,500
Goodwill	77,094	77,094
Accumulated impairment losses	(77,094)	(77,094)
	-	-
	-	-
Total intangible assets	3,033	2,500

(a) Movements in carrying amounts - 2014

	Capitalised Software Costs	Goodwill	Total
	\$000	\$000	\$000
Consolidated			
Balance at the beginning of the year	2,500	-	2,500
Additions	912	-	912
Amortisation expense	(383)	-	(383)
Exchange differences	4	-	4
Carrying amount at the end of the year	3,033	-	3,033

(b) Movements in carrying amounts - 2013

	Capitalised Software Costs	Goodwill	Total
	\$000	\$000	\$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

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 consolidated statement of profit or loss and other comprehensive income.

2014

Clarius Group Annual Report

2014 Clarius Group Annual Report

(c) Key assumptions used in value-in-use calculation

- (i) Cash flows were projected based on the business plan approved by the Board covering a 3 year period and extrapolated to five years with no growth rate on a prudent basis; and
- (ii) Discount rate of post-tax 14.09% remained unchanged compared to FY2013.

(d) Impairment tests

During the financial year, impairment tests were carried out on the consolidated entity's cash generating units to ensure that assets were carried at amounts that did not exceed 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). Based on the impairment testing performed at 30 June 2013 the value in use was less than the carrying amounts. Accordingly impairment write downs of \$40,911k were recognised and wholly allocated to goodwill as below:

	Consolidated	
	2014 \$000	2013 \$000
Candle	-	17,132
Alliance Recruitment and SouthTech	-	23,779
Total	-	40,911

At 30 June 2014 no further impairments were required.

Note 19 Trade and Other Payables

	Consolidated	
	2014 \$000	2013 \$000
Current		
Trade and Other Payables	20,684	17,870
	20,684	17,870

(a) Interest rate exposure

All trade and other payables are non-interest bearing.

(b) Financial guarantees

Bank guarantees for \$1,281k (FY2013: \$1,834k) have been provided by the consolidated entity to parties outside the group in relation to the Group's operating leases. In the event of default, the Bank has recourse to the consolidated group for this amount.

Note 20 Current Tax Receivable

	Consolidated	
	2014 \$000	2013 \$000
Current		
Income tax receivable	36	1,352

Note 21 Provisions

	Consolidated	
	2014 \$000	2013 \$000
Current		
Employee benefits	1,888	1,726
Lease incentive	81	224
Work under guarantee	30	115
	1,999	2,065
Non-current		
Employee benefits	184	313
Lease incentive	839	-
Make good on leased premises	45	77
	1,068	390
	3,067	2,455

2014

Clarius Group Annual Report

2014 Clarius Group Annual Report

Employee benefits

This provision represents annual leave and long service leave entitlements.

Lease incentive

This provision represents the liability associated with rent free periods given under current operating contracts. Management has calculated this amount based on the current rental contracts.

Work under guarantee

This provision represents the liability associated with permanent placement fall outs within the guarantee period provided to clients. Management has calculated this amount based on average permanent placement fees.

Make good

This amount represents the cost which will be paid on completion of current tenancy under the applicable rental contracts. The amount has been calculated based on an estimate of the costs to fulfil the individual rental contracts.

Movements in provisions

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	224	77	115	416
Additional provision recognised	1,365	-	-	1,365
Amounts utilised	(669)	(32)	(85)	(786)
Carrying amount at the end of the year	920	45	30	995

Note 22 Share capital

	Consolidated	
	2014 \$000	2013 \$000
89,582,175 fully paid ordinary shares (FY2013: 89,582,175)	83,541	83,541
Ordinary shares at the beginning of the year	83,541	91,616
Reduction in share capital:	-	(8,111)
Exercise of employee options	-	36
At the end of the year	83,541	83,541

The Company does not have authorised capital or par value in respect of its listed shares. All issued shares are fully paid. All shares rank equally with regards to the Company's residual assets.

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.

