



2015

CLARIUS GROUP
APPENDIX 4E

UNAUDITED PRELIMINARY
FINAL REPORT – 30 JUNE 2015

ABN 43 002 724 334

2015

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REPORT PERIOD

FINANCIAL YEAR ENDED:

30 June 2015

PREVIOUS CORRESPONDING PERIOD:

30 June 2014

RESULTS FOR ANNOUNCEMENT TO THE MARKET

DESCRIPTION	30 JUNE 2015 A\$000	30 JUNE 2014 A\$000	% CHANGE
Revenue from ordinary activities	178,953	179,392	(0.2%)
Loss from ordinary activities after tax	(11,328)	(1,677)	(575.5%)
Loss for the period attributable to members	(11,328)	(1,677)	(575.5%)

ABBREVIATED EXPLANATION OF RESULTS

REVIEW OF REVENUE AND PROFIT

During financial year 2015 revenue from ordinary activities was \$179.0m (FY2014: \$179.4m). Gross profit for the period grew 3.2% to \$38.3m (FY2014: \$37.1m). The improvement in gross profit margin to 21.4% (FY2014: 20.7%) reflects the continuing efforts to focus on higher margin contracting services, together with the increased contribution of higher margin permanent recruitment services. In light of the significant restructuring activities carried out during the course of the year, the improved gross profit margin performance of the business represents a major achievement as the company builds the platform for future growth.

During financial year 2015 the Clarius Group (the Group) made a loss from ordinary activities of \$11.3m (FY2014: loss of \$1.7m). During this period the Group has focused on simplifying and evolving the current business model across all service lines which has resulted in a number of significant restructuring activities.

As a consequence of these activities the Group has made a number of provisions and write-offs in relation to items including software and equipment. These one-off costs, provisions and write downs totalled \$7.3m at the half year (including \$2.9m of impairment losses as disclosed in Note 9). A further \$2.6m was identified in the second half of the year. Without these non-recurring items the underlying net loss position would have been \$1.4m (FY2014: loss of \$1.7m).

As a result of the significant restructuring activities undertaken during the year the Group finished the financial year strongly with revenue, gross profit and underlying business performance having all improved and the Group is now positioned for future growth.

DIVIDENDS OR DIVIDEND DISTRIBUTION PLAN

On 31 August 2015, the Directors resolved not to declare an interim or final dividend for the year ended 30 June 2015. No dividends were paid by the Group in the previous corresponding period.

PARENT ENTITY

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

	COUNTRY OF INCORPORATION	CLASS OF SHARES	2015 %	2014 %
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.

ASSOCIATES AND JOINT VENTURES

Clarius Group Limited does not have any holdings in joint ventures and associates.

COMMENTARY ON RESULTS FOR THE PERIOD

The Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and Notes to the Financial Statements are included on pages 4 to 13.

Financial year 2015 represented a period of significant transformation for the Group due to the extensive restructuring activities. These activities delivered cost efficiencies at all levels of the business, supported by the creation of a management team capable of enhanced engagement. These activities included:

- The establishment of a new executive team including the appointment of a new Chief Executive Officer, Chief Financial Officer, Chief Technology Officer and Managing Director (China) to provide the drive and commitment for future growth.
- An extensive review of the China operations resulting in a complete replacement of the senior executive team.

- An operational restructure exercise in New Zealand.
- The decision to withdraw from the Singapore market and focus on more profitable regions.
- The significant write-down of legacy software and platform costs.
- A review of the debtor assets and provisions.

The Group recorded a loss from ordinary activities of \$11.3m (FY2014: loss of \$1.7m) which includes a number of provisions and write-offs totalling \$9.9m.

With revenue from continuing operations remaining stable it was pleasing to see gross profit for the period growing to \$38.3m (FY2014: \$37.1m), and gross profit margin growing to 21.4% (FY2014: 20.7%).

The Australian recruitment business continued to face challenging economic conditions which, combined with the operational challenges created by the business transformation exercise, resulted in a 1.5% decrease in revenue to \$159.9m (FY2014: \$162.4m). Competition in the Australian labour hire market remains intense and the Group continues to focus its efforts on acquiring and retaining higher margin contracting services. There is also a heightened focus on developing the On Demand IT Services business which represents a significant growth opportunity.

