Clarius Group

RISING TO THE CHALLENGE

ANNUAL REPORT **2012**

CHAIRMAN'S ADDRESS

Dear Shareholders,

Financial year 2012 has been a year of substantial challenges to our business and changes to our operating environment and management.

The underlying profit performance of $2.1 million goodwill impairment excluding, in line with market guidance, of the Group decreased by 51.6 per cent, from FY2011, on a revenue increase of 2.3 per cent.

The operating environment also compelled the Group to assess the carrying value of goodwill relating to prior acquisitions. In accordance with IFRIS accounting standards we have provided for a non cash impairment of $11.5 million resulting in a statutory net loss after tax of $9.4 million.

I noted in last year's Chairman's address emerging signs of global economic and financial instability which may impact upon the employment sector. The reality of the European financial crisis created substantial uncertainty and lack of confidence in most non resource sectors, especially white collar permanent recruitment whereby our customers curtailed or reduced their recruitment expansion plans. This lack of confidence had a severe impact on our permanent recruitment revenue and profits.

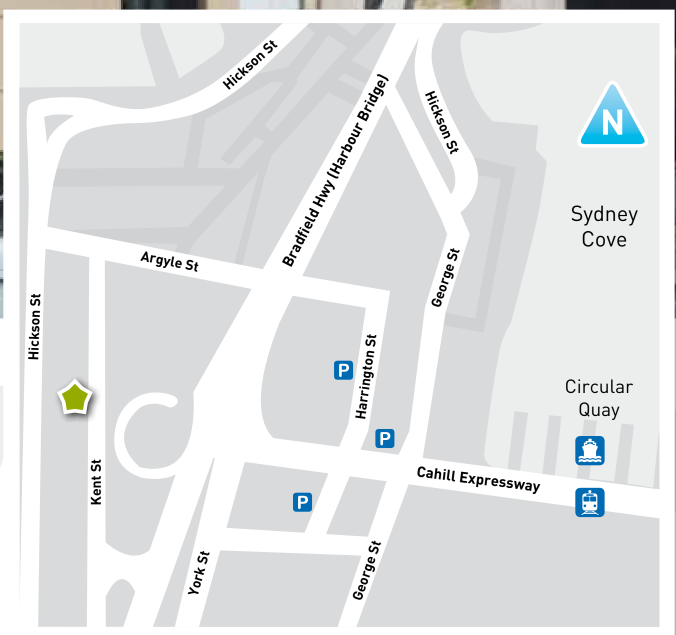
As a reflection of the difficult trading environment the Group paid only a 1.0 cent dividend for the first half. Directors decided to be prudent and declined to recommend a second half dividend. An additional factor in the absence of a dividend for the second half was the need to preserve cash as we have embarked upon a strategy of reinvestment in the business to improve our payroll systems and associated IT infrastructure.

During the year we finalised the succession planning of our senior management whereby Geoff Moles retired as Managing Director and Kym Quick was appointed Managing Director & CEO on July 1 2012.

Geoff Moles has remained on the Board as a non-executive director. Geoff as the Founder has led the Group as either Managing Director or Executive Chairman for some 27 years. His contribution to the Group has been exemplified not only in terms of direct profit contribution but also in developing the ethos and culture of the company over many years. Geoff has been an industry leader as the recruitment industry has matured and grown into an integral part of the Australian economy. Geoff has mentored many successful recruiters over many years and the Board acknowledges the smooth transition of succession to Kym Quick. Kym is a well-deserved successor as Managing Director & CEO and the Board looks forward to working with her as we develop strategies for profit growth in a very challenging market. I also welcome Anne Bastock who has been appointed as our new Chief Financial Officer I would like to also make mention of the efforts of a senior management team and staff who have laboured under difficult conditions during the financial year.

The current financial year environment continues to provide challenges to our operating environment which will be expanded upon in Kym Quick Managing Director's report and address to shareholders and at the forthcoming AGM.

Lawrence Gibbs
Chairman



LANGHAM HOTEL
SYDNEY

The Annual General Meeting of Clarius Group will be held at 3p.m. on Tuesday, 20 November 2012, at the Langham Hotel Sydney (previously Observatory Hotel) at 89 – 113 Kent Street, Sydney.