2014

Clarius Group Annual Report

Ordinary Shares

	Consolidated	
	2014 no.	2013 no.
At the beginning of the year	89,582,175	89,449,675
Shares issued during the year:		
Exercise of employee options	-	132,500
At the end of the year	89,582,175	89,582,175

Share Options

Further information relating to the Company's share option plan is set out in Note 27. Details of options granted to directors and executive officers are set out in the remuneration report on pages 11 to 18. At 30 June 2014 there were no options outstanding (FY2013: Nil).

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.

	Consolidated	
	2014 \$000	2013 \$000
Total borrowings (net of cash)	-	-
Total equity	35,488	36,980
Total capital	35,488	36,980
Gearing ratio	0%	0%

2014

Clarius Group Annual Report

2014 Clarius Group Annual Report

Note 23 Reserves

	Notes	Consolidated	
		2014 \$000	2013 \$000
Share-based payments	23 (a)(i)	1,344	1,344
Foreign currency translation	23 (a)(ii)	(1,089)	(1,274)
Total		255	70

(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 or loss when the net investment is disposed.

Note 24 Accumulated Losses

	Notes	Consolidated	
		2014 \$000	2013 \$000
Accumulated losses at the beginning of the financial year		(46,631)	(12,528)
Loss for the year		(1,677)	(42,214)
Reduction of share capital ⁽¹⁾		-	8,111
Accumulated losses at the end of the financial year		(48,308)	(46,631)

⁽¹⁾ 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 25 Operating Lease Commitments

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

	Consolidated	
	2014 \$000	2013 \$000
Within one year	2,680	1,563
Later than one year but not later than five years	5,448	8,528
Later than five years	-	133
	8,128	10,224

Operating lease commitments refer to property leases for the 18 locations (FY2013: 15 locations) operating across Australia, New Zealand and Asia with initial lease terms of between 6 months and 8 years. The consolidated entity does not have an option to purchase the leased properties at the expiry of the lease periods. Certain lease arrangements contain clauses for market rental reviews and options to renew.

Note 26 Contingent Liabilities

There are no material contingent liabilities.

Note 27 Share Based Payments

There were no options granted, exercised, forfeited or lapsed during the financial year ended 30 June 2014. The number and weighted average exercise price of share options outstanding at year end was Nil (FY2013: Nil).

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 target 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.

There were no share based payment transactions in the financial year (FY2013: \$21,000 credit).

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 (FY2013: Nil)

Note 28 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 17.

(c) Directors and key management personnel

Disclosures relating to director and key management personnel are set out in the remuneration report.

(d) Terms and conditions

All transactions between related parties were made on normal commercial terms and conditions. There are no fixed terms for the repayment of loans between group companies.

2014

Clarius Group Annual Report

2014 Clarius Group Annual Report

Note 29 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 Ltd. became a party to the Deed on 20 April 2011, by virtue of a Deed of Assumption.

A consolidated statement of profit or loss and other 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 2014 is set out as follows:

Statement of Profit or Loss and other Comprehensive Income

For the year ended 30 June 2014

	2014 \$000	2013 \$000
Revenue from continuing operations	133,580	179,033
On hired labour costs	(112,447)	(153,097)
Gross Profit	21,133	25,936
Employee benefits expense	(18,172)	(19,771)
Depreciation and amortisation expense	(714)	(688)
Operating rental expense	(2,226)	(2,135)
Other expenses	(3,152)	(1,809)
Impairment loss	-	(50,631)
Results from operating activities	(3,131)	(49,098)
Finance income	352	197
Finance cost	(370)	(247)
Net finance cost	(18)	(50)
Loss before income tax	(3,149)	(49,148)
Income tax benefit/(expense)	936	(431)
Total comprehensive loss for the period	(2,213)	(49,579)
Retained earnings at beginning of year	(53,721)	(12,253)
Loss after income tax	(2,213)	(49,579)
Reduction of share capital	-	8,111
Accumulated losses at end of year	(55,934)	(53,721)