The success of the restructure exercise in New Zealand is demonstrated by the 23.9% year-on-year revenue growth to \$9.6m (FY2014: \$7.8m). Revenues in Asia grew marginally to \$9.4m (FY2014: \$9.2m). As a result of the extensive restructure of the China operations which included a 30% reduction in headcount, the increase in revenue represents a significant improvement in productivity that will continue to drive benefits into financial year 2016.

Overall, the year ended encouragingly with strong trading results. The underlying business recorded continuous profitable trading months in May, June and July.

Despite the significant restructuring activities undertaken in financial year 2015 the Group finished the year with a cash balance of \$0.6m (FY2014: \$2.5m). This includes an overdraft of \$0.5m (FY2014: nil). Net cash from operating activities fell by \$5.0m to (\$1.7m) reflecting the year-on-year decrease in trade debtors and the timing differences created by moving from quarterly to monthly superannuation payments.

With the transformation exercise nearing completion the Group has a strong balance sheet and a cost base that has been optimised for future growth. With this ability to execute more effectively, the primary focus for financial year 2016 is to return the traditional core recruiting business back to sustainable profit. This in turn will allow the Group to generate the cash flows required to invest in new growth opportunities.

UNAUDITED REPORT

The financial report for the year ended 30 June 2015 is in the process of being audited and the Clarius Group Limited will release audited financial statements on/or before 30 September 2015

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	2015 \$000	2014 \$000
Continuing operations			
Revenue	1, 2	178,953	179,392
On hired labour costs		(140,672)	(142,312)
Gross Profit		38,281	37,080
Employee benefits expense		(28,419)	(28,270)
Depreciation and amortisation expense		(1,041)	(1,051)
Restructuring expense		(1,855)	(286)
Operating Rental expense		(3,773)	(3,699)
Other expenses	3	(9,892)	(6,111)
Impairment Loss	9	(2,946)	-
Results from operating activities		(9,645)	(2,337)
Finance income		17	10
Finance cost		(188)	(158)
Net finance costs		(171)	(148)
(Loss) before income tax		(9,816)	(2,485)
Income tax (expense)/benefit	4	(1,512)	808
(Loss) for the year attributed to Owners of the Company		(11,328)	(1,677)
Other comprehensive (loss)			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		373	185
Income tax on other comprehensive income		-	-
Other comprehensive income for the year, net of income tax		373	185
Total comprehensive income for the year		(10,955)	(1,492)
		Cents per Share	Cents per Share
Basic loss per share	5	(12.65)	(1.87)
Diluted loss per share	5	(12.65)	(1.87)
Net tangible asset per share	5	0.25	0.33

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes, which form an integral part of the unaudited preliminary final report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2015

	NOTE	2015 \$000	2014 \$000
Current assets			
Cash and cash equivalents	6	1,135	2,500
Trade and other receivables	7	42,568	48,868
Current Tax Receivables		-	36
Total current assets		43,703	51,404
Non-current assets			
Plant and equipment		1,582	2,112
Deferred tax assets		1,831	2,690
Intangible assets		25	3,033
Total non-current assets		3,438	7,835
Total assets		47,141	59,239
Current liabilities			
Trade and other payables	8	18,797	20,684
Bank overdraft	6	497	-
Provisions		1,856	1,999
Total current liabilities		21,150	22,683
Non-current liabilities			
Provisions		1,458	1,068
Total non-current liabilities		1,458	1,068
Total liabilities		22,608	23,751
Net assets		24,533	35,488
Equity			
Contributed equity		83,541	83,541
Reserves		(716)	255
Accumulated losses		(58,292)	(48,308)
Total equity		24,533	35,488

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes, which form an integral part of the unaudited preliminary financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 30 JUNE 2015

AS AT 30 JUNE 2014	SHARE CAPITAL	TRANSLATION RESERVE	SHARE BASED PAYMENT RESERVE	RETAINED EARNINGS	TOTAL
	\$000	\$000	\$000	\$000	\$000
Balance as 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 Owners of the Company	-	-	-	(1,677)	(1,677)
Other comprehensive income					
Foreign currency translation differences for foreign operations	-	185	-	-	185
Total other comprehensive income for the period	-	185	-	(1,677)	(1,492)
Total transactions with owners	-	-	-	-	-
Balance as at 30 June 2014	83,541	(1,089)	1,344	(48,308)	35,488

AS AT 30 JUNE 2015	SHARE CAPITAL	TRANSLATION RESERVE	SHARE BASED PAYMENT RESERVE	RETAINED EARNINGS	TOTAL
	\$000	\$000	\$000	\$000	\$000
Balance as 1 July 2014	83,541	(1,089)	1,344	(48,308)	35,488
Total comprehensive income for the period					
Loss for the year attributed to Owners of the Company	-	-	-	(11,328)	(11,328)
Other comprehensive income					
Foreign currency translation differences for foreign operations	-	373	-	-	373
Total other comprehensive income for the period	-	373	-	(11,328)	(10,955)
Transactions with owners recorded directly in equity					
Lapsed share options	-	-	(1,344)	1,344	-
Total transactions with owners	-	-	(1,344)	1,344	-
Balance as at 30 June 2015	83,541	(716)	-	(58,292)	24,533

CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	JUNE 2015 \$000	JUNE 2014 \$000
Cash flows from operating activities			
Receipts from customers		317,030	315,317
Payments to suppliers and employees		(299,763)	(295,456)
Interest received		17	10
Interest and other borrowing costs paid		(188)	(158)
Income tax refund		-	1,197
Sales tax paid		(18,115)	(17,577)
Net cash (used in)/provided by operating activities		(1,019)	3,333
Cash flows from investing activities			
Purchase of plant and equipment		(553)	(174)
Payments for software development and intangible assets		(445)	(912)
Net cash used in investing activities		(998)	(1,086)
Cash flows from financing activities			
Proceeds/(Repayment) from/of borrowings		-	-
Dividends paid to shareholders		-	-
Redemption of Shares		-	-
Net cash provided by/(used in) financing activities		-	-
Net (decrease)/increase in cash held		(2,017)	2,247
Cash and cash equivalents at the beginning of the year		2,500	234
Effect of exchange rates on cash holdings in foreign currencies		155	19
Cash at the end of the financial year	6	638	2,500

The Consolidated Statement of Cash Flow should be read in conjunction with the accompanying notes, which form an integral part of the unaudited preliminary final report.

NOTES TO THE PRELIMINARY FINAL REPORT

1. SEGMENT INFORMATION – OPERATING SEGMENTS

Recruitment Services - Alliance Recruitment, Candle, Lloyd Morgan, SouthTech and The One Umbrella

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

Information Technology Services - JAV IT

(ii) Outsourcing and technical support services.

Managed Services - Ignite

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

OPERATING SEGMENTS	RECRUITMENT SERVICES		INFORMATION TECHNOLOGY SERVICES		MANAGED SERVICES		CONSOLIDATED	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Revenue								
Services to external customers	260,787	259,138	17,066	15,202	6,175	10,073	284,028	284,413
Inter-segment revenues	-	-	-	-	13,761	18,493	13,761	18,493
Total segment revenue	260,787	259,138	17,066	15,202	19,936	28,566	297,789	302,906
Total segment revenue							297,789	302,906
(-) Inter company elimination							(13,512)	(18,187)
(-) Reclassification of direct gross margin							(105,324)	(105,327)
Consolidated revenue							178,953	179,392
Reportable Segments Profit								
Profit before tax	3,017	4,725	1,610	716	240	338	4,867	5,779
Less: Corporate overheads							(11,737)	(8,264)
Impairment loss							(2,946)	-
Consolidated loss before tax							(9,816)	(2,485)
Interest Revenue	16	9	-	-	1	1	17	10
Interest Expenses	188	158	-	-	-	-	188	158
Depreciation & amortisation	1,011	1,007	26	39	4	5	1,041	1,051
	Australia	New Zealand	Asia	Total				
Revenue								
External sales	159,906	162,422	9,628	7,772	9,419	9,198	178,953	179,392
Interest revenue	7	6	8	4	2	-	17	10
TOTAL Revenue	159,913	162,428	9,636	7,776	9,421	9,198	178,970	179,402
Non current assets*	1,322	4,633	13	47	272	465	1,607	5,145

*Excluding Deferred Tax Assets

2. REVENUE

	CONSOLIDATED	
	2015 \$000	2014 \$000
Rendering of services	178,953	179,392
Total revenue	178,953	179,392

3. OTHER EXPENSES

	CONSOLIDATED	
	2015 \$000	2014 \$000
Bad and doubtful debts	1,791	371
Travelling expenses	861	665
Telephone charges	779	663
Consultancy fees	573	244
Software support	561	243
Office expenses, printing, stationery and parking	548	569
Subscriptions	464	416
Accountancy, audit and tax fees	451	201
Recruitment costs	412	366
Insurance	410	417
Legal fees	352	144
Bank charges	299	231
Marketing and promotional expenses	279	291
Net advertising costs	226	293
Capitalised Product Development costs	-	(527)
Other operating overheads	1,886	1,524
Total other expenses	9,892	6,111

4. INCOME TAX EXPENSE/(BENEFIT)

	CONSOLIDATED	
	2015 \$000	2014 \$000
Current tax	884	(16)
Adjustment for prior year	(231)	13
	653	(3)
Deferred tax expense	859	(805)
Total income tax expense/(benefit)	1,512	(808)

The prima facie tax on loss before income tax is reconciled to the income tax as follows:

Prima facie tax payable on loss before income tax at 30%	(2,945)	(746)
	(2,945)	(746)
Add tax effect of:		
Overseas tax adjustment	884	-
Other non-deductible expenses	23	37
Tax incentives on capital expenditure	-	(54)
De-recognition of tax losses	592	-
Current year losses for which no deferred tax asset was recognised	3,183	74
Prior period (over)/under provision	(231)	13
Effect of concession	-	(16)
Utilisation of tax losses in current year	-	(119)
Tax rate adjustment on wholly-owned foreign subsidiaries	6	3
Total income tax expense/(benefit)	1,512	(808)

5. LOSS PER SHARE

	CONSOLIDATED	
	2015 CENTS	2014 CENTS
Basic loss per share	(12.65)	(1.87)
Diluted loss per share	(12.65)	(1.87)
Net tangible asset per share	0.25	0.33

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

	CONSOLIDATED	
	2015 \$000	2014 \$000
Loss after tax used in calculating basic loss per share	(11,328)	(1,677)
Adjustments for calculation of diluted loss per share:		
Notional Interest earned on conversion of options	-	-
Net loss used in calculating diluted loss per share	(11,328)	(1,677)
Total Tangible Assets	22,677	29,765

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

	CONSOLIDATED	
	2015	2014
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic LPS	89,582	89,582
Adjustment for calculation of diluted loss per share:		
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss 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.

6. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2015 \$000	2014 \$000
Cash at bank and on hand	1,133	2,461
Deposits at call	2	39
	1,135	2,500

Reconciliation of cash

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

	CONSOLIDATED	
	2015 \$000	2014 \$000
Balances as above	1,135	2,500
Bank overdrafts	(497)	-
	638	2,500

Overdraft facilities

	CONSOLIDATED	
	2015 \$000	2014 \$000
Overdraft facility	2,328	2,394
Amount utilised	(497)	-
Unused overdraft facility	1,831	2,394

7. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2015 \$000	2014 \$000
Current		
Trade receivables	36,925	41,548
Allowance for doubtful debts	(2,051)	(267)
	34,874	41,281
Accrued income	6,132	6,774
Prepayments	389	546
Other debtors	1,173	267
	42,568	48,868

All of the Group's trade and other receivables have been reviewed for indicators of impairment. As a result of this review there were doubts over the recoverability of certain trade receivables and a provision of \$2,051,000 (FY2014: \$267,000) has been recorded. The trade receivables provided for mostly relate to customer debts that are greater than 90 days overdue.

8. TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2015 \$000	2014 \$000
Current		
Trade and Other Payables	18,797	20,684
	18,797	20,684

9. IMPAIRMENT LOSSES

The group carried out a review of the recoverable amount of software capitalised. Recoverable amount is assessed on the basis of value in use. These assets included the group's in-house developed CRM application and timesheet portal together with an externally developed payroll system and Client Portal. Based on the impairment testing performed at 31 December 2014, the value in use was less than the carrying amounts. Accordingly, the recognition of an impairment loss of \$2,946k has been recognised in the profit or loss. There have been no further impairment losses in the year ending 30 June 2015.



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