CLARIUS GROUP LTD

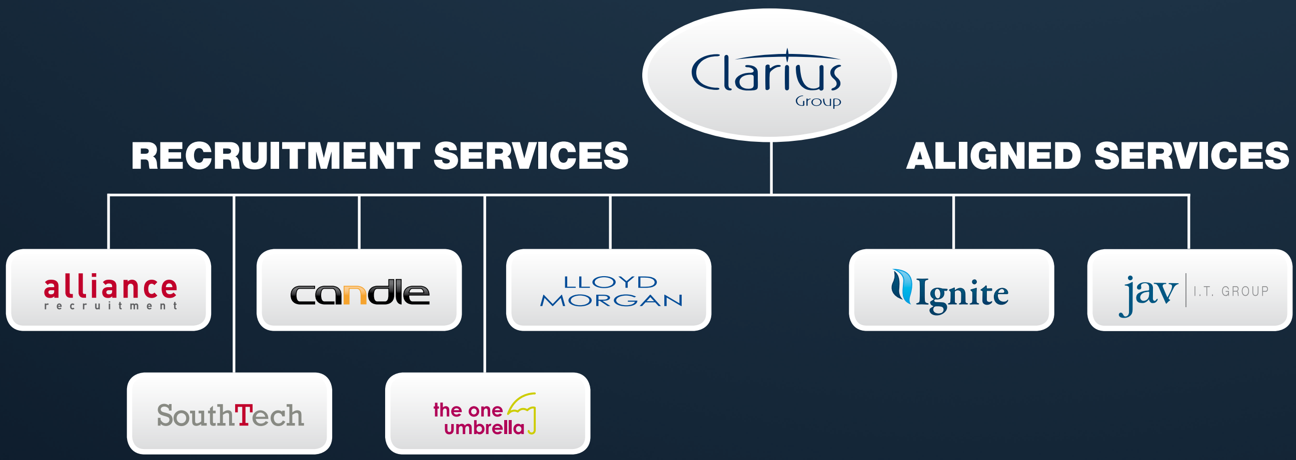
RISING TO THE CHALLENGE

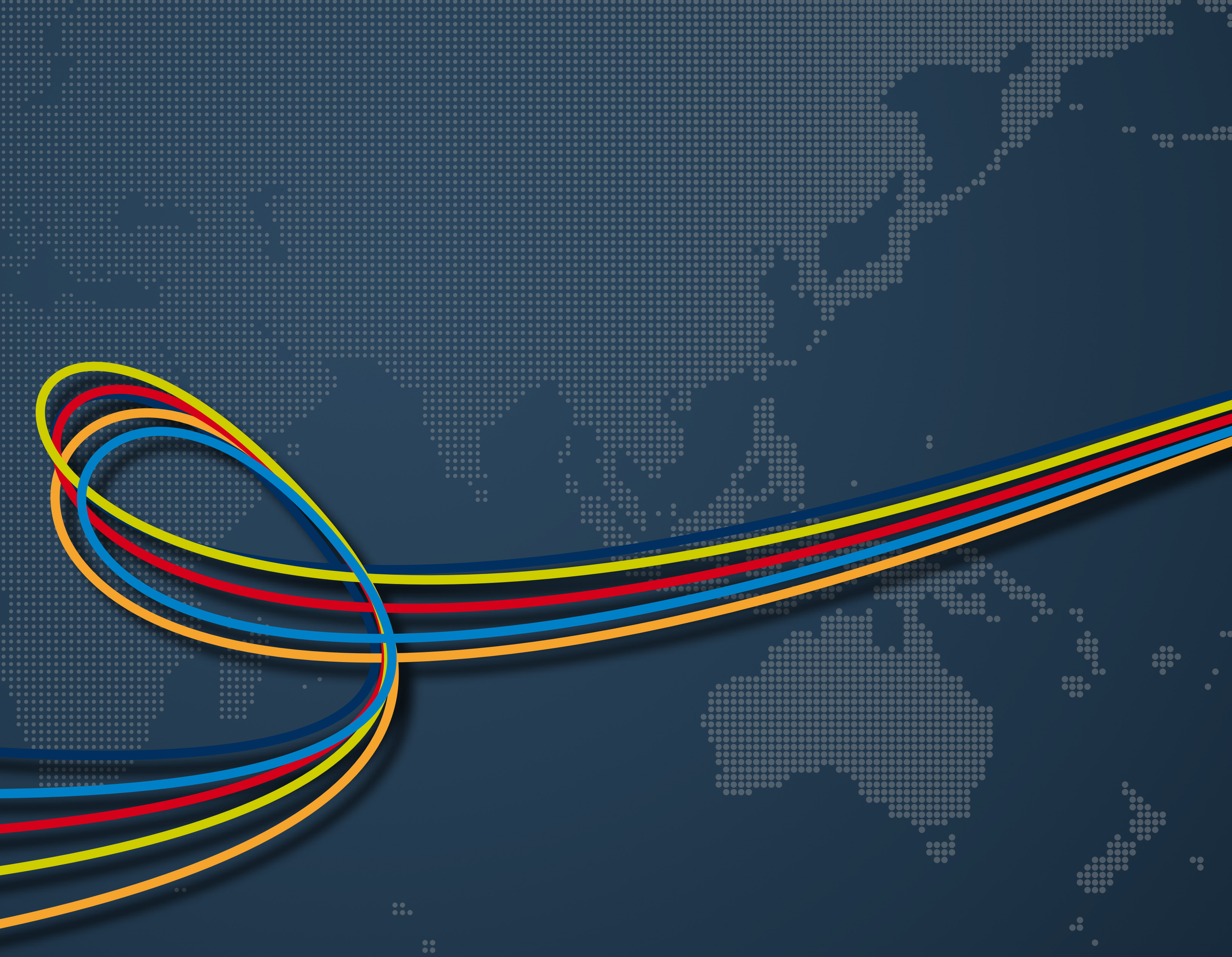
ANNUAL REPORT **2012**

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

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

ABOUT CLARIUS GROUP





FINANCIAL HIGHLIGHTS

TOTAL REVENUE
$273 million (2011: $267m)

NET PROFIT AFTER TAX
$2.1 million* (2011: $4.7m^)

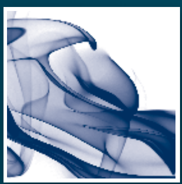
EARNINGS PER SHARE EXCLUDING IMPAIRMENT (CENTS)
2.3 cents (2011: 4.9 cents)

OPERATING CASH FLOW
$(2.0) million (2011: $8.6m)

DIVIDEND
1.0 cents (2011: 4.0 cents)

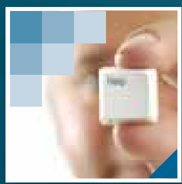
*Before non-cash impairment
^Before non cash impairment write down and de-recognition of tax losses

HOUSE OF SPECIALIST BRANDS



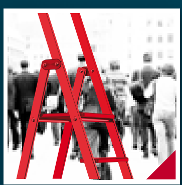
Clarius Group

Clarius Group (ASX: CND) is a specialist employment services provider of recruitment, contractor and staffing services across multiple industry sectors across the Asia Pacific region.



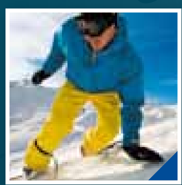
jav I.T. GROUP

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



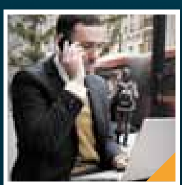
alliance recruitment

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



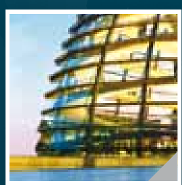
LLOYD MORGAN

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



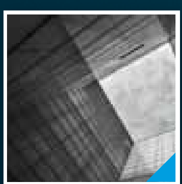
candle

For over 28 years, Candle has supplied contract and permanent IT talent from helpdesk support, to Chief Information Officers, covering the full project lifecycle as well as specialist niche technologies.