2014

Clarius Group Annual Report

Statement of Financial Position As at 30 June 2014

	2014 \$000	2013 \$000
Current assets		
Cash assets and cash equivalents	1,351	216
Trade and other receivables	34,113	36,317
Current tax receivables	36	1,343
Total current assets	35,500	37,876
Non-current assets		
Other receivables	9,013	7,769
Plant and equipment	1,467	1,883
Deferred tax assets	2,272	1,383
Investments	3,225	3,225
Other intangible assets	2,918	2,370
Total non-current assets	18,895	16,630
Total assets	54,395	54,506
Current liabilities		
Other payables	15,544	14,836
Interest bearing liabilities	-	65
Provisions	1,846	1,861
Total current liabilities	17,390	16,762
Non-current liabilities		
Trade and other payables	7,108	6,355
Provisions	946	225
Total non-current liabilities	8,054	6,580
Total liabilities	25,444	23,342
Net Assets	28,951	31,164
Equity		
Share capital	83,541	83,541
Reserves	1,344	1,344
Accumulated losses	(55,934)	(53,721)
Total equity	28,951	31,164

2014

Clarius Group Annual Report

2014 Clarius Group Annual Report

Note 30 Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2014 the parent entity of the Group was Clarius Group Limited.

	2014 \$000	2013 \$000
Result of parent entity		
Loss for the year	(2,654)	(47,814)
Other comprehensive income	-	-
Total comprehensive loss for the year	(2,654)	(47,814)
Financial position of parent entity at year end		
Current Assets	32,654	34,969
Total Assets	51,527	52,484
Current Liabilities	(17,255)	(15,599)
Total Liabilities	(17,436)	(15,739)
Net Assets	34,091	36,745
Share capital	83,541	83,541
Reserves	1,344	1,344
Accumulated losses	(50,794)	(48,140)
Total equity	34,091	36,745

Parent entity contingencies

There are no material contingent liabilities as at 30 June 2014 (FY2013: Nil)

There are no capital commitments for acquisition of property plant and equipment as at 30 June 2014 (FY2013: 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 29.

Note 31 Events Subsequent to the Reporting Date

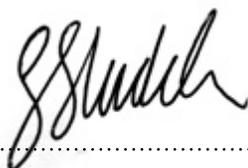
No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

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 22 to 61 and the remuneration report in the Directors' report, set out on pages 11 to 18, 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 2014 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 29 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 2014.
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:



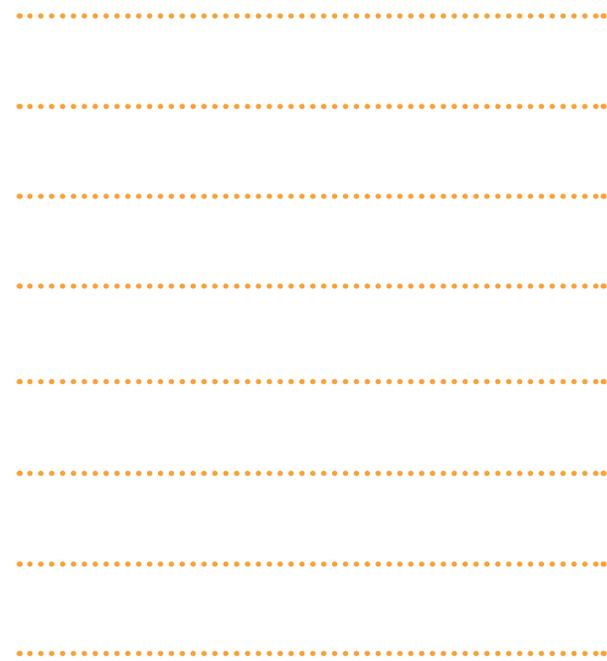
.....
Garry R Sladden
Chairman



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

Dated at Sydney this 26th day of August 2014.

2014 Clarius Group Annual Report



2014 Clarius Group Annual Report



Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7021
www.deloitte.com.au

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

Report on the Financial Report

We have audited the accompany financial report of Clarius Group Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 22 to 62.

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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Auditor's Independence Declaration

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

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 2014 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

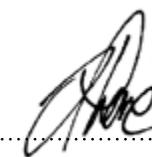
We have audited the Remuneration Report included in pages 11 to 18 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the remuneration report of Clarius Group Limited for the year ended 30 June 2014, complies with Section 300A of the Corporations Act 2001.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu



Jason Thorne
Partner

Dated at Sydney this 26th day of August 2014.

2014

Clarius Group Annual Report

Corporate Governance Statement

This statement sets out the material governance principles and processes of Clarius Group Limited ('the Group'). 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.

Clarius' Board of Directors ('the Board') has followed recommendations established in the ASX Corporate Governance Principles and Recommendations, 2nd Edition with the following exceptions:

- ▶ the roles of Chairman & CEO are presently being performed by Mr Sladden, pending the appointment of a CEO;
- ▶ the Board has not undertaken a formal review during the current financial year as there has been a board renewal process.

2014 Clarius Group Annual Report

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 the 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).

During the year the Board met 16 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 and Chief Executive Officer

The responsibility for implementing the approved business plans and for the day-to-day operations of the Group is delegated to the Managing Director and Chief Executive Officer 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.

Principle 2 – Structure of the Board to Add Value

The Board comprises three 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. The company is searching for a new Chief Executive Officer and Managing Director. 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 page 10.

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.

2014

Clarius Group Annual Report

2014 Clarius Group Annual Report

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

- ▶ they are not a substantial (5% 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 5% of the Group's consolidated gross revenue per annum;
- ▶ the Group accounts for more than 5% 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.

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:

- ▶ Penelope (Penny) Morris AM (Chairman)
- ▶ Garry R Sladden (appointed on 10 September 2013)
- ▶ Jennifer A Elliott (appointed on 20 May 2014)
- ▶ Simon C M Kelly (resigned on 30 October 2013)
- ▶ Lawrence J Gibbs (resigned as Chairman on 9 August 2013 and resigned as Independent Non-Executive Director on 10 September 2013)

2014

Clarius Group Annual Report

Qualifications of Committee members are set out on page 10 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 19 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 Independent Non-Executive Directors.

The members of the Committee during the year were:

- ▶ Penelope (Penny) Morris AM (Chairman)
- ▶ Garry R Sladden (appointed on 26 November 2013)
- ▶ Jennifer A Elliott (appointed on 20 May 2014)
- ▶ Simon C M Kelly (resigned on 30 October 2013)
- ▶ Geoffrey Moles (resigned on 31 March 2014)

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 19 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 11-18 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.

2014

Clarius Group Annual Report

2014 Clarius Group Annual Report

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 11.

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

In addition, the Group has implemented a 'tip-off' or whistle-blower 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 18.

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.

Diversity Policy

Clarius Group understands that a diverse workforce is one that recognises and embraces the varied skills and perspectives that people bring to the organisation through their differences.

We value the differences between 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 skills of our people. As such Clarius Group is committed to seeking out and retaining the best people to ensure business growth and performance.

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.

These values are set out in the Group's diversity policy which is available on the website.

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 2014		30 June 2013	
Gender representation	Female (%)	Male (%)	Female (%)	Male (%)
Board representation	67%	33%	40%	60%
Key management personnel representation	33%	67%	54%	46%
Executive personnel representation	40%	60%	75%	25%
Group representation	67%	33%	60%	40%

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).

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)

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 question the Board and management.

2014 Clarius Group Annual Report



2014 Clarius Group Annual 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 Chief Financial Officer has stated, in writing, to the Board that the Group's financial statements for the year ended 30 June 2014 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 Chief Financial Officer has 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 2014 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 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.

Our Sustainability Principles

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 labour, 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.

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 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.

2014 Clarius Group Annual Report

2014 Clarius Group
Annual Report

Our Commitment to Community Partnerships

- ▶ Company matched Workplace Giving Scheme
- ▶ 12 charities supported every year
- ▶ \$240,854 donated since January 2006 (as at June 2014)
- ▶ \$28,236 donated FY2014

Giving is Sweet

At Clarius we believe that giving back is important 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 **FY2014**



\$28,236
Donated in
FY2014



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.

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.

Diversity Summary

Gender representation	30 June 2014		30 June 2013	
	Female (%)	Male (%)	Female (%)	Male (%)
Board representation	67%	33%	40%	60%
Key management personnel representation	33%	67%	54%	46%
Executive personnel representation	40%	60%	75%	25%
Group representation	67%	33%	60%	40%

2014

Clarius Group Annual Report

2014 Clarius Group
Annual Report

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 765.

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

No securities on issue are currently subject to voluntary escrow.

Distribution of Shareholders Number

Category	Number of Holders
1 – 1,000	485
1,001 – 5,000	1,006
5,001 – 10,000	459
10,001 – 100,000	598
100,001 and over	65
	2,613

The names of substantial shareholders listed in the holding Company's register as at 29 September 2014

Shareholder	Number of Ordinary Shares
Victor John Plummer	20,455,000
Nicholas Johnston	6,246,952
Schroder Investment Management Australia Limited	5,756,448
Telstra Super Pty Ltd	4,512,284
Sandon Capital Pty Ltd	4,713,825

2014

Clarius Group Annual Report

20 largest shareholders of fully paid ordinary shares as at 29 September 2014

Rank	Name of Holder	Number of Units	%
1	MR VICTOR JOHN PLUMMER	20,455,000	22.83
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,492,780	11.71
3	NATIONAL NOMINEES LIMITED	5,796,257	6.47
4	CITICORP NOMINEES PTY LIMITED	5,205,719	5.81
5	ONE MANAGED INVESTMENT FUNDS LIMITED ACF SANDON CAPITAL INVESTMENTS LIMITED	3,513,602	3.92
6	AVANTEOS INVESTMENTS LIMITED	2,748,442	3.07
7	PERMAN INVESTMENTS PTY LTD	1,450,337	1.62
8	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,375,719	1.54
9	MR IAN WALLACE EDWARDS + MRS JOSEPHINE EDWARDS	1,083,072	1.21
10	CLAPSY PTY LTD	790,825	0.88
11	G J P INVESTMENTS PTY LTD	764,886	0.85
12	MR MATTHEW DONALD MULLINS	723,700	0.81
13	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	706,232	0.79
14	ENGOORDINA PTY LTD	550,000	0.61
15	MR JARRAD ROBERT STUART	500,000	0.56
16	HOLTEX PTY LTD	450,000	0.50
17	FIVE TALENTS LIMITED	425,266	0.47
18	MR CHRISTOPHER ANDREW GRUMMET	422,491	0.47
19	MR BARRY PAUL KING	420,000	0.47
20	MARK THOMPSON PTY LTD	401,460	0.45
		58,275,788	65.05

2014

Clarius Group Annual Report

2014 Clarius Group
Annual Report

Corporate Directory

Registered Office

Australian Company
Secretaries Pty Limited
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

Computershare
Level 4,
60 Carrington Street
Sydney NSW 2000
T: +612 8234 5000

Australian Securities Exchange Listing

CND

Auditors

Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000
Australia

Solicitors

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

Bankers

Westpac Banking Corporation
273 George Street
Sydney, NSW 2000

Clarius
Group

www.clarius.com.au

Head Office

Level 9, 1 York Street
Sydney NSW 2000
T: +612 9250 8100

candle

www.candle.com.au

www.candle.co.nz

www.candlerecruit.com.sg

Adelaide

Level 12, 108 King William Street
Adelaide SA 5000
T: +618 8223 3886

Brisbane

Ground Floor, 52 McDougall Street
Milton QLD 4064
T: +617 3124 5700

Canberra

Level 2, 55 Wentworth Ave
Kingston ACT 2604
T: +612 6260 7533

Melbourne

Level 14, 333 Collins Street
Melbourne VIC 3000
T: +613 9832 8000

Perth

Level 3, 191 St. Georges Terrace,
Perth WA 6000
T: +618 6220 2600

Sydney

Level 9, 1 York Street
Sydney NSW 2000
T: +612 9250 8100

Auckland

Level 4, 53 Fort Street
Auckland 1010
T: +649 309 6534

Christchurch

356 Memorial Avenue,
Burnside, Christchurch 8053
T: +643 365 5314

Wellington

Level 9, 3-11 Hunter Street
Wellington 6011
T: +644 473 9149

Singapore

Level 14, Suite 1,
112 Robinson Road,
Singapore 068902
T: +65 6597 1900

alliance
recruitment

www.alliancerecruitment.com.au

Brisbane

Ground Floor, 52 McDougall Street
Milton QLD 4064
T: +617 3051 3600

Melbourne

Level 14, 333 Collins Street
Melbourne VIC 3000
T: +613 8319 7800

Parramatta

Level 7, 3 Horwood Place
Parramatta NSW 2150
T: +612 8820 1100

Perth

Level 3, 191 St. Georges Terrace,
Perth WA 6000
T: +618 9201 7777

Sydney

Level 9, 1 York Street
Sydney NSW 2000
T: +612 8295 3000

2014 Clarius Group Annual Report

2014 Clarius Group
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LLOYD
MORGAN

www.lloydmorgan.com.au

Brisbane

Ground Floor, 52 McDougall Street
Milton QLD 4064
T: +617 3051 3600

Melbourne

Level 14, 333 Collins Street
Melbourne VIC 3000
T: +613 9683 5200

Perth

Level 3, 191 St Georges Terrace
Perth WA 6000
T: +618 6220 2666

Parramatta

Level 7, 3 Horwood Place
Parramatta NSW 2150
T: +612 8820 1188

Sydney

Level 9, 1 York Street
Sydney NSW 2000
T: +612 9225 3700

LLOYD MORGAN
Executive

www.lloydmorgan.com

Beijing

Room 1706, China Youth Plaza,
19 North Road, East Third Ring Road,
Chaoyang District, Beijing
T: +86 10 5775 8388

Shanghai

Puxi Office
Room 1004,
Silver Court Office Tower,
No. 85 Taoyuan Road,
Huangpu District, Shanghai
T: +86 21 2315 8888

Pudong Office

Room 62T10,
Shanghai World Financial Center,
100 Century Avenue,
Pudong New Area,
Shanghai, China
T: +86 21 2062 6888

Suzhou

Room 801, Hengyu Square,
188 Xinghai Street,
Suzhou Industrial Park, Suzhou
T: +86 512 6255 8558

SouthTech

www.southtech.com.au

Sydney (Sutherland)

862-868 Old Princes Highway
(PO Box 142)
Sutherland NSW 2232
T: +612 9542 3011

Perth

Level 3, 191 St Georges Terrace
Perth WA 6000
T: +618 6220 2662

Brisbane

Ground Floor, 52 McDougall Street
Milton QLD 4064
T: +617 3121 5200

Melbourne

Level 14, 333 Collins Street
Melbourne VIC 3000
T: +613 9683 5200

the one
umbrella

www.oneumbrella.com.au

Brisbane

Ground Floor, 52 McDougall Street
Milton QLD 4064
T: +617 3124 5740

Canberra

Level 2, 55 Wentworth Ave
Kingston ACT 2604
T: +612 6113 7577

Melbourne

Level 14, 333 Collins Street
Melbourne VIC 3000
T: +613 8319 7899

Sydney

Level 9, 1 York Street
Sydney NSW 2000
T: +612 9263 0000

Ignite

www.igniteservices.net.au

Sydney

Level 9, 1 York Street
Sydney NSW 2000
T: +612 9225 3777

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www.javit.com.au

Melbourne

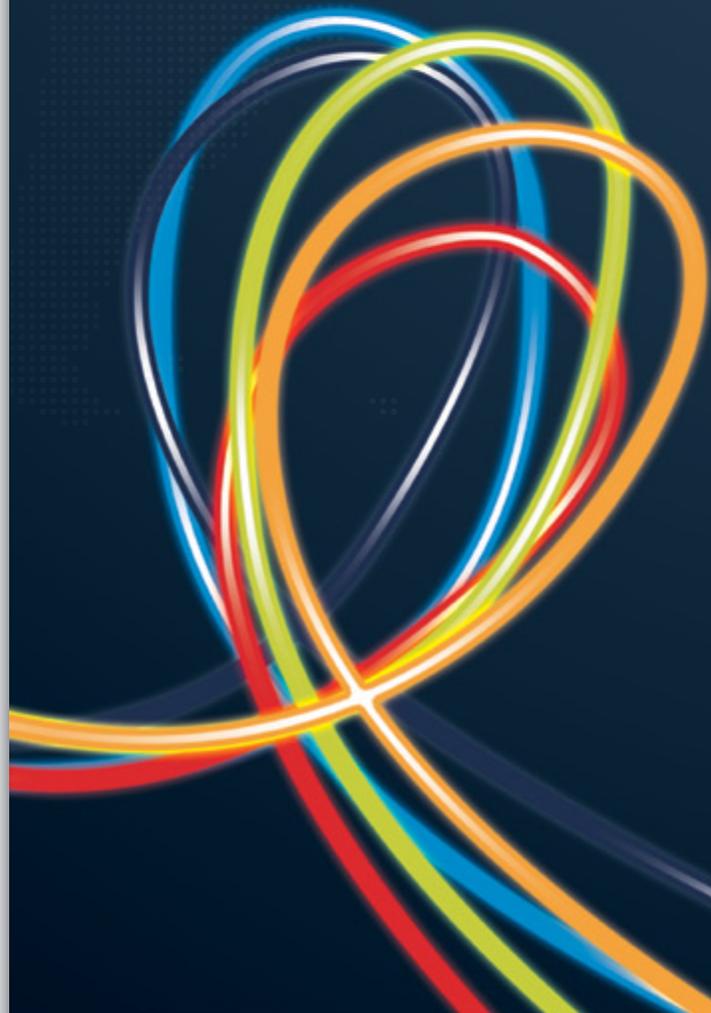
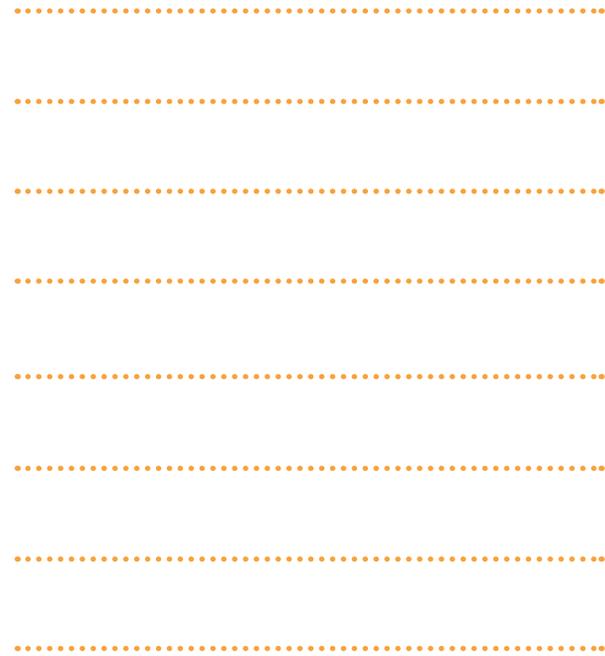
Level 14, 333 Collins Street
Melbourne VIC 3000
T: +613 8352 3777

Sydney

Level 9, 1 York Street
Sydney NSW 2000
T: +612 9422 6888

2014

Clarius Group Annual Report



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RECYCLED CONTENT



BLEACHING PROCESS



ENVIRONMENTAL
MANAGEMENT SYSTEMS



FOREST MANAGEMENT



CERTIFICATION

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 2014 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.

 ClariusCares