



2016 **ANNUAL REPORT**

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CHAIRMAN

Garry Sladden

CHIEF EXECUTIVE OFFICER

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COMPANY SECRETARY

Andy Watt

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2016

CLARIUS GROUP ANNUAL REPORT

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CHAIRMAN'S LETTER

Dear Shareholder,

Financial year 2016 has been another year of progress and improvement; a year in which we have continued to challenge and transform the business, but also a year in which we have begun to realise the benefits of restructure initiatives implemented in previous years.

During financial year 2016 the Group posted positive year-on-year results against each of its key financial performance criteria. Revenue from ordinary activities and gross profit grew over the period, whilst losses from ordinary activities fell significantly against the previous year. Against the backdrop of continuing business transformation, the improved trading performance highlights the momentum the company has built as it moves towards delivering on its commitment to position the Group for sustainable success.

There were a number of significant milestones and achievements in financial year 2016, the most pleasing of which was the business turnaround in China. In my Chairman's letter last year I spoke of the significant growth opportunities that the China business represented and this has proven to be the case, with year-on-year revenue growth of 15%. What is even more pleasing is that this has been delivered with a 12% reduction in costs and this includes the relocation of the Beijing and Shanghai offices to new and improved central-city locations.

In Australia, our core ACT and NSW markets both performed strongly. The ACT business, in particular, had an exceptional year delivering record numbers through a strong core recruitment business and the emergence of Outsourced Recruitment and People Services as a major revenue stream. Floor space and workforce capacity in the Canberra office was extended by 25% to facilitate future growth opportunities. Both markets are well placed for future growth.

However, the year was not without its challenges and in May 2016 we announced that we were closing local operations in New Zealand. The Group has invested in a number of initiatives over a prolonged period in an attempt to deliver a profitable business in New Zealand and a significant investment strategy was put in place during financial year 2015, which failed to deliver the anticipated returns. The Group was not prepared to continue incurring these losses and decided that further investment would be better directed towards markets where we are experiencing strong and sustainable growth.

As identified in the half yearly review, the execution of our strategic plan continued to be a challenge in Victoria and our workforce strategy has taken longer than anticipated to gain traction. However, over the past six months we have hired a number of additional recruiting consultants into the Melbourne office. Further cost savings will be delivered by moving to new premises in the first half of financial year 2017.

Without the losses incurred in Victoria and New Zealand during the financial year, the Group would have traded profitably and the Board believes that the appropriate action has been taken in both of these markets to address the underlying issues.

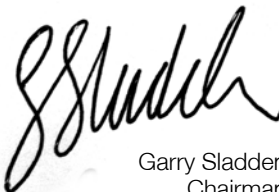
In 2016, activities were coordinated more efficiently and with all the work that has been undertaken, we move into the new financial year in the knowledge that we are building a firm platform for success.

The focus for the new financial year will be on the following key areas:

- ▶ Rebranding and simplifying our operating structure;
- ▶ Further aligning our specialist recruitment disciplines with market demand;
- ▶ Improving operational efficiencies by replacing front and back office legacy platforms;
- ▶ Launching initial smart service applications to market driving new revenue streams; and
- ▶ Increasing our investment in China by focusing on two super regions.

The Directors have chosen not to recommend a dividend for 2016.

I believe that Clarius is well placed to continue to deliver value to shareholders and I thank my fellow Directors and the Management Team and staff for their expertise and dedication. I also thank you for your continued support as shareholders.



Garry Sladden
Chairman

OPERATIONAL & FINANCIAL REVIEW

ABOUT CLARIUS GROUP

Clarius Group (ASX:CND) is an Australian Securities Exchange listed company limited by shares, incorporated and domiciled in Australia.

For more than 30 years the company has been using

its deep industry expertise and extensive relationships to unite permanent and contract workers with private sector and government clients of all sizes throughout Asia Pacific.

With more than 250 employees, Clarius Group operates in 11 cities across Australia and China.

KEY PERFORMANCE INITIATIVES

	FY16 \$M	FY15 \$M	% CHANGE
Year Ended 30 June 2016			
Statutory Revenue	184.6	179.0	3.1%
Gross Profit	38.7	38.3	1.0%
Gross Profit Margin	21.0%	21.4%	(2.0%)
Loss for the Year Attributable to Owners of the Company	(3.9)	(11.3)	
Add: One-off Costs, Provisions and Write Downs	2.7	9.9	
Adjusted (Loss) After Tax	(1.2)	(1.4)	
Operating Cash Inflow/(Outflow)	0.5	(1.0)	
Net Assets	20.6	24.5	

KEY OPERATIONAL INITIATIVES

During financial year 2016 the Clarius Group (the Group) made a loss from ordinary activities of \$3.9m (FY2015: loss of \$11.3m). During this period the Group continued to deliver on its strategic change agenda to build a sustainable business that provides an outstanding experience for clients and candidates. The operational highlights were:

- ▶ Strong growth in China and ACT supported by solid performance in NSW, offset by performance issues in New Zealand and Victoria.
- ▶ Excluding New Zealand and Victoria, the underlying trading performance for the Group was profitable for financial year 2016.
- ▶ On the back of historical and ongoing sustained losses, local business operations in New Zealand were closed.
- ▶ Significant improvements to the debtor cash collection processes leading to a strong Balance Sheet with minimal debt.

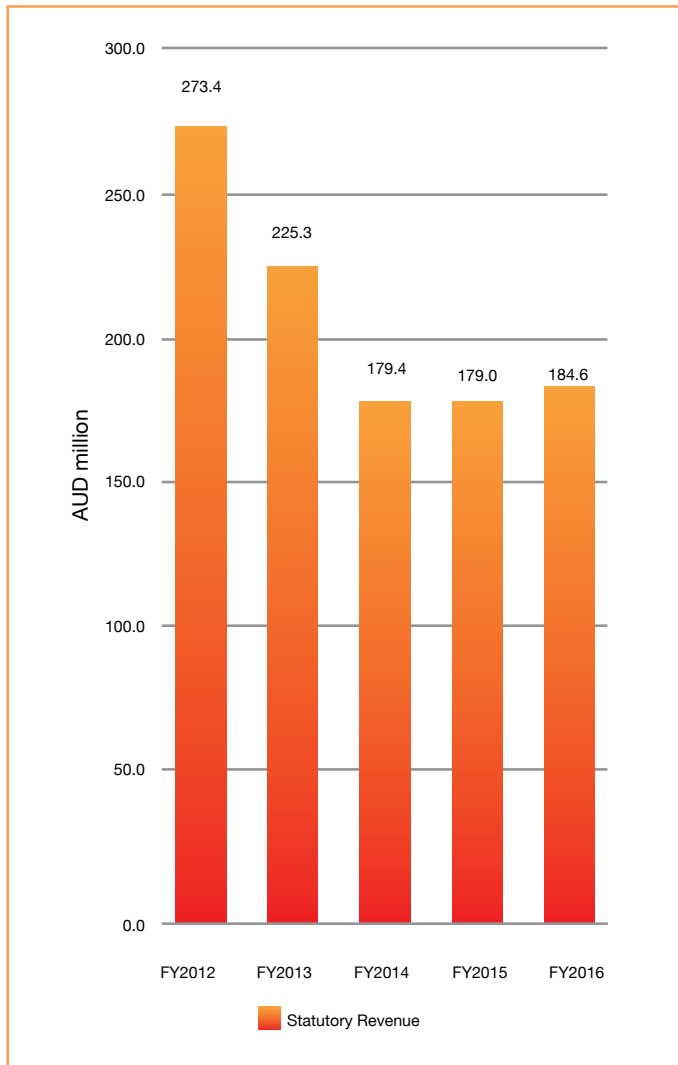
As a consequence of a review of legacy debtor issues, an assessment on the carrying value of deferred income tax assets and the closure of the New Zealand operation, the Group incurred a number of one-off costs and write-downs totaling \$2.7m (FY2015: \$9.9m). Without these non-recurring items the underlying net loss position would have been \$1.2m (FY2015: loss of \$1.4m).

A summary of the non-recurring items is as follows:

	FY16 \$M	FY15 \$M
Restructuring costs	0.4	3.0
Impairment of software	-	2.9
Bad debt write-offs and provisions	0.5	1.8
Overseas tax provision	-	0.9
Onerous lease provision	-	0.7
Derecognition of tax losses	1.8	0.6
	2.7	9.9

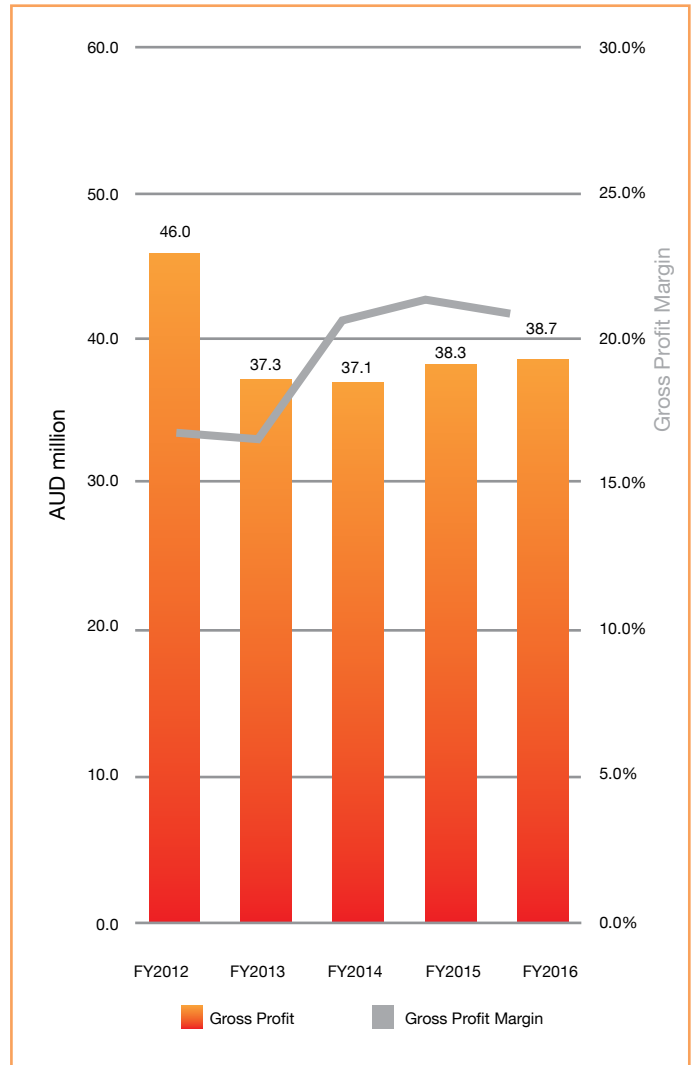
REVENUE AND GROSS MARGIN PERFORMANCE

STATUTORY REVENUE



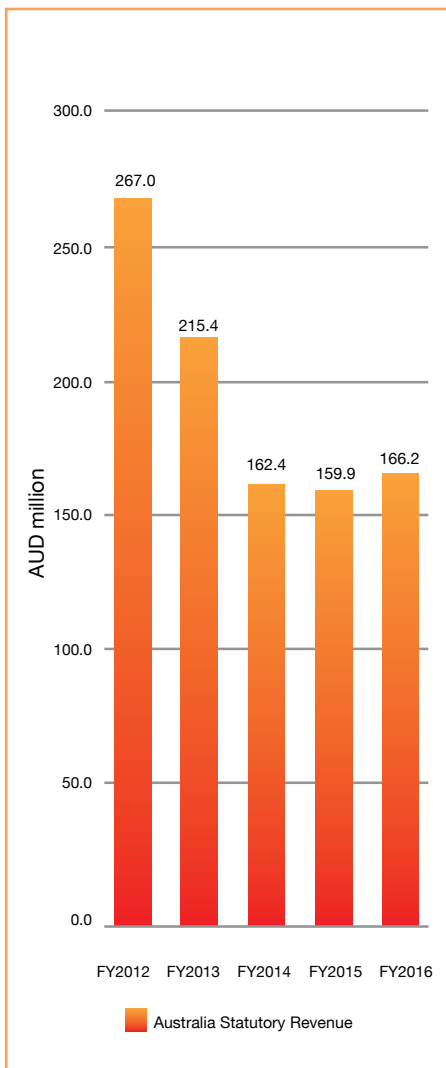
During financial year 2016 the Group posted positive year-on-year results against each of its key financial performance criteria. Revenue from ordinary activities grew 3.1% to \$184.6m (FY2015: \$179.0m), gross

GROSS PROFIT

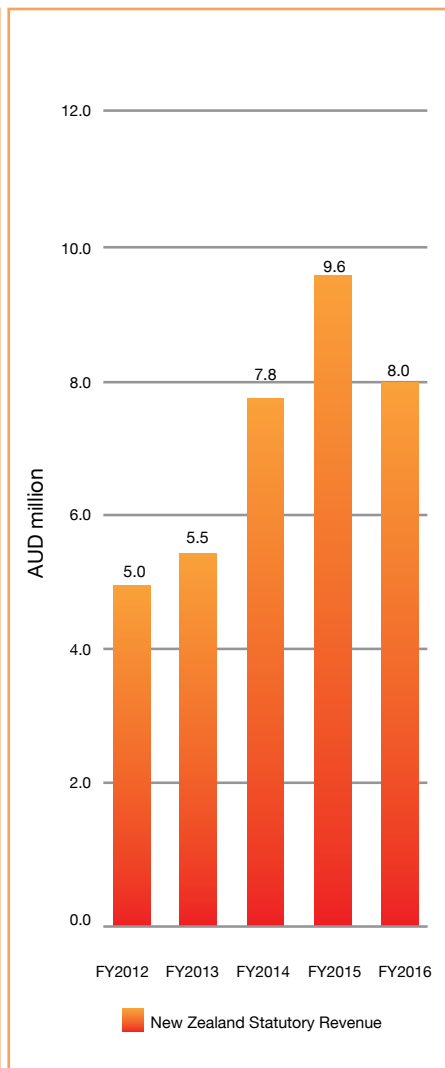


profit for the period grew 1.0% to \$38.7m (FY2015: \$38.3m), and losses from ordinary activities after income tax fell to \$3.9m (FY2015: loss of \$11.3m).

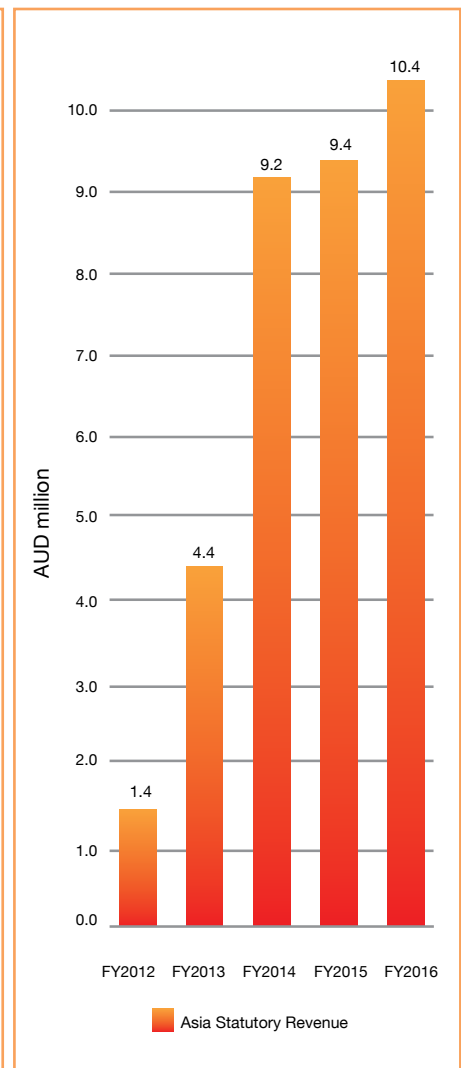
AUSTRALIA STATUTORY REVENUE



NEW ZEALAND STATUTORY REVENUE



ASIA STATUTORY REVENUE



In Australia, year-on-year revenue grew 3.9%, from \$159.9m to \$166.2m, led by strong growth in ACT and a business resurgence in NSW. Increased levels of business development, improvements in fee earner productivity and progress in the Outsource Recruitment and People Services business have driven growth. The capacity of the Canberra office has been increased by 25% to allow for future growth.

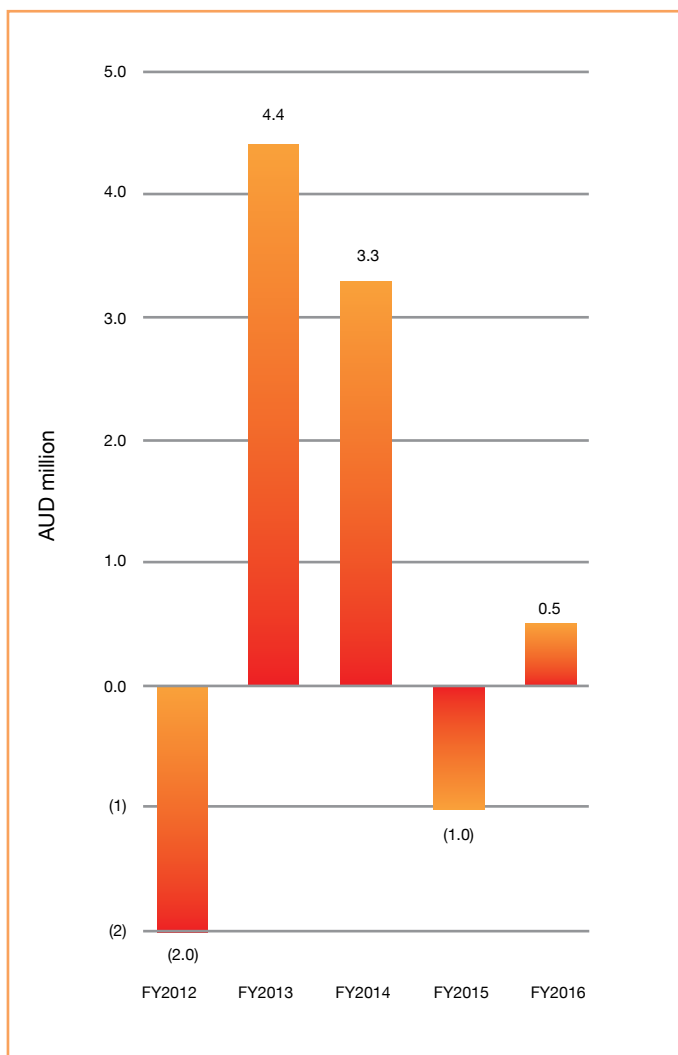
The Group invested in a number of initiatives over a prolonged period in an attempt to deliver a profitable business in New Zealand. A significant investment strategy was put in place during FY2015 but failed to deliver the anticipated returns. The Group was not prepared to continue to sustain these losses and decided that further investment would be better

directed to markets where we are experiencing strong and sustainable growth. As a result, the decision was made in May 2016 to close local business operations in New Zealand and to fulfill ongoing commitments from Head Office.

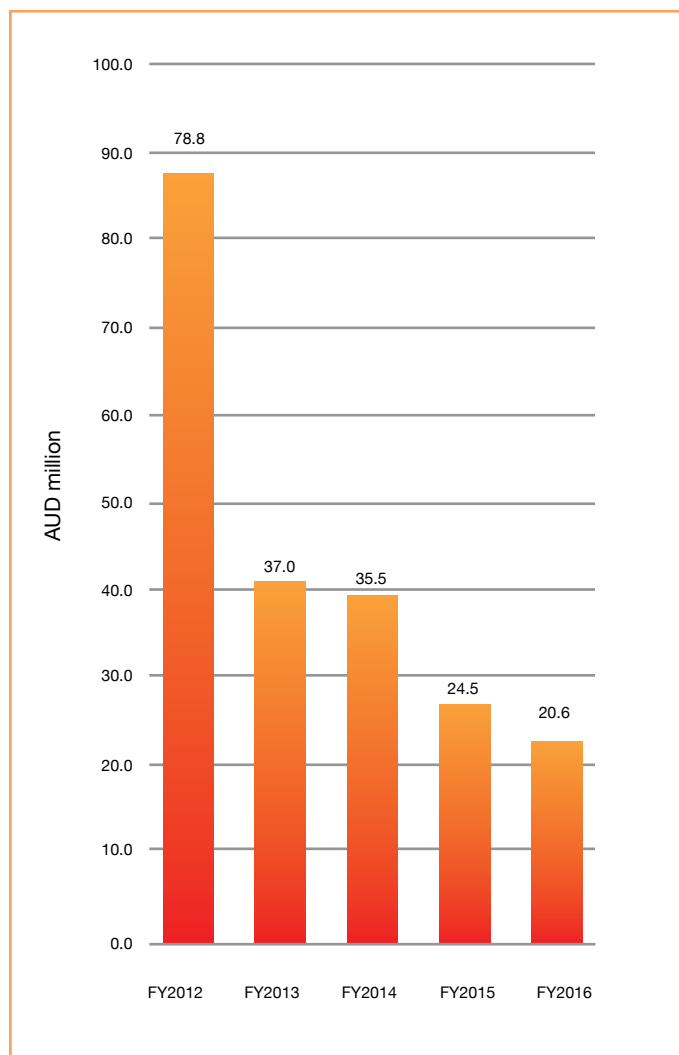
The success story in China is evidenced by individual productivity improvements and profitable trading following the significant operational restructure exercise in the second half of financial year 2015. Client, candidate and internal acquisition metrics have all improved following the relocation of the Beijing and Shanghai offices to new centrally located city offices. Year-on-year revenue in China grew 14.7%, from \$8.9m to \$10.2m, and grew 10.4% in Asia as a whole from \$9.4m in FY2015 to \$10.4m in FY2016.

CASH FLOW AND BALANCE SHEET PERFORMANCE

OPERATING CASH INFLOW/(OUTFLOW)



NET ASSETS



The Group finished the year with a net deficit cash balance of \$404k (FY2015: \$638k surplus). Net cash from operating activities increased by \$1,559k, from a \$1,019k deficit in FY15 to a \$540k surplus reflecting stronger collections.

At 30 June 2016 the Group had net assets of \$20.6m (FY2015: \$24.5m). The Group's net assets primarily

consist of net trade receivables of \$30.1m (FY2015: \$34.9m), accrued income of \$7.6m (FY2015: \$6.1m) and trade and other payables of \$17.8m (FY2015: \$18.8m). The reduction in net trade receivables reflects the continued strategic shift away from direct payroll services as well as the significantly improved efforts of the Group to tightly manage its cash collection cycle from clients.

KEY STRATEGIC HIGHLIGHTS

In financial year 2016 the Group commenced a number of strategic initiatives designed to continue to revitalise performance and prepare the business for future success.

COMPANY REBRAND

From November 2016 all Australian businesses under the Clarius Group banner will transition to a single new brand. Moving to one brand will significantly simplify many elements of the 'go to market' strategy and internal operations.

One brand will declutter our market identity. We will be able to create a single winning culture unified by common values and behaviour, reflecting more energy, excitement and innovative thinking. We will invest and build a single brand identity that will attract talent, and deliver a consistent, premium candidate and client experience.

One brand will allow us to leverage the talent and offerings of our diverse business segments and address the market's appetite for more intelligent recruitment services. This will allow us to better exploit our deep sector knowledge, build relationships in aligned markets and launch new services under a simplified brand architecture.

SIMPLIFIED OPERATING STRUCTURE

We will continue to be a specialist recruitment firm, remaining focused on key disciplines that are most in demand. We will begin offering more HR-related consulting services, on-demand offerings through digital marketplace platforms, as well as cloud based platform solutions.

Serving multiple specialty areas under the one brand will allow us to partner more effectively, service the diverse needs of our clients and position ourselves as a true consultancy brand. The business will be broken out into four distinct segments:

- ▶ Specialist Recruitment Services
- ▶ On-Demand Services
- ▶ Outsourced Recruitment & People Services
- ▶ International – trading as Lloyd Morgan Executive

FRONT OFFICE RECRUITMENT PLATFORM IMPLEMENTATION

During financial year 2017 we will upgrade our legacy front office recruitment platform, which has been in use for the last 16 years. Technological advancement over this period has been significant and we recognise we need to invest in technology to ensure that we have a platform to support the business for future success.

This project will replace a number of disparate applications, consolidate a large number of databases and automate a substantial number of high cost manual processes.

The upgrade will be to a platform that is a fully mobile, cloud based solution, which integrates a robust application tracking system (ATS) with customer relationship management (CRM), including online timesheets and an integrated payroll capability.

BACK OFFICE PLATFORM MODERNISATION

Our back-office has focused on building a series of automation layers between the online timesheet tool and the CRM/Finance systems. This has enabled a reduction in payroll processing time at the same time as reducing the manual handling of data.

Separately, we are consolidating multiple financial databases as a prerequisite for the transition to the single corporate identity. The Finance, Credit and Payroll teams will experience the benefits of a single source of financial data and efficiency gains will be made in the areas of data interrogation and reporting, as well as eliminating the need to run multiple, identical (and in many cases, manual) processes.

Back-office systems also require investment given technological developments and, in particular, lack the flexibility to fully support the requirements of a diverse business offering. Planning is underway to integrate the candidate pay, client invoicing and credit functions.

CANDIDATE AND CLIENT EXPERIENCE

There is a seismic shift in the way that clients and candidates are expecting to transact with organisations such as the Clarius Group. In the online world there needs to be presence in all the places that matter, attracting and engaging audiences, both client and candidate.

To this end we have been working on the development of an automated resourcing tool that works as a Candidate and Client side enabler allowing both existing and new clients to self-serve through an interactive portal, matching candidate skills to client requirements and auto resourcing.

INITIAL SMART SERVICES OFFERINGS

We have a number of applications in the “beta” stage of development that are designed to support the drive towards future revenue streams. These applications will complement the Outsourced Recruitment and People Services offering and will be used both externally and internally. All applications will leverage an API (Application Programming Interface) that will connect all services to a recruitment platform. Two application examples are:

- ▶ Continuous Conversation Framework - an out of the box Talent Management System that combines the best parts of annual performance reviews and continuous feedback frameworks.
- ▶ eReference - an online reference checking system that will speed up the reference check process for fast moving recruitment requirements.

CHINA SUPER REGIONS

The last 12 months have seen significant investment, growth and positive change in the Group's China business, Lloyd Morgan Executive. China's quickly changing demographic, rising incomes, increased consumer discretionary spending and a more open business environment have all helped to make the Chinese market increasingly attractive for the Clarius Group.

However, China is in no way a uniform market. China is a collection of individual sub-markets defined by vastly differing demographic, economic and cultural characteristics. The culture of northern China is different from that of the east and other regions.

To address this complexity and to better realise the longer-term opportunity, we have established two Super Regions led by two Regional Directors with direct reporting lines to the Group CEO. Both regions will follow a collaborative strategic plan and will continue to share common back-office and Group resources.

We are confident that, having researched and closely observed how other industries have grown in China, the timing is right to implement this approach. These regions require local market skills and differing investment priorities. This change will allow a greater focus in specific geographical and commercial areas, which it is hoped will accelerate our growth.

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 2016 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 Sladden	Independent Non-Executive Chairman
Jennifer Elliott	Independent Non-Executive Director
Julian Sallabank	Independent Non-Executive Director
Gabrielle Trainor	Independent Non-Executive Director (Appointed on 1 December 2015)

PRINCIPAL ACTIVITIES

The principal activity of the Company during the financial year was the provision of permanent, contract and temporary employment services. There were no significant changes in the nature of the consolidated entity's principal activities during the financial year. Refer also to the Chairman's Letter and the commentary in the Operational & Financial Review, which forms part of the Directors' Report for the financial year ended 30 June 2016.

REVIEW OF OPERATIONS

The consolidated loss attributable to equity holders of the entity for the financial year was \$3.9m (FY2015 Loss: \$11.3m). Refer also to the commentary in the Operational & Financial Review which forms part of the Directors' Report for the financial year ended 30 June 2016.

DIVIDENDS

No dividends were paid, declared or recommended to members during the financial year 2016. On 23rd August 2016, the Directors resolved not to declare a final dividend for the year ended 30 June 2016.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

EVENTS SUBSEQUENT TO THE REPORTING DATE

On the 23rd of August 2016 the Board accepted a formal offer from a major financial institution for the provision of a secured \$10m Receivable Purchase Facility on a 24 month term. The Group will now begin the transition process from the existing provider of the Debtor Finance Facility.

In financial year 2015 the Group terminated a service agreement with a software provider. As at 30 June 2015 the Group disclosed a Contingent Liability for disputed invoices not provided for amounting to \$210k. On 8 August 2016 a settlement was reached between the Group and the software provider. The previous Contingent Liability disclosed by the Group is no longer necessary and there is no liability for the Group in relation to this software provider. The terms of the settlement prevent the Group from disclosing further details of the settlement.

No other 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.

FUTURE DEVELOPMENTS

We will continue to pursue a strategy to enhance the traditional core recruiting business and to invest in new growth opportunities as they arise.

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

Independent Non-Executive 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.



JENNIFER ELLIOTT

Independent Non-Executive Director

Jennifer has extensive experience in high-level executive roles in financial services, with a particular focus on strategic planning, business relationships, joint ventures in Asia and global human resources. Jennifer has previously held the roles of Regional Managing Director, Head of Moody's Asia Pacific and Chief Human Resources Officer, Moody's Corporation. 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 Public Member of the Australian Press Council, a Non-Executive Director of Melanoma Institute Australia and a volunteer ethics teacher with Primary Ethics.

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



JULIAN SALLABANK

Independent Non-Executive Director

Julian is an entrepreneur and strategic corporate advisor with experience in commercialising and growing national and international businesses. Julian has worked across a range of industries including financial services, international trade, allied health, education, advertising and information technologies. He was CEO / Director of Student Edge 2010 – 2014: an organisation focused on assisting secondary and tertiary students with financial management, part time jobs and career pathways.

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



GABRIELLE TRAINOR

Independent Non-Executive Director (appointed on 1 December 2015)

Gabrielle's experience covers over twenty years on boards in the public and private sectors ranging from infrastructure, urban development, public transport, tourism, construction and mining contracting, hospitality, sports, arts and culture, indigenous advancement and welfare.

Gabrielle is a member of the board of One Path General and One Path Life Insurance (subsidiaries of ANZ Banking Group), Infrastructure Australia and the Barangaroo Delivery Authority. Her other appointments include being a member of the Central Sydney Planning Committee and the Council of the Australian War Memorial. She is a member of the Board of Trustees of Western Sydney University, and a Director of Business Events Sydney as well as agenda-setting indigenous organisation, Cape York Partnership. She is a Commissioner of the AFL. She holds a Bachelor of Law (Melb.), an M.A., and she is a Fellow of the Australian Institute of Company Directors.

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

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 Sladden	42,000 shares purchased 27th October 2015
Jennifer Elliott	None
Julian Sallabank	None
Gabrielle Trainor	None

COMPANY SECRETARY

Nick Geddes resigned from the position of Company Secretary on 1st February 2016. Andy Watt, CFO of the Clarius Group was appointed by the Board as the Company Secretary on 1st February 2016.

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 Board 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.

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 Chief Executive Officer and other senior executives' remuneration is determined. The Board 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 Board Remuneration and Nomination Committee reviews executive remuneration annually, as requested by the Chief Executive Officer, 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.

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 Chief Executive Officer 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 Chief Executive Officer, 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 Board Remuneration and Nomination Committee has regard to the following information in respect of the current financial year and prior four financial years.

	2016 \$000	2015 \$000	2014 \$000	2013 \$000	2012 \$000
(Loss) attributable to owners of the Company	(3,864)	(11,328)	(1,677)	(42,214)	(9,443)
(Loss)/Profit excluding impairment and de-recognition of tax losses	(2,033)	(7,790)	(1,677)	(933)	2,058
Dividends paid	-	-	-	-	2,652
	2016	2015	2014	2013	2012
Share price at the beginning of the year	\$0.27	\$0.24	\$0.20	\$0.43	\$0.58
Share price at the end of the year	\$0.19	\$0.27	\$0.24	\$0.20	\$0.43
Return on capital employed	N/A	N/A	N/A	N/A	N/A
	CENTS PER SHARE	CENTS PER SHARE	CENTS PER SHARE	CENTS PER SHARE	CENTS PER SHARE
Basic loss per share	(4.31)	(12.65)	(1.87)	(47.15)	(10.63)
Diluted loss per share	(4.31)	(12.65)	(1.87)	(46.62)	(10.32)

Options issued as part of Remuneration

Options may be issued to the Chief Executive Officer 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 among 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 and all options previously issued have now expired.

Details of Directors' and Key Management Personnel Remuneration

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

SHORT-TERM EMPLOYEE BENEFITS				POST-EMPLOYMENT BENEFITS	LONG TERM BASED BENEFITS	
PARENT ENTITY	SALARY \$	DIRECTORS FEES \$	BONUS \$	SUPERANNUATION \$	LONG SERVICE LEAVE \$	TOTAL REMUNERATION \$
Non-Executive Directors						
Garry Sladden ⁽¹⁾						
2016	-	118,100	-	9,098	-	127,198
2015	-	316,231	-	17,341	-	333,572
Jennifer Elliott						
2016	-	53,425	-	5,075	-	58,500
2015	-	53,465	-	5,020	-	58,485
Julian Sallabank						
2016	-	53,425	-	5,075	-	58,500
2015	-	41,301	-	3,924	-	45,225
Gabrielle Trainor ⁽²⁾						
2016	-	31,164	-	2,961	-	34,125
2015	-	-	-	-	-	-

(1) Garry Sladden was paid pro rata Directors fees of \$142,538 pa for the period 1 July 2015 to 30 September 2015.

This was reduced to pro rata \$114,155 pa for the period 1 October 2015 to 31 May 2016, and further reduced to pro rata \$99,000 from 1 June 2016.

(2) Gabrielle Trainor was appointed as Non-Executive Director on 1 December 2015.

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 BASED BENEFITS	
	SALARY \$	BONUS \$	SUPER \$	LONG SERVICE LEAVE \$	TERMINATION PAYMENTS \$	TOTAL REMUNERATION \$
Key Management Personnel						
Peter Wilson						
<i>Chief Executive Officer</i>						
2016	444,190	115,875	19,308	-	-	579,373
2015	307,380	-	30,000	-	-	337,380
Andy Watt⁽¹⁾						
<i>Chief Financial Officer</i>						
2016	280,769	16,974	19,308	-	-	317,051
2015	-	-	-	-	-	-
Iain Skelton⁽²⁾						
<i>Chief Financial Officer</i>						
2016	27,449	-	2,608	-	-	30,057
2015	300,000	-	18,783	-	-	318,783
Paul Barbaro⁽³⁾						
<i>Executive General Manager</i>						
2016	-	-	-	-	-	-
2015	68,942	-	4,444	-	139,964	213,350

(1) Andy Watt commenced employment on 27 July 2015.

(2) Iain Skelton resigned on 17 July 2015.

(3) Paul Barbaro resigned on 19 June 2014.

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

		SHORT TERM INCENTIVE BONUS*			
		FIXED REMUNERATION %	PERFORMANCE BASED PAYMENTS %	% VESTED IN YEAR	% FORFEITED IN YEAR
Directors					
Garry Sladden					
	2016	100	-	-	-
	2015	100	-	-	-
Jennifer Elliott					
	2016	100	-	-	-
	2015	100	-	-	-
Julian Sallabank					
	2016	100	-	-	-
	2015	100	-	-	-
Gabrielle Trainor⁽¹⁾					
	2016	100	-	-	-
	2015	-	-	-	-

(1) Gabrielle Trainor was appointed as Non-Executive Director on 1 December 2015.

SHORT TERM INCENTIVE BONUS*

	FIXED REMUNERATION %	PERFORMANCE BASED PAYMENTS %	% VESTED IN YEAR	% FORFEITED IN YEAR
Key Management Personnel				
Peter Wilson				
2016	67	33	50	50
2015	67	33	-	100
Andy Watt⁽¹⁾				
2016	86	14	37	63
2015	-	-	-	-
Iain Skelton⁽²⁾				
2016	100	-	-	100
2015	80	20	-	100

(1) Andy Watt commenced employment on 27 July 2015.

(2) Iain Skelton resigned on 17 July 2015.

Fixed Remuneration % and Performance Based Payments % are based on the entitlements of each Key Management person.

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

As discussed above in the Performance Based Remuneration, the Chief Executive Officer 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 Board Remuneration and Nomination Committee. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, adhering to legal and operational compliance, customer satisfaction and staff development. Each financial and non-financial objective accounts for between 20 to 30 percent of the maximum STI.

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

At the end of the financial year, the Board Remuneration and Nomination Committee assesses the actual performance of the Group, the relevant segment and the individual against the KPI's set at the beginning of the financial year. The performance evaluation in respect of year ended 30 June 2016 has taken place in accordance with this process.

Long Term Incentive Bonus (LTI)

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

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

Employment Contracts

It is the Group's policy that service contracts for key management personnel are on-going until terminated by either party. Remuneration and other terms of employment for the Chief Executive Officer 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 Chief Executive Officer'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.

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 1/07/2015	RECEIVED AS REMUNERATION	OPTIONS EXERCISED	OTHER MOVEMENT	BALANCE 30/06/2016
Directors					
Garry Sladden	-	-	-	42,000	42,000
Julian Sallabank	-	-	-	-	-
Jennifer Elliott	-	-	-	-	-
Gabrielle Trainor	-	-	-	-	-
Key Management Personnel					
Peter Wilson	-	-	-	-	-
Andy Watt	-	-	-	-	-
Total	-	-	-	42,000	42,000

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

Shareholdings are unchanged as at the date of this report.

End of Remuneration Report

MEETINGS OF DIRECTORS

During the financial year, twelve meetings of Directors were held. Attendances were:

DIRECTOR	NUMBER OF MEETINGS HELD ⁽¹⁾	NUMBER OF MEETINGS ATTENDED
Garry Sladden	12	12
Jennifer Elliott	12	12
Julian Sallabank	12	12
Gabrielle Trainor	7	7

(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, six Committee meetings were held. Attendances were:

DIRECTOR	NUMBER OF MEETINGS HELD ⁽¹⁾	NUMBER OF MEETINGS ATTENDED
Garry Sladden	6	6
Jennifer Elliott	6	6
Julian Sallabank	6	6
Gabrielle Trainor	3	3

(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, three Committee meetings were held. Attendances were:

DIRECTOR	NUMBER OF MEETINGS HELD ⁽¹⁾	NUMBER OF MEETINGS ATTENDED
Garry Sladden	3	3
Jennifer Elliott	3	3
Julian Sallabank	3	3
Gabrielle Trainor	2	2

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

INDEMNIFYING OFFICERS OR AUDITOR

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

During the year the Company paid a premium to insure the Directors and the Company Secretary 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.

AUDITOR'S INDEPENDENCE

The lead auditor's independence declaration for the year ended 30 June 2016 is set out on page 20 of the Directors' report.

ROUNDING OF AMOUNTS

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Board of Directors



Garry Sladden
Independent Non-Executive Chairman



Jennifer Elliott
Independent Non-Executive Director

Dated at Sydney this 25th day of August 2016

The Board of Directors
Clarius Group Limited
Level 9, 1 York Street
SYDNEY NSW 2000

25 August 2016

Dear Board Members

Clarius Group Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the Directors of Clarius Group Limited.

As lead audit partner for the audit of the financial statements of Clarius Group Limited for the year ended 30 June 2016, 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 relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Jason Thorne
Partner
Chartered Accountants

FINANCIAL STATEMENTS

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the year ended 30 June 2016

	NOTE	2016 \$000	2015 \$000
Continuing operations			
Revenue	6	184,567	178,953
On hired labour costs		(145,877)	(140,672)
Gross Profit		38,690	38,281
Employee benefits expense		(27,119)	(28,419)
Depreciation and amortisation expense		(917)	(1,041)
Restructuring expense		(397)	(1,855)
Operating Rental expense		(3,737)	(3,773)
Other expense	7	(8,476)	(9,892)
Impairment Loss	18(a)(b)	-	(2,946)
Results from operating activities		(1,956)	(9,645)
Finance income		7	17
Finance cost		(103)	(188)
Net finance costs		(96)	(171)
(Loss) before income tax		(2,052)	(9,816)
Income tax expense	8	(1,812)	(1,512)
(Loss) for the year attributed to Owners of the Company		(3,864)	(11,328)
Other comprehensive (loss)			
Items that may be classified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		(78)	373
Income tax on other comprehensive income		-	-
Other comprehensive (loss)/income for the year, net of income tax		(78)	373
Total comprehensive income for the year		(3,942)	(10,955)
		Cents per Share	Cents per Share
Basic loss per share	11	(4.31)	(12.65)
Diluted loss per share	11	(4.31)	(12.65)
Net tangible assets per share	11	22.96	25.31

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes on pages 25 to 58.

Consolidated Statement of Financial Position
As at 30 June 2016

	NOTE	2016 \$'000	2015 \$'000
Current assets			
Cash and cash equivalents	13	1,399	1,135
Trade and other receivables	14	39,420	42,568
Total current assets		40,819	43,703
Non-current assets			
Plant and equipment	16	2,074	1,582
Deferred tax assets	15	-	1,831
Intangible assets	18	20	25
Total non-current assets		2,094	3,438
Total assets		42,913	47,141
Current liabilities			
Trade and other payables	19	17,774	18,797
Bank overdraft	13	-	497
Receivables financing facility	13	1,803	-
Finance leases	21	205	211
Provisions	20	1,525	1,645
Total current liabilities		21,307	21,150
Non-current liabilities			
Finance leases	21	17	158
Provisions	20	998	1,300
Total non-current liabilities		1,015	1,458
Total liabilities		22,322	22,608
Net assets		20,591	24,533
Equity			
Contributed equity	22	83,541	83,541
Reserves	23	(794)	(716)
Accumulated losses		(62,156)	(58,292)
Total equity		20,591	24,533

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes on pages 25 to 58.

Consolidated Statement of Changes in Equity For the Year Ended 30 June 2016

AS AT 30 JUNE 2016	SHARE CAPITAL \$000	TRANSLATION RESERVE \$000	SHARE BASED PAYMENT RESERVE \$000	RETAINED EARNINGS \$000	TOTAL \$000
Balance as at 1 July 2015	83,541	(716)	-	(58,292)	24,533
Total comprehensive income for the period					
Loss for the year attributed to Owners of the Company	-	-	-	(3,864)	(3,864)
Other comprehensive income					
Foreign currency translation differences for foreign operations	-	(78)	-	-	(78)
Total other comprehensive income for the period	-	(78)	-	(3,864)	(3,942)
Transactions with owners recorded directly in equity					
Total transactions with owners	-	-	-	-	-
Balance as at 30 June 2016	83,541	(794)	-	(62,156)	20,591

AS AT 30 JUNE 2015	SHARE CAPITAL \$000	TRANSLATION RESERVE \$000	SHARE BASED PAYMENT RESERVE \$000	RETAINED EARNINGS \$000	TOTAL \$000
Balance as at 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

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes on pages 25 to 58.

Consolidated Statement of Cash Flows
For the year ended 30 June 2016

	NOTE	2016 \$000	2015 \$000
Cash flows from operating activities			
Receipts from customers		282,751	317,030
Payments to suppliers and employees		(265,859)	(299,763)
Interest received		7	17
Interest and other borrowing costs paid		(103)	(188)
Goods and services tax paid		(16,256)	(18,115)
Net cash provided by/(used in) operating activities	12(a)	540	(1,019)
Cash flows from investing activities			
Purchase of plant and equipment		(1,395)	(553)
Payments for software development and intangible assets		(28)	(445)
Net cash (used) in investing activities		(1,423)	(998)
Cash flows from financing activities			
Net cash provided by /(used in) financing activities		-	-
Net decrease in cash held		(883)	(2,017)
Cash and cash equivalents at the beginning of the year		638	2,500
Effect of exchange rates on cash holdings in foreign currencies		(159)	155
Cash (Deficit)/Surplus at the end of the financial year	13	(404)	638

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes on pages 25 to 58.

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 2016 cover the consolidated entity of Clarius Group Limited and its controlled entities.

NOTE 2 BASIS OF PREPARATION

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

The Directors have adopted, and consider it appropriate to adopt, the basis of going concern in preparing the financial statements. In making this assessment the Directors have assumed continuity of a financing facility and have considered the forecasts of the Company's performance and cash flows. The current financing facility expires in November and the Directors are confident that the alternative arrangement, as detailed in Note 30, will ensure no gap in the availability of funding.

The consolidated financial statements were authorised for issue by the Board of Directors on the 25th of August 2016.

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 2016 and the results of all subsidiaries for the year ended 30 June 2016. 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

(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 income 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 income 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.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

(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) Software development costs

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

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

(G) PLANT AND EQUIPMENT

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

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

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

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

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

CLASS OF ASSET	RATE	METHOD
Plant & Equipment	9% - 60%	Straight Line/ 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

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

(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, and receivables financing facilities;
- ▶ 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 Corporations Instrument 2016/191 and accordingly, amounts in the financial report have been rounded to the nearest thousand dollars. Auditors', 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 receivables 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.

(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 fulfill 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.

(iv) Onerous leases

The provision for onerous lease contracts represents the present value of the future lease payments that the Group is presently obligated to make under non-cancellable onerous operating lease contracts, less revenue expected to be earned on the lease, including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable.

(O) FINANCE LEASES

Finance leases are recognised as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments each determined at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. If there is no reasonable certainty of ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

(P) 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.

(Q) 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.

(R) 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.

(S) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(i) 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.

(ii) 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).

(T) SEGMENT REPORTING

The consolidated entity determines and presents operating segments based on the information that internally is provided to the 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.

(U) 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 relevant to the Group including:

- ▶ AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

Impact of the application of new and revised AASBs

The Directors have considered the impact of all new and revised AASBs on the disclosures or the amounts recognised in the consolidated financial statements. The Group does not intend to adopt any of these pronouncements before their effective date.

(ii) Standards and Interpretations in issue not yet adopted

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

STANDARD/INTERPRETATION MANDATORY BEYOND JUNE 2016	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 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018

Impact of the application of standards not yet adopted

The Directors have considered the impact of all new accounting standards that are relevant to the Group but not yet adopted and, with the exception of AASB 16, have not yet concluded on the impact on the disclosures or the amounts recognised in the consolidated financial statements.

AASB 16 applies to annual periods beginning on or after 1 January 2019. The Directors of the Company anticipate that the application of AASB 16 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of AASB 16 until the Group performs a detailed review.

(V) 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 29.

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 9, 1 York Street
Sydney NSW 2000

(W) 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	2016 \$000	2015 \$000
Financial Assets			
Cash and cash equivalents	13	1,399	1,135
Trade receivables (net of doubtful debts)	14	30,092	34,874
Other debtors		1,231	1,173
		32,722	37,182
Financial Liabilities			
Trade creditors and other payables	19	17,774	18,797
Bank overdraft	12(c)	-	497
Receivable financing facility	12(b)	1,799	-
		19,573	19,294

(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 (NZD), the Chinese renminbi (CNY), the Hong Kong dollar (HKD) and the Singapore dollar (SNG).

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 the 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 2016			
	NZD \$000	CNY \$000	SNG \$000	HKD \$000
Trade and other receivables	1,630	11,729	43	2
Cash	310	5,550	70	-
Trade and other payables	(210)	(6,255)	(15)	2
Net Exposure on Statement of Financial Position	1,730	11,024	98	4

	30 JUNE 2015			
	NZD \$000	CNY \$000	SNG \$000	HKD \$000
Trade and other receivables	2,888	9,325	138	2
Cash	38	3,746	22	17
Bank Overdraft	(96)	-	-	-
Trade and other payables	(1,417)	(6,620)	(136)	2
Net Exposure on Statement of Financial Position	1,413	6,451	24	21

The following exchange rates applied during the year:

	AVERAGE RATE		REPORTING DATE SPOT RATE	
AUD \$1	2016	2015	2016	2015
NZD	1.087	1.080	1.049	1.129
CNY	4.692	5.182	4.934	4.766
SGD	1.012	1.094	1.003	1.034
HKD	5.659	6.493	5.762	5.954

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 change that is reasonably possible in foreign exchange rates.

	Impact of 10% Increase of AUD against foreign currencies on consolidated balances			
	NZD \$000	CNY \$000	SNG \$000	HKD \$000
30 June 2016				
Equity	(150)	(203)	(9)	-
Impact on Net Profit After Tax	(156)	115	2	(2)
30 June 2015				
Equity	(114)	(123)	(2)	-
Impact on Net Profit After Tax	11	(334)	(31)	(1)

	Impact of 10% Decrease of AUD against foreign currencies on consolidated balances			
	NZD \$000	CNY \$000	SNG \$000	HKD \$000
30 June 2016				
Equity	165	223	10	-
Impact on Net Profit After Tax	172	(127)	(2)	2
30 June 2015				
Equity	125	135	2	-
Impact on Net Profit After Tax	(12)	368	34	1

Cash Flow and Fair Value Interest Rate Risk

For the parent borrowing facilities, the policy is to utilise its trade receivable financing facility 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 2016		30 JUNE 2015	
		WEIGHTED AVERAGE INTEREST RATE	BALANCE \$000	WEIGHTED AVERAGE INTEREST RATE	BALANCE \$000
Bank Overdraft	13	-	-	9.3%	497
Receivables Financing Facility	12(b)	4.3%	1,799	3.4%	-

The following table demonstrates 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 2016 and 30 June 2015.

Consolidated Entity Sensitivity

	30 JUNE 2016		30 JUNE 2015	
	1% INCREASE IN AVERAGE INTEREST RATE \$000	1% DECREASE IN AVERAGE INTEREST RATE \$000	1% INCREASE IN AVERAGE INTEREST RATE \$000	1% DECREASE IN AVERAGE INTEREST RATE \$000
Impact on Net Profit After Tax	(14)	14	(30)	30

Price Risk

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

(B) CREDIT RISK

Credit risk is managed on a Group basis. Credit risk arises from credit exposures to customer accounts receivable balances. 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 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.

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

Consolidated Entity Receivables

	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	90+ DAYS	TOTAL
	\$000	\$000	\$000	\$000	\$000	\$000
Consolidated Entity Receivables	24,582	3,638	1,009	604	461	30,294
	81%	12%	3%	2%	2%	100%

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 \$202k (FY2015: \$2,051k) has been recorded. The trade receivables provided for mostly relate to customer debts that are greater than 90 days overdue.

The provision includes amounts that are not considered to be recoverable from debtors and amounts that are expected to be credited to debtors. The normal credit terms extended to clients is approximately 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is used when there is objective evidence that the Group 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 enter bankruptcy or financial reorganisation, and default or delinquency in payments (where debts are significantly overdue) are considered indicators that the trade receivable is impaired. Refer to Note 14.

(C) LIQUIDITY RISK

The consolidated entity manages liquidity risk by monitoring daily cash flows and ensuring that adequate overdraft and borrowing facilities are maintained. The consolidated entity maintains cash and cash equivalents to meet its liquidity requirements through its receivables financing facility 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(b and 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 considered to approximate their fair values due to their short term nature. Trade payables are settled within six months.

NOTE 5 SEGMENT REPORTING

(A) SEGMENTS

OPERATING SEGMENTS	RECRUITMENT SERVICES		INFORMATION TECHNOLOGY SERVICES		CONSOLIDATED	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Revenue						
Services to external customers	240,941	267,211	13,160	17,066	254,101	284,277
Inter-segment revenues	-	13,512	-	-	-	13,512
Total segment revenue	240,941	280,723	13,160	17,066	254,101	297,789
Total segment revenue					254,101	297,789
(-) Inter company elimination					-	(13,512)
(-) Reclassification of direct gross margin					(69,534)	(105,324)
Consolidated revenue					184,567	178,953
Reportable Segments Profit						
Profit before tax	7,011	3,257	78	1,610	7,089	4,867
Less : Corporate overheads					(9,141)	(11,737)
Impairment loss	-	(2,946)	-	-	-	(2,946)
Consolidated loss before tax					(2,052)	(9,816)
Interest Revenue	7	17	-	-	7	17
Interest Expenses	103	188	-	-	103	188
Depreciation & amortisation	711	1,015	1	26	712	1,041
Additions to non-current assets	1,423	995	-	3	1,423	998
Segment Assets ⁽²⁾	39,173	39,639	3,740	5,671	42,913	45,310
Segment Liabilities	21,657	21,499	665	1,109	22,322	22,608

	AUSTRALIA		NEW ZEALAND		ASIA		TOTAL	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue								
External sales ⁽¹⁾	166,198	159,906	7,967	9,628	10,402	9,419	184,567	178,953
Interest revenue	3	7	-	8	4	2	7	17
TOTAL Revenue	166,201	159,913	7,967	9,636	10,406	9,421	184,574	178,970
Non current assets ⁽²⁾	1,330	1,322	-	13	542	272	1,872	1,607

(1) This reconciles to statutory revenue

(2) Excluding deferred tax assets

The following summary describes the operations in each of the Group's two reportable segments:

Recruitment Services

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

Information Technology Services

- (ii) Outsourcing and technical support services.

(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% (FY2015: 91%) of the consolidated revenue, and 8% (FY2015: 9%) 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, with the exception of margin earned on the transactions where the services will ultimately be provided outside of the Group.

(E) INFORMATION ABOUT MAJOR CUSTOMERS

Included in revenue arising from recruitment services of \$240,941k (FY2015: \$280,723k) are revenues of approximately \$72,142k (FY2015: \$105,567k) which arose from sales to the Group's two largest customers. The largest customer contributed \$59,380k and the second largest customer accounted for \$12,762k. No other single customer contributed 10% or more to the Group's revenue for both 2016 and 2015.

NOTE 6 REVENUE

	CONSOLIDATED	
	2016 \$000	2015 \$000
Rendering of services	184,567	178,953
Total revenue	184,567	178,953

NOTE 7 EXPENSES

	CONSOLIDATED	
	2016 \$000	2015 \$000
Depreciation of non-current assets		
Plant and equipment	459	201
Leasehold improvements	425	376
Plant and equipment	884	577
Amortisation of non-current assets		
Capitalised computer software	33	464
Total amortisation	33	464
Total depreciation and amortisation expense	917	1,041
Other expenses:		
Bad and doubtful debts	646	1,791
Consultancy fees	1,018	573
Software support	222	561
Office expenses, printing, stationary and parking	454	548
Subscriptions	445	464
Professional fees	953	1,213
Advertising costs	347	226
Other operating overheads	4,391	4,516
Total other expenses	8,476	9,892
Contributions to defined contribution plans	2,590	2,726

NOTE 8 INCOME TAX EXPENSE/(BENEFIT)

	CONSOLIDATED	
	30 JUNE 2016 \$000	30 JUNE 2015 \$000
Current year tax	-	884
Adjustment for prior year	(27)	(231)
	(27)	653
Deferred tax expense	1,839	859
Total income tax expense	1,812	1,512
The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Prima facie tax benefit on loss before income tax at 30%	(616)	(2,945)
	(616)	(2,945)
Add tax effect of:		
Overseas tax adjustment	-	884
Non-deductible expenses	35	23
De-recognition of tax losses	1,839	592
Current year losses for which no deferred tax asset is recognised	581	3,183
Prior period over provision	-	(231)
Tax rate adjustment on wholly-owned foreign subsidiaries	(27)	6
Total income tax expense	1,812	1,512

NOTE 9 DIVIDENDS

On 23rd August 2016, the Directors resolved not to declare a final dividend for the year ended 30 June 2016. No dividends were paid by the Group in the previous corresponding period.

Franking Credit Balance

	2016 \$000	2015 \$000
Dividend franking account		
Amount of franking credits available to shareholders of Clarius Group Limited for subsequent financial years	15,679	15,679
Candle NZ Holdings Limited	1,623	1,440

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	
	2016	2015
	\$	\$
Audit Services:		
Auditors of the Company:		
Australia		
Audit and review of group financial reports – Deloitte Touche Tohmatsu	155,000	172,125
Overseas Audit Fees – Network firm of the parent entity auditor		
Audit and review of financial reports – Deloitte Touche Tohmatsu	93,817	108,364
	248,817	280,489
Other Auditors		
Audit and review of financial reports	24,898	5,626
	273,715	286,115
Services other than Audit:		
Auditors of the Company:		
Australia		
Taxation services – Deloitte Touche Tohmatsu	31,999	20,000
Network firm of the parent entity auditor		
Taxation services	6,350	31,547
Network firm of the parent entity auditor		
Assistance in the preparation of financial statements	6,428	9,640
	44,777	61,187
	318,492	347,302

NOTE 11 LOSS PER SHARE

	CONSOLIDATED	
	2016 CENTS	2015 CENTS
Basic loss per share	(4.31)	(12.65)
Diluted loss per share	(4.31)	(12.65)
Net tangible assets per share	22.96	25.31

(A) RECONCILIATION OF LOSS USED IN CALCULATING LOSS PER SHARE

	CONSOLIDATED	
	2016 \$000	2015 \$000
Loss after tax used in calculating basic loss per share	(3,864)	(11,328)
Net loss used in calculating diluted loss per share	(3,864)	(11,328)
Net tangible assets excluding deferred tax assets	20,571	22,677

(B) WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

	CONSOLIDATED	
	2016 NO.	2015 NO.
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	89,582,175	89,582,175
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	89,582,175	89,582,175

NOTE 12 CASH FLOW INFORMATION

(A) RECONCILIATION OF LOSS AFTER TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	CONSOLIDATED	
	2016 \$000	2015 \$000
Loss for the year after income tax	(3,864)	(11,328)
Adjustments for:		
Depreciation and amortisation	917	1,051
Loss on disposal of fixed asset	12	549
Impairment losses on intangible assets	-	2,946
Income tax expense	1,812	1,512
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
Decrease in trade debtors and accrued income	3,242	6,143
(Increase)/Decrease in prepayments	(94)	158
Decrease in trade creditors and accruals	(1,063)	(1,680)
(Decrease)/Increase in provisions & reserves	(422)	247
Income tax refund	-	(617)
Net cash provided/(outflow) provided by operating activities	540	(1,019)

(B) CREDIT STANDBY ARRANGEMENTS WITH BANKS

	CONSOLIDATED	
	2016 \$000	2015 \$000
Receivables Purchase Facility	8,500	5,000
Amount utilised under recourse facility	(1,803)	-
Unused Receivables Purchase Facility	6,697	5,000

On 23 November 2015 the Group transitioned its Receivable Purchase Facility and Bank Guarantee Facility from one financial institution to another. The new facilities are provided on 12 month terms and are subject annual review. The facilities are secured by a limited and capped personal guarantee and cash deposit from a substantial shareholder in the Company. The cash security is provided on normal commercial terms and is interest bearing from the date at which the cash security was set up.

See Note 30 for an update to the arrangements for the Receivables Purchase Facility.

(C) BANK OVERDRAFTS

	CONSOLIDATED	
	2016 \$000	2015 \$000
Overdraft facility	-	2,328
Amount utilised	-	(497)
Unused overdraft facility	-	1,831

NOTE 13 CASH AND CASH EQUIVALENTS

	NOTE	CONSOLIDATED	
		2016 \$000	2015 \$000
Cash at bank and on hand		1,399	1,133
Receivables Purchase Facility Utilised	12(b)	(1,803)	-
Deposits at call		-	2
		(404)	1,135

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:

	NOTE	CONSOLIDATED	
		2016 \$000	2015 \$000
Balances as above		(404)	1,135
Bank overdrafts	12(c)	-	(497)
		(404)	638

NOTE 14 TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2016 \$000	2015 \$000
Current		
Trade receivables	30,294	36,925
Allowance for doubtful debts	(202)	(2,051)
	30,092	34,874
Accrued income	7,614	6,132
Prepayments	483	389
Other debtors	1,231	1,173
	39,420	42,568

(A) FAIR VALUES

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

(B) INTEREST RATE RISK

The trade and other receivables are non-interest bearing.

(C) CREDIT AND FOREIGN EXCHANGE RISKS

Refer to the disclosure in Note 4.

(D) TRADE RECEIVABLES AGING ANALYSIS

Refer to the disclosure in Note 4.

(E) MOVEMENT IN THE PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES

	CONSOLIDATED	
	2016 \$000	2015 \$000
At July 1	2,051	267
Provision for impairment recognised during the year	202	1,784
Amounts written off during the year as uncollectible	(2,051)	-
Unused amount reversed	-	-
At 30 June 2016	202	2,051

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 at June 30 2016, trade receivables of \$5,510k were past due but not impaired. These relate to a number of customers for whom there was no history of default. The ageing analysis of these receivables is as follows:

	2016 \$'000
Overdue 1-30 days	3,638
Overdue 31-60 days	1,009
Overdue 61-90 days	574
Overdue greater than 90 days	289
	5,510

NOTE 15 DEFERRED TAX ASSETS

	CONSOLIDATED	
	2016 \$'000	2015 \$'000
The balance comprises temporary differences attributable to:		
Employee benefits	-	428
Provision for make good	-	132
Lease incentive	-	282
Accruals	-	989
	-	1,831
Movement		
Balance at beginning of the year	1,831	2,690
(Charged)/Credited to the income statement	-	(267)
De-recognition of tax losses	(1,831)	(592)
Balance at the end of the year	-	1,831

There are unrecognised deferred income tax assets in relation to tax losses (revenue in nature) of \$9,126k (FY2015 \$5,029k). Unrecognised deferred income tax assets are reassessed at each reporting date and will be recognised to the extent that the Directors' consider it probable that future taxable profit will allow the deferred income tax asset to be recovered.

NOTE 16 PLANT AND EQUIPMENT

	CONSOLIDATED	
	2016 \$'000	2015 \$'000
Plant and equipment, at cost	2,111	1,315
Accumulated depreciation	(1,083)	(655)
	1,028	660
Leasehold improvements, at cost	2,490	1,974
Accumulated amortisation	(1,444)	(1,052)
	1,046	922
Total plant and equipment	2,074	1,582

(A) MOVEMENTS IN CARRYING AMOUNTS - 2016

	PLANT AND EQUIPMENT	LEASEHOLD IMPROVEMENTS	TOTAL
	\$000	\$000	\$000
Consolidated			
Balance at the beginning of the year	660	922	1,582
Additions	846	549	1,395
Disposals	(19)	-	(19)
Depreciation expense	(459)	(425)	(884)
Carrying amount at the end of the year	1,028	1,046	2,074

(B) MOVEMENTS IN CARRYING AMOUNTS - 2015

	PLANT AND EQUIPMENT	LEASEHOLD IMPROVEMENTS	TOTAL
	\$000	\$000	\$000
Consolidated			
Balance at the beginning of the year	729	1,383	2,112
Additions	491	62	553
Disposals	(359)	(147)	(506)
Depreciation expense	(201)	(376)	(577)
Carrying amount at the end of the year	660	922	1,582

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):

	EQUITY HOLDING ⁽¹⁾			
	COUNTRY OF INCORPORATION INCORPORATION	CLASS OF SHARES	2016 %	2015 %
Alliance Recruitment Pty Ltd	Australia	ordinary	100	100
Candle Holdings Limited	New Zealand	ordinary	100	100
Candle New Zealand Limited	New Zealand	ordinary	100	100
Lloyd Morgan International Pty Limited	Australia	ordinary	100	100
JAV IT Group Pty Limited	Australia	ordinary	100	100
Ignite Management Services Pty Limited	Australia	ordinary	100	100
Lloyd Morgan Limited	Hong Kong	ordinary	100	100
Lloyd Morgan Hong Kong Limited	Hong Kong	ordinary	100	100
Candle Recruitment Pte Limited	Singapore	ordinary	100	100
Lloyd Morgan China Limited	China	ordinary	89	89

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

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

NOTE 18 INTANGIBLE ASSETS

	CONSOLIDATED	
	2016 \$000	2015 \$000
Candidate databases	1,876	1,876
Accumulated amortisation	(1,876)	(1,876)
	-	-
Capitalised software and development costs	2,520	2,513
Accumulated amortisation	(2,500)	(2,488)
	20	25
Total intangible assets	20	25

(A) MOVEMENTS IN CARRYING AMOUNTS – 2016

	CAPITALISED SOFTWARE COSTS \$000
Consolidated	
Balance at the beginning of the year	25
Additions	28
Disposals	-
Amortisation expense	(33)
Exchange differences	-
Carrying amount at the end of the year	20

(B) MOVEMENTS IN CARRYING AMOUNTS – 2015

	CAPITALISED SOFTWARE COSTS \$000
Consolidated	
Balance at the beginning of the year	3,033
Additions	445
Disposals	(33)
Amortisation expense	(464)
Impairment write down	(2,946)
Exchange differences	(10)
Carrying amount at the end of the year	25

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.

(C) IMPAIRMENT TESTS

The Group carried out a review of the recoverable amount of software capitalised. There are nil impairment losses in FY2016 (FY2015: \$2,946k).

NOTE 19 TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2016 \$000	2015 \$000
Current		
Trade and Other Payables	17,774	18,797
	17,774	18,797

(A) INTEREST RATE EXPOSURE

All trade and other payables are non-interest bearing.

(B) FINANCIAL GUARANTEES

Bank guarantees for \$1,067k (FY2015: \$1,241k) 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 PROVISIONS

	CONSOLIDATED	
	2016 \$000	2015 \$000
Current		
Employee benefits	1,104	1,304
Lease incentive	391	311
Work under guarantee	30	30
	1,525	1,645
Non-current		
Employee benefits	177	108
Lease incentive	432	635
Make good on leased premises	389	557
	998	1,300
Total Provisions	2,523	2,945

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 fulfill 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	946	557	30	1,533
Additional provision recognised	229	5	-	234
Amounts utilised	(352)	(173)	-	(525)
Carrying amount at the end of the year	823	389	30	1,242

NOTE 21 OBLIGATIONS UNDER FINANCE LEASES

	MINIMUM LEASE REPAYMENTS		PRESENT VALUE OF MINIMUM LEASE REPAYMENTS	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Not later than one year	206	212	205	211
Later than one year and not later than five year	18	159	17	158
Later than five years	-	-	-	-
	224	371	222	369
Less future finance charges	(2)	(2)	-	-
Present value of minimum lease payments	222	369	222	369
Included in the consolidated financial statements:				
- Current liabilities			205	211
- Non-Current liabilities			17	158
			222	369

This obligation represents the liability associated with the financing of software licenses over a 3 year period. At the end of the lease term ownership of the asset reverts to the Group.

NOTE 22 SHARE CAPITAL

	CONSOLIDATED	
	2016 \$000	2015 \$000
89,582,175 fully paid ordinary shares (2015: 89,582,175)	83,541	83,541
Ordinary shares at the beginning of the year	83,541	83,541
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.

	CONSOLIDATED	
	2016 NO.	2015 NO.
At the beginning of the year	89,582,175	89,582,175
At the end of the year	89,582,175	89,582,175

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	
	NOTE	2016 \$000	2015 \$000
Total borrowings	13	-	497
Less: cash and cash equivalents	13	404	(1,135)
Net debt/(cash)		404	(638)
Total equity		20,591	24,533
Total capital		20,187	25,171
Gearing ratio		2.0%	0.0%

NOTE 23 RESERVES

	NOTE	CONSOLIDATED	
		2016 \$000	2015 \$000
Share-based payments	23 (a)(i)	-	-
Foreign currency translation	23 (a)(ii)	(794)	(716)
Total		(794)	(716)

(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. Further information about share-based payments is set out in Note 26.

(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 OPERATING LEASE COMMITMENTS

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

	CONSOLIDATED	
	2016 \$000	2015 \$000
Within one year	4,036	2,408
Later than one year but not later than five years	6,853	3,044
Later than five years	-	-
	10,889	5,452

Operating lease commitments refer to property leases for the 13 locations (FY2015: 16 locations) operating across Australia, New Zealand and Asia with initial lease terms of between 6 months and 5 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 25 CONTINGENT LIABILITIES

The Group has no Contingent Liabilities to disclose. See Note 30 for details on the prior year Contingent Liability.

NOTE 26 SHARE BASED PAYMENTS

There were no share based payment transactions in the financial year (FY2015: Nil). No options have been granted during the year (FY2015: Nil) and no options remained outstanding.

NOTE 27 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

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	2016 \$	2015 \$
Short-term employment benefits	1,141,371	1,087,319
Post-employment benefits	63,433	79,512
Other long-term benefits	-	-
Termination benefits	-	139,964
Share-based payment	-	-
	1,204,804	1,306,795

(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.

NOTE 28 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 transactions between parties to the Deed of Cross Guarantee, at 30 June 2016 is set out as follows:

Statement of Profit or Loss and Other Comprehensive Income For the year ended 30 June 2016

	2016 \$000	2015 \$000
Revenue from continuing operations	147,325	133,223
On hired labour costs	(123,290)	(111,332)
Gross Profit	24,035	21,891
Employee benefits expense	(18,563)	(17,282)
Depreciation and amortisation expense	(450)	(673)
Operating rental expense	(2,500)	(2,032)
Restructuring	127	(1,760)
Other expenses	(3,281)	(5,255)
Impairment loss	(7,379)	(2,946)
Results from operating activities	(8,011)	(8,057)
Finance income	2	6
Finance cost	(65)	(154)
Net finance cost	(63)	(148)
Loss before income tax	(8,074)	(8,205)
Income tax expense	(2,502)	(498)
Total comprehensive loss for the period	(10,576)	(8,703)
Retained earnings at beginning of year	(63,293)	(55,934)
Loss after income tax	(10,576)	(8,703)
Transfer of lapsed share options	-	1,344
Accumulated losses at end of year	(73,869)	(63,293)

Statement of Financial Position
As at 30 June 2016

	2016 \$000	2015 \$000
Current assets		
Cash and cash equivalents	7	-
Trade and other receivables	31,302	31,562
Total current assets	31,309	31,562
Non-current assets		
Other receivables	4,783	7,497
Plant and equipment	1,308	886
Deferred tax assets	-	1,618
Investments	-	3,225
Other intangible assets	14	-
Total non-current assets	6,105	13,226
Total assets	37,414	44,788
Current liabilities		
Other payables	15,247	14,585
Bank overdraft/Receivable financing facility	1,803	134
Provisions	2,837	1,907
Total current liabilities	19,887	16,626
Non-current liabilities		
Trade and other payables	7,717	7,206
Provisions	138	708
Total non-current liabilities	7,855	7,914
Total liabilities	27,742	24,540
Net Assets	9,672	20,248
Equity		
Share capital	83,541	83,541
Accumulated losses	(73,869)	(63,293)
Total equity	9,672	20,248

NOTE 29 PARENT ENTITY DISCLOSURE

	2016 \$000	2015 \$000
Result of parent entity		
Loss for the year	(10,308)	(9,393)
Other comprehensive income	-	-
Total comprehensive income for the year	(10,308)	(9,393)
Financial position of parent entity at year end		
Current Assets	26,435	27,649
Total Assets	30,482	40,173
Current Liabilities	(15,984)	(15,294)
Total Liabilities	(16,092)	(15,475)
Net Assets	14,390	24,698
Share capital	83,541	83,541
Retained earnings	(69,151)	(58,843)
Total equity	14,390	24,698

Parent entity contingencies

There are no material contingent liabilities as at 30 June 2016 (FY2015: Nil).

There are no capital commitments for the acquisition of property, plant and equipment as at 30 June 2016 (FY2015: 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 28.

NOTE 30 EVENTS SUBSEQUENT TO THE REPORTING DATE

On the 23rd of August 2016 the Board accepted a formal offer from a major financial institution for the provision of a secured \$10m Receivable Purchase Facility on a 24 month term. The Group will now begin the transition process from the existing provider of the Debtor Finance Facility.

In financial year 2015 the Group terminated a service agreement with a software provider. As at 30 June 2015 the Group disclosed a Contingent Liability for disputed invoices not provided for amounting to \$210k. On 8 August 2016 a settlement was reached between the Group and the software provider. The previous Contingent Liability disclosed by the Group is no longer necessary and there is no liability for the Group in relation to this software provider. The terms of the settlement prevent the Group from disclosing further details of the settlement.

No other 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.

DIRECTORS' 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 21 to 58 and the remuneration report in the Directors' Report, set out on pages 10 to 16, 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 2016 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 28 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 2016.
4. The Directors draw attention to Note 2 to the financial statements, which include a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:



Garry Sladden
Independent Non-Executive Chairman



Jennifer Elliott
Independent Non-Executive Director

Dated at Sydney this 25th day of August 2016.

Independent Auditor's Report to the members of Clarius Group Limited

Report on the Financial Report

We have audited the accompanying financial report of Clarius Group Limited, which comprises the consolidated statement of financial position as at 30 June 2016, 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 21 to 59.

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 company'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 company'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.

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 Clarius Group Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 16 of the Directors' report for the year ended 30 June 2016. 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 2016, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Jason Thorne
Partner
Chartered Accountants
Sydney, 25 August 2016

CORPORATE GOVERNANCE STATEMENT

For information regarding our Corporate Governance Statement please refer to our website.

(<http://www.clarius.com.au/investors-media/governance/>)

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 903.

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 as at 31 July 2016

CATEGORY	NUMBER OF HOLDERS
1-1,000	461
1,001-5,000	835
5,001-10,000	364
10,001-100,000	464
100,001 and over	56
	2,180

20 largest shareholders of fully paid ordinary shares as at 24 August 2016

RANK	NAME	NUMBER OF UNITS	%
1	EGO PTY LIMITED	20,426,852	22.80
2	CITICORP NOMINEES PTY LIMITED	12,908,770	14.41
3	ONE MANAGED INVT FUNDS LTD	7,591,834	8.47
4	J P MORGAN NOMINEES AUSTRALIA LIMITED	4,575,033	5.11
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,562,652	3.98
6	NATIONAL NOMINEES LIMITED	2,858,741	3.19
7	AVANTEOS INVESTMENTS LIMITED	2,748,442	3.07
8	EGO PTY LIMITED	2,530,607	2.82
9	PERMAN INVESTMENTS PTY LTD	1,450,337	1.62
10	MR IAN WALLACE EDWARDS + MRS JOSEPHINE EDWARDS	1,083,072	1.21
11	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	787,644	0.88
12	G J P INVESTMENTS PTY LTD	764,886	0.85
13	MR MATTHEW DONALD MULLINS	723,700	0.81
14	FIVE TALENTS LIMITED	425,266	0.47
15	MR CHRISTOPHER ANDREW GRUMMET	422,491	0.47
16	FRETENSIS PTY LTD	400,000	0.45
17	MR WARWICK CRUMBLIN AND MRS MARY CRUMBLIN	400,000	0.45
18	MR WILLIAM YUE	390,230	0.44
19	MRS JACQUELINE GARRETT	370,239	0.41
20	MR WILLIAM HENRY HERNSTADT	357,956	0.40
		64,778,752	72.31



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