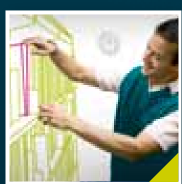
SouthTech

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



Ignite

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



the one umbrella

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

> 12 Cities
> 36 Offices+
> 320 Employees

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

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

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

+ Including co-located offices

OUR PEOPLE

KYM QUICK

Managing Director and Chief Executive Officer – Clarius Group

Time at Clarius: 16 years

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

Kym has over 19 years of experience in the recruitment industry and joined the Clarius Group in 2001 through the acquisition of the Alliance brand. In her time at Clarius, Kym has been responsible for working with and managing the majority of the business divisions within the group including Shared Services.

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

ANNE BASTOCK

Chief Financial Officer – Clarius Group

Time at Clarius: 6 months

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

Anne brings with her extensive experience in senior finance roles and most recently with CSC and Paxus where she spent over 16 years in various positions. Anne is particularly strong in respect to systems implementation and change management.

LINDA TREVOR

Executive General Manager – Candle

Time at Clarius: 2.5 years

As Executive General Manager – Candle, Linda is responsible for the overall performance and strategic growth of Candle.

Linda has over 20 years of recruitment experience, having worked with a number of large internationals as well as local recruitment companies. Her recruitment career started in 1992 when Linda ran an Office Support desk at Trinity People (now part of DFP) for 5 years before working her way up into General Management firstly with Robert Half International, The Credit Recruitment Specialists (part of the Rubicor Group) and then with Adecco. Prior to joining Candle, Linda was employed by Sirius Technology where she successfully expanded their IT recruitment business into a multi branded business that became the Sirius Group of Companies. Linda also has a Bachelor of Music Education from the University of NSW.

candle

PAUL BARBARO

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

Time at Clarius: 6 years

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

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

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

alliance recruitment   LLOYD MORGAN   Ignite

WE ADOPT A SUSTAINABILITY APPROACH TO ALL THAT WE DO

OUR COMMITMENT TO SUSTAINABILITY:

> SUSTAINABILITY PRINCIPLES DEVELOPED AND ROLLED OUT TO TOP 10 KEY SUPPLIERS
> SUSTAINABILITY COMMITTEE OF EIGHT MEMBERS ELECTED
> SUSTAINABILITY CHAMPION APPOINTED

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

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

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

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

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

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

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

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

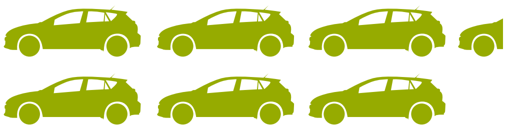
OUR COMMITMENT TO THE ENVIRONMENT

> ENVIRONMENTAL MANAGEMENT SYSTEM (EMS) DEVELOPED
> THREE ENVIRONMENTAL GOALS ESTABLISHED
> OBJECTIVES AND PROGRESS PUBLISHED ON CLARIUS WEBSITE

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

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

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



7.92 tonnes of material recycled from Sydney CBD operations which is equivalent to the weight of 6.3 standard cars

51 servers virtualised saving approximately 80,000 watts of electricity continuously

7.99 tonnes carbon dioxide CO^2 offset through Lyreco's (our stationery supplier) offset programme

OUR COMMITMENT TO COMMUNITY PARTNERSHIPS

Giving is Sweet *All donations matched by Clarius*

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

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

Our workplace giving scheme aims to support small, independent Australian charities that are meaningful to our staff and who will use the donations to make a tangible difference to our local communities. Examples of the charities we have supported this year are: Giant Steps, Indigo Express, Street Swags and Disabled Surfers Association.

> COMPANY MATCHED WORKPLACE GIVING SCHEME

> 12 CHARITIES SUPPORTED EVERY YEAR

> $175,000 DONATED SINCE JANUARY 2006

THIS YEAR, $22,860 HAS BEEN DONATED BY THE WORKPLACE GIVING SCHEME – THAT'S ENOUGH TO BUY OVER 6,500 CUPS OF COFFEE

> FIRST AUSTRALIAN COMPANY TO TAKE PART IN A GIVE-A-DAY CAMPAIGN
> HELD ON BANDANA DAY EVERY YEAR FOR THREE YEARS IN A ROW
> COMMENCED 2009 WITH INCREASED SUPPORT EVERY YEAR

OVER $80,000 RAISED SO FAR THAT'S... EIGHT 3 DAY CANTEEN HEALTHY LIVING PROGRAMS FUNDED

172 DAYS DONATED BY STAFF THAT'S... EQUIVALENT TO 30 RETURN TRIPS FROM SYDNEY TO NEW YORK

The Clarius Group began supporting CanTeen in October 2009 and has since raised over $80,000.

Clarius was the first company to take part in CanTeen's Give-A-Day campaign. For three years in a row, employees across The Clarius have donated a total of 172 day's salary to CanTeen on National Bandanna Day.

On top of this, Clarius employees sell bandannas throughout its offices on National Bandanna Day and employees also donate to CanTeen through the monthly workplace giving scheme.

Funds raised and donations made by Clarius Group enable CanTeen to deliver vital psychosocial support programs to help young people overcome the physical, practical and emotional issues they face along their cancer journeys.

$80,000 pays for eight CanTeen Healthy Living Programs. Each program is residential and run over a 3-day period.

Young people living with cancer, either as a cancer patient, or sibling or offspring of a cancer patient, are thrown into a world of uncertainty, stress and fear which can impact on their health. Some young people have to look after themselves more while their parent or sibling is going through treatment. They can also be given more responsibility at home, such as looking after others in the family or looking after household chores while their sibling or parent is going through treatment.

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

Healthy Living Program workshops teach techniques and strategies for living a healthy lifestyle despite a cancer experience. At each program there is a particular focus on emotional and physical wellbeing, relaxation techniques, coping strategies for stress, exercise and nutrition.

CanTeen Members supporting each other through their cancer journeys – from left to right, India (13), Ellie (16) and Ainslie (17).

Cameron, now aged 24, joined CanTeen when he was 12 after being diagnosed with cancer. Cameron wrote this message for Clarius Group whilst on at a recent CanTeen Healthy Living Program.

"After 12 years of CanTeen programs, I still love and enjoy every minute of one.

This weekend we are on our Healthy Living weekend, and it is becoming one of my favourite programs of the calendar. It's not about eating healthy all weekend, but more about how to live a balanced lifestyle and being healthy on the inside. We shared stories about our cancer journey as well as learnt from those who had been through tough times and come through better than before how to cope and learn from life.

A wheelchair basketball session gave us an opportunity to learn that it doesn't matter what your circumstance is, there is always hope and always a way to follow your dream. Reece, an Australian Wheelchair Basketball representative and our 'coach' for the session told us his story of how even though his life was changed forever, he was still able to follow his passion for sport and being active.

This program gave me an opportunity to catch up with old friends, and unwind from the end of year workload that comes with working in a full time job now.

Being on the Board of Directors is a huge part of my CanTeen life now, and it has given me skills and opportunities that have changed my life forever, but I will always believe that one of the greatest parts of CanTeen is the friends that you get who will stick by you forever.

I had an opportunity to catch up this weekend with a friend who has been off studying for the last two years, and even though we have only spoken a few times since then, as soon as we saw each other it was just like nothing had changed. We were talking and joking as if we only saw each other last weekend and after we had been filled in on what the other had been up to, I was reminded just how powerful these friendships can be.

Without the generosity from our volunteers and supporters these programs would not exist and I would be a very different person from what I am today. Although all the Members get to see those who are able to give up days and even weeks for CanTeen through volunteering and coming on programs, it is only a few of us who have the privilege of speaking to groups and organisations like Clarius and seeing the huge generosity that goes on behind the scenes that keeps CanTeen growing and moving forward.

Although my 25th birthday is approaching and my time on programs will be coming to an end, it is by no means the end of what I will get out of CanTeen. It will not just be the friends that I have gained, the inspiration given to me by the Members around me and the experiences that we have shared that will stay with me for life, but it will also be the generosity of the public and that even though you don't always see it, the smallest gesture of generosity can change the world, even if it is just for one person.

Thank you once again for all your ongoing support."

Cameron

WE RECOGNISE A DIVERSE WORKFORCE IS A KEY COMPETITIVE ADVANTAGE

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

We understand that a diverse workforce is one that recognises and embraces the varied skills and perspectives that people bring to the organisation through their differences. Diversity may result from a wide range of factors including origin, age, gender, cultural heritage, lifestyle, education, physical ability, appearance and language amongst many other factors.

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

DIVERSITY HIGHLIGHTS

TOTAL STAFF

58% female v 42% male

MANAGEMENT

47% female v 53% male

EXECUTIVE

50% female v 50% male

BOARD

40% female v 60% male

MANAGING DIRECTOR'S REPORT

2012 in Retrospect

The 2012 financial year continued to present challenges to the recruitment market. The beginning of the year saw some signs of improvement to general hiring conditions, but they were short lived as we moved into more turbulent conditions throughout the second half. Throughout the year the economy continued to defy the odds by remaining reasonably healthy, however, scepticism in the market caused by share market turbulence, sliding of resource prices, a retail slump, carbon tax concerns and European debt issues took its toll on the sentiment within the overall business community. This lack of confidence resulted in conservatism around hiring decisions and growth plans within organisations.

Off the back of this, the year saw further pressure on permanent hiring activity in the market but increased demand for contracting services. The obvious impact of this is an increase to sales revenue, up 2.3 per cent to $273.4 million, but a subsequent decrease to Gross Margin. Overall, gross margin was down from 19.4 per cent to 16.9 per cent. The majority of this decline was due to the loss of permanent revenue which was down 35 per cent on 2011 performance, and a minor reduction to contracting margins. This trend tells two stories. Firstly, the overall confidence in the economy is still low. Employers are cautious about taking on permanent headcount when in the back of their minds they are concerned about further economic slowdown and the impact of needing to shed additional permanent staff. The other side, the bright side, of this issue suggests that there is still demand. Employers still need headcount for growth and to facilitate projects which suggests an underlying confidence in the future of the economy and general business conditions. At the first real signs of a recovery, we will see a strong return to permanent hiring by organisations, particularly with the back drop of a skills shortage in many sectors.

Throughout the year Clarius continued to win new business. Not only were all major accounts up for negotiation throughout the year re-signed, but a significant number of new potential major accounts were won across the group. Although some of the re-negotiations required some margin decrease, we have been able to improve our productivity to ensure that the services are delivered for a lower cost. Over the last three years, Clarius has focused on rebuilding a strong sales culture and this is showing results through the addition of new clients which has helped to provide stability during otherwise uncertain times on the recruitment landscape. New client wins cover both private and public sector organisations and provide a good opportunity for future growth.

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

With the growth in contracting revenues came greater demand for working capital. The first half saw operating cash flow negative $4.1 million but this was significantly improved in H2 which resulted in positive $2.1 million. Cash flow management continues to be a priority into 2013 as we continue to maintain low levels of debt to provide funding for requirements to reinvest back into the business infrastructure and for potential acquisition opportunities.

Cost control and productivity improvements were a major focus for 2012. Across the year, both employee costs and other overheads were decreased by 5 per cent and 10 per cent respectively. This was from a combination of both productivity improvements and consolidation activities. Benefits of the reduced cost base and improved productivity across the brands will flow into 2013.

An impairment of Goodwill of $11.5 million was undertaken over several brands. This impairment reflects the impact of ongoing market turbulence on the businesses that were acquired during the peak of the market cycle and the impact of some of the brand consolidation that has taken place since they were acquired. The brands that were impacted the most have been those with a higher reliance on permanent revenue streams.

Our business in China also underwent significant change during 2012. With a long established business in the region, our operating methodologies required review and re-engineering which took place throughout the second half of the year. These changes having now been completed will show positive returns in 2013. A new Managing Director in the region has been able to build strong revenue streams and productivity increases which we expect will return the region to profit in the full year 2013.

We continued to focus on building managed services opportunities throughout 2012 and this will have increased focus in 2013. With the changing nature of client expectations and requirements, we see this as a significant opportunity to ensure ongoing revenues and profit from "complimentary" services into the future.

2013 and Beyond

Our focus will continue to be on protecting and building our core recruitment business. Our "house of specialist brands" strategy will continue to build the reputation of our business lines in their sectors and will be particularly important when the market returns to strong trading conditions with the backdrop of a skills shortage in the market. Our vision is to be recognised in each of our sectors as a specialist by our clients and candidates which will provide us with both exclusive access to talent along with higher margin opportunities in the market.

Our presence in China, particularly Beijing and Shanghai will strengthen with the market in this region presenting many opportunities to expand both our recruitment business and our managed service offerings into this space. With the rebuilding of the recruitment business well and truly underway, we will look to future investment in diversifying geographically further into the region as well as looking to establish the capability to provide managed services and contracting solutions to the Chinese market. With a rapidly changing landscape in this region, we see the potential to lead our competitors in this space to take advantage of the market conditions as they evolve.

Investment in the infrastructure of the business is critical right now and 2013 will see significant improvements to our systems and technology. A project to implement new technology will provide huge improvements to our productivity and efficiency as well as providing scalability as the business grows – particularly in the contracting space. This project will require a $1.5 million investment and take one year to complete, but will show returns almost immediately upon completion.

In the Australian market, we anticipate some further evolution of the recruitment model within organisations. We have seen many trends over the last few years with clients looking to maximise on the market conditions by implementing various models including Recruitment Process Outsourcing (RPO), in-house recruitment teams and variations everywhere in between with varying degrees of success. Although we see some advantage to these solutions, the most important recruitment strategy for organisations now and into the future is to secure the best talent and work with a model that best delivers that. The strength of the Clarius brands is in its ability to deliver to that strategy and we will continue to focus on that into the future as the "war for talent" fires up again. We will continue to review the model that we use to deliver these outcomes and will add to that further solutions in respect to Business Process Outsourcing and Human Resource Outsourcing.

Although we will continue to consider acquisition opportunities that complement both our service offerings and geographical segments, our ability to grow organically through diversification and strengthening of our existing capability is strong. Through the turnaround in the business in China and continued focus on the Australian and New Zealand business we are well positioned to remain financially stable during the continued turbulence and return to historic levels of profitability when the market conditions improve.

We have and will continue to invest in our people. The skills required to be successful in the recruitment market today change rapidly and our focus on developing our people has never been more important. The 2012 year saw the implementation of several new learning and development initiatives that have begun and will continue to show strong returns and strengthen our people's ability to face constantly changing market conditions.

We look to 2013 with confidence in respect to our operations internally and ability to continue to increase our productivity and returns. With a still uncertain market, our ability to adapt and change quickly has become paramount. We have grown in our capability to do this and combined with good fiscal management, Clarius is strongly positioned in the market.

To the Clarius Team

I want to say thank you to the team at Clarius who everyday come to work to do the best job that they can in what has been very challenging times. They continue to impress me with their focus, dedication and loyalty which are critically important things during these conditions. We are in a "people business", and our people are the heart and soul of this business. They understand their responsibility to our shareholders and work hard to deliver the best outcomes they can, so I thank them on behalf of myself, the Board and the Shareholders of the Clarius Group.

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

CORPORATE GOVERNANCE STATEMENT

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

Principle 1 – Lay Solid Foundations for Management and Oversight

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

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

During the year the Board met 13 times. Meetings are held at regular intervals throughout the year supplemented by additional meetings as required in the conduct of the Board's responsibilities.

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

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

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

Role of the Managing Director

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

Senior Executives' Performance Evaluations

Across the Group, there is a strong performance management discipline teamed with competitive reward and incentive programs. As part of the managing director and senior executives' remuneration packages there is a performance-based component, related to Key Performance Indicators (KPI's). The intention of this program is to facilitate congruence of goals between executives and those of the business and shareholders. The KPI's are set 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. Performance reviews have been carried out in accordance with policy during the financial year.

Principle 2 – Structure of the Board to Add Value

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

Directors in Office at the Date of this Statement

Name	Position	Date of appointment
Mr Lawrence J Gibbs	Independent Non-Executive Chairman	29 August 2001
Ms Kym L Quick	Managing Director	30 June 2012
Mr Geoffrey J Moles [1]	Non-Executive Director	1 March 1984
Ms Penelope Morris	Independent Non-Executive Director	23 August 2005
Mr Simon C M Kelly	Independent Non-Executive Director	24 August 2011

[1] Geoffrey J Moles resigned as Managing Director and was appointed as a Non Executive Director 30 June 2012. He has been a Director since 1 March 1984, in a variety of roles including Managing Director, Non-Executive Director and Non-Executive Chairman.

Biographical details showing the relevant skills, experience and expertise held by each Director are included in the Directors' Report on pages 23-24.

Directors Independence

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

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

- they are not a substantial (5% or greater) shareholder of the Group or an officer of a substantial shareholder of the Group;
- they have not been employed in an executive capacity in the last three years by the Group or a subsidiary of the Group;
- they have not been employed as a Principal of a material professional advisor to the Group during the past three years;
- they are not a material supplier or customer of the Parent Entity, or any subsidiary of the Group;
- they have no material contractual relationship with the Group (other than as a Director); and
- they are free from any interest, business or personal, which could, or could reasonably, be perceived to materially interfere with the Director's ability to act in the best interests of the Group.

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

- the customer accounts for more than 5% of the Group's consolidated gross revenue per annum;
- the Group accounts for more than 5% of the supplier's consolidated revenue;
- the total value of any contract or relationship between the Group and the Director (other than as a Director of the Group) exceeds $200,000.

Independent Professional Advice

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

Directors' selection

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

Directors' Performance Review

The Chairman carries out a formal review of performance with each Director, which also involves an opportunity for the Chairman and each Director to provide feedback relevant to the ongoing value of the Board as a whole. In addition, performance reviews are conducted for each of the Board Committees. During the financial year, performance reviews were conducted in accordance with these policies. The Chairman reports to the Board on the outcomes of each review.

The Chairman

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

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

Board Committees

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

Board Audit, Risk and Compliance Committee

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

The members of the Committee during the year were:

- Mr Simon C M Kelly (Chairman) (Appointed 24 August 2011)
- Mr Lawrence J Gibbs
- Ms Penelope Morris

Qualifications of Committee members are set out on pages 23-24 of the Directors' Report.

The Committee, which is accountable to the Board, is required by its Charter to meet at least twice per year. Details of the number of meetings of the Committee held during the year, and the attendees at those meetings, are set out on page 35 of the Directors' Report.

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

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

Board Remuneration and Nominations Committee

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

The members of the Committee during the year were:

- Mr Lawrence J Gibbs (Chairman)
- Ms Penelope Morris
- Mr Simon C M Kelly (Appointed 24 August 2011)

The Committee, which is accountable to the Board, is required by its Charter to meet at least twice per year. Details of the number of meetings of the Committee held during the year, and the attendees at those meetings, are set out on page 35 of the Directors' Report.

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

- recommending the structure and constituency of the Board such that it has the effective composition, size and commitment to properly discharge its responsibilities and duties;
- ensuring appropriate Board succession planning, including identification, induction and training of new Directors as required;
- performance assessment in relation to the Board and individual Directors;
- assisting the Chairman in relation to the efficacy of Board processes;
- recommending Chairman and Non-Executive Director remuneration;
- recommending remuneration framework and levels for the Managing Director and other senior management;
- assisting the Chairman in relation to performance; goals for, and assessment of, the Managing Director and senior management;
- policies and procedures regarding the senior management team for recruitment, retention, remuneration, training and succession planning;
- policies on superannuation arrangements for the Group.

For details on the amount of remuneration, and all monetary and non-monetary components for each of the highest paid Executives who were not Directors during the year, and for all Directors, refer to pages 29-34 of the Directors' Report. In relation to the payment of bonuses, options, and other incentive payments, discretion is exercised by the Board having regard to the overall performance of the Group and the performance of the individual during the period.

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

Company Secretary

The Company Secretary is appointed by the Board and is accountable to the Board, through the Chairman, on all governance matters. Biographical details showing the relevant skills, experience and expertise held by the Company Secretary are included in the Directors' Report on page 27.

Principle 3 – Promote Ethical and Responsible Decision-Making

Code of Conduct / Ethical Business Behaviour

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

All Directors, management and employees acknowledge that they have read, understand and will comply with this Code. The code is available on the Group's website at www.clarius.com.au

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

Share Ownership and Dealings

Details of shareholdings of Directors in the Company are set out in the Directors' Report on page 34.

Securities Trading Policy

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

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

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

Diversity Policy

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

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

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

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

Gender Diversity

The following are the gender ratios at the date of this report:

Total Staff
58% female, 42% male

Management
47% female, 53% male

Executive
50% female, 50% male

Board
40% female, 60% male

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

Other achievements include:

- Industry leading Parental Leave benefits including: 8 weeks paid leave, Keeping in Touch Days, a 2 week transitional period on full pay,
- 88% of all new flexible working applications in the past 12 months were accepted,
- 100% of parents returned after their Parental Leave,
- According to our staff survey, 84% believe Clarius employees are treated with fairness and respect.

Principle 4 – Safeguard Integrity in Financial Reporting

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

Internal Audit

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

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

External Auditors

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

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

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

Principle 5 – Make Timely and Balanced Disclosure

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

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

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

Principle 6 – Respect the Rights of Shareholders

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

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

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

Principle 7 – Recognise and Manage Risk

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

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

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

Financial Reporting

The Managing Director and the Chief Financial Officer have stated, in writing, to the Board that the Group's financial statements for the year ended 30 June 2012 present a true and fair view in all material respects of the Group's financial position and its operations for the year, and that they are in accordance in all material respects with all relevant accounting standards. The Managing Director and the Chief Financial Officer have further stated to the Board in writing that the Group's records have been properly maintained under law; that the financial statements are underpinned by sound systems of risk management and internal controls which are operating effectively in all material respects; and that there are no post 30 June 2012 events which would materially impact the effectiveness of those systems.

Workplace Health and Safety

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

Principle 8 – Remunerate Fairly and Responsibly

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

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

DIRECTORS' REPORT

LAWRENCE J GIBBS

Independent Non-Executive Chairman

Lawrence Gibbs is currently Managing Director of BG Capital Corporation Limited, an independent investment banking firm. Lawrence was previously executive director and head of investment banking at Burdett Buckeridge & Young Limited, a well known Australian stockbroking and investment banking firm. He has 37 years experience in the financial services industry, including senior executive positions in funds management, corporate advisory, investment banking and stockbroking. Lawrence is a director of Barrenjoey Holterman Fund and several private investment companies. Lawrence holds a Bachelor of Economics degree and is a member of the Australian Institute of Company Directors.

Lawrence is also a member of the Board Audit, Risk and Compliance Committee and the chairman of the Board Remuneration and Nominations Committee.

KYM L QUICK

Managing Director and Chief Executive Officer

Kym Quick has over 19 years in the recruitment industry and was appointed as Managing Director and Chief Executive Officer for the Clarius Group on 30 June 2012. Kym is responsible for the overall performance of the business.

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

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

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

GEOFFREY J MOLES

Non-Executive Director

Geoffrey Moles has over 42 years commercial experience in Information Technology (IT) and Recruitment including over 32 years at senior management levels. In 1984, he established Candle Computer Services Pty Ltd which became Candle Australia Limited when it listed on the ASX in 1997 before changing its name to Clarius Group Limited in 2007. Geoffrey's roles in the Clarius Group have been Founder, Managing Director, Chairman, and Non-Executive Director.

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

PENELOPE MORRIS AM

Independent Non-Executive Director

Penny Morris has been a company director for the past 18 years over which time she has served on a wide range of ASX listed and government enterprise boards, such as Mirvac Ltd, Country Road Ltd, Aristocrat Ltd, Jupiters Ltd, Howard Smith Ltd, Australia Post, Energy Australia, Landcom, Sydney Harbour Foreshore Authority and Indigenous Land Corporation. She is currently a director of the NSW Institute of Teachers, Bowel Cancer Australia, and several private companies.

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

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

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

SIMON C M KELLY

Independent Non-Executive Director

Simon Kelly is currently Chief Operating Officer and Chief Financial Officer of Nine Entertainment Co., Australia's largest diversified media and entertainment group. Simon was formerly Chief Executive Officer at DealsDirect Group; Chief Financial Officer, Company Secretary and Board Director of ASX listed Aristocrat Leisure Limited and also held a number of senior executive roles at ASX listed Goodman Fielder Limited. He has over 26 years experience in financial and general management. Simon is Chairman and independent Non-Executive Director of Intrepica Pty Limited, a privately owned emerging online business. He holds a Bachelor of Arts (First Class, Honours), is a fellow of the Institute of Chartered Accountants in England & Wales, member of Institute of Chartered Accountants in Australia and member of the Australian Institute of Company Directors.

Simon is the chair of the Board Audit, Risk and Compliance Committee and a member of the Board Remuneration and Nominations Committee.

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 2012 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:

Mr Lawrence J Gibbs	Non-Executive Chairman	29 August 2001
Ms Kym L Quick	Managing Director and Chief Executive Officer	30 June 2012
Mr Geoffrey J Moles[1]	Managing Director	1 March 1984 to 30 June 2012
	Non-Executive Director	From 30 June 2012
Ms Penelope Morris	Non-Executive Director	23 August 2005
Mr Simon C M Kelly	Non-Executive Director	24 August 2011

[1] Geoffrey J Moles resigned as Managing Director and was appointed as a Non Executive Director 30 June 2012. He has been a Director since 1 March 1984, in a variety of roles including Managing Director, Non-Executive Director and Non-Executive Chairman.

Principal Activities

Clarius Group (ASX: CND) is a specialist in the employment services market providing recruitment, contractor and staffing services across the Asia Pacific region.

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

Clarius Group operates through a number of quality specialist brands:

Recruitment

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

Aligned Services

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

Clarius Group employs over 320 staff through a network of offices located in Adelaide, Brisbane, Canberra, Melbourne, Perth and Sydney in Australia; Auckland and Wellington in New Zealand; Hong Kong, Singapore, and Beijing and Shanghai in China.

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

Operating Results

The consolidated loss of the consolidated entity after providing for income tax for the financial year amounted to $9,443,000 (2011 loss: $10,311,000).

Dividends Paid or Recommended

Dividends paid to members during the financial year were as follows:

	2012 $000
Fully franked final dividend of 2.0 cents per share was paid on 14 October 2011	1,763
Fully franked interim dividend of 1.0 cents per share was paid on 26 March 2012	889

On 21st August 2012 the Directors resolved not to declare a final dividend for the year ended 30 June 2012.

Review of Operations

Contracting revenue remained strong throughout the year with direct contractor revenue growing significantly during the year. However permanent recruitment revenue decreased significantly as a result of market conditions. Continued focus on cost control has seen savings achieved across most brands and in shared services which has partly mitigated the reduction in profit from permanent revenue.

Net profit after tax for the year is $2.1 million (excluding non-cash goodwill impairment).

Staff numbers provide capacity to deliver further revenue growth in the short term. We have increased headcount in our growth markets of Perth and Asia and made reductions in those areas where market conditions are weaker.

The economy in general has remained challenging, but the Directors are confident in the robustness and sustainability of the Group to endure turbulent economic cycles. Each line of business has strengthened its sales capability and streamlined costs to ensure maximum productivity and capacity for growth with no major increases to the cost base.

Financial Position

The operating cash flow for the second half was positive at $2.1 million, although for the year there was a net negative operating outflow of $2.0 million. The improvement in second half cash flow reflects an intense focus on working capital management.

Following an extensive review of the carrying value of acquired assets at balance date, a goodwill impairment of $11.5 million has been recorded at 30 June 2012. This impairment is attributable to a number of the Group's brands and recognises the impact of the volatility of the current market on the trading of acquisitions made during peaks in the economic cycle together with the impact of restructuring of a number of the recruitment brands that has been undertaken over several years. The reported net profit after tax including the goodwill impairment of $11.5 million was a loss of $9.4 million.

Overall, the Group is in a sound financial position with little gearing and significant un-drawn finance facilities. The Directors believe the Group is well positioned to continue to manage through the current economic cycle whilst its cost base and resourcing levels continue to be optimised so as to ensure strong profit conversion on any uptick in the permanent placement market.

Significant Changes in State of Affairs

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

Future Developments

The likely developments in the operations of the consolidated entity and the expected results of those operations in financial years subsequent to the year ended 30 June 2012 are included in greater detail in the Managing Director's review section of the annual report.

These developments, together with the current strategy of ongoing productivity improvement, are expected to assist in the achievement of long term goals. A focus for the coming financial year will be the implementation of a new payroll and invoicing system which will allow for greater scalability and efficiencies.

Events Subsequent to the Reporting Date

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

Environmental Issues

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

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

Director's 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:

Lawrence J Gibbs
71,323 ordinary shares

Kym L Quick
No ordinary shares. 300,000 options all of which have vested and are exercisable.

Geoffrey J Moles
4,678,948 ordinary shares

Penelope Morris
51,429 ordinary shares

Simon C M Kelly
No ordinary shares

Company Secretary

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

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

Remuneration Report

The remuneration report is set out under the following headings:

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

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

Non-Executive Director Remuneration

The Board's policy is to remunerate non-executive directors at market rates for comparable companies. Such remuneration is provided in recognition of the time, commitment and responsibilities assumed by non-executive directors. The Remuneration and Nominations 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.

Principles used to Determine the Nature and Amount of Executive Remuneration

Executive Remuneration Policy

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

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

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 Nominations Committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract skilled executives and reward them for performance that results in long-term growth in shareholder wealth.

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

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

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

Performance Based Remuneration

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

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

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

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

Consequences of Performance on Shareholder Wealth

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

	2012	2011	2010	2009	2008
Profit / (Loss) attributable to owners of the Company	($9,443,000)	($10,311,000)	$3,019,000	($8,322,000)	$11,333,000
Profit / (Loss) excluding impairment	$2,058,000	$4,251,000	$3,019,000	$1,798,000	$11,333,000
Impairment Loss	$11,501,000	$14,562,000	-	$10,120,000	-
Dividends paid	$2,652,000	$3,459,000	-	-	$9,104,000
Share price at the end of the year	$0.43	$0.58	$0.63	$0.51	$1.11
Return on capital employed	N/A	N/A	2.9%	N/A	12.2%

Options issued as part of Remuneration

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

Details of Directors' and Key Management Personnel Remuneration

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

	Short-Term Employee Benefits			Post-Employment Benefits	Long-Term Benefits	Share- Based Payments	
Parent Entity	**Salary $**	**Directors' fees $**	**Bonus $**	**Superannuation $**	**Long- Service Leave $**	**Options Annualised Value $**	**Total Remuneration $**
Directors							
Lawrence J Gibbs							
2012	**-**	**100,917**	**-**	**9,083**	**-**	**-**	**110,000**
2011	-	100,917	-	9,083	-	-	110,000
Geoffrey J Moles[1]							
2012	**260,469**	**-**	**15,000**	**15,775**	**-**	**-**	**291,244**
2011	373,370	-	174,000	15,199	-	-	562,569
Penelope Morris							
2012	**-**	**77,217**	**-**	**6,950**	**-**	**-**	**84,167**
2011	-	70,336	-	6,330	-	-	76,666
Simon C M Kelly[2]							
2012	**-**	**67,084**	**-**	**6,038**	**-**	**-**	**73,122**
2011	-	-	-	-	-	-	-

[1] Geoffrey J Moles resigned as Managing Director and was appointed as a Non Executive Director 30 June 2012. He has been a Director since 1 March 1984, in a variety of roles including Managing Director, Non-Executive Director and Non-Executive Chairman.

[2] Simon C M Kelly was appointed on 24 August 2011

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

	Short-Term Employee Benefits		Post-Employment Benefits	Long-Term Benefits		Share-Based Payments	
	Salary $	Bonus* $	Superannuation $	Long-Service Leave $	Termination Payments $	Options Annualised Value $	Total Remuneration $
Key Management Personnel							
Kym L Quick Chief Executive Officer[1]							
2012	**451,275**	**15,000**	**15,775**	**32,294**	**-**	**-**	**514,344**
2011	324,801	70,000	15,199	21,733	-	-	431,733
Paul A Barbaro Executive General Manger Alliance, Lloyd Morgan and Ignite							
2012	**305,000**	**56,000**	**15,775**	**20,570**	**-**	**-**	**397,345**
2011	254,801	41,850	15,199	177	-	-	312,027
Linda A Trevor Executive General Manager Candle							
2012	**231,915**	**77,500**	**15,775**	**-**	**-**	**-**	**325,190**
2011	230,398	97,219	15,199	-	-	-	342,816
Mark A Langan[2] Chief Financial Officer							
2012	**193,308**	**2,250**	**14,981**	**-**	**38,587**	**-**	**249,124**
2011	239,600	10,000	15,199	-	-	-	264,799
Anne L Bastock[3] Chief Financial Officer							
2012	**41,744**	**-**	**3,757**	**-**	**-**	**-**	**45,501**
2011	-	-	-	-	-	-	-

[1] Kym L Quick was COO of the Clarius Group before being appointed as CEO on 30 September 2011. Kym was appointed as Managing Director and CEO on 30 June 2012. In 2011 Kym L Quick formed part of Key Management Personnel

[2] Mark A Langan resigned 31 May 2012

[3] Anne L Bastock commenced employment 23 April 2012

* Bonus is calculated as actual paid for first half plus estimate of bonus to be paid for the second half.

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 %	Share-Based Payments %	% Vested in year	% Forfeited in year
Directors					
Geoffrey J Moles[1]					
2012	**95**	**5**	**-**	**8**	**92****[**]**
2011	69	31	-	68	32
Lawrence J Gibbs					
2012	**100**	**-**	**-**	**-**	**-**
2011	100	-	-	-	-
Penelope Morris					
2012	**100**	**-**	**-**	**-**	**-**
2011	100	-	-	-	-
Simon C M Kelly[2]					
2012	**100**	**-**	**-**	**-**	**-**
2011	-	-	-	-	-
Key Management Personnel					
Kym L Quick[3]					
2012	**97**	**3**	**-**	**8**	**92****[**]**
2011	83	17	-	47	53
Paul A Barbaro					
2012	**86**	**14**	**-**	**47**	**53**
2011	87	13	-	28	72
Linda A Trevor					
2012	**76**	**24**	**-**	**80**	**20**
2011	72	28	-	100	-
Mark A Langan[4]					
2012	**99**	**1**	**-**	**8**	**92**
2011	96	4	-	33	67
Anne L Bastock[5]					
2012	**100**	-	-	-	-
2011	-	-	-	-	-

[1] Geoffrey J Moles resigned as Managing Director and was appointed as a Non Executive Director 30 June 2012. He has been a Director since 1 March 1984, in a variety of roles including Managing Director, Non-Executive Director and Non-Executive Chairman.
[2] Simon C M Kelly was appointed on 24 August 2011
[3] Kym L Quick was COO of the Clarius Group before being appointed as CEO on 30 September 2011. Kym was appointed as Managing Director and CEO on 30 June 2012. In 2011 Kym L Quick formed part of Key Management Personnel
[4] Mark A Langan resigned on 31 May 2012
[5] Anne L Bastock commenced employment on 23 April 2012
* Vesting percentages are based on actual bonuses paid during the year.
** Second Half bonus renounced

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

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

Short Term Incentive Bonus (STI)

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

The company's STI plan provides for a cash payment based on achieving predetermined KPIs and are paid bi annually. The financial performance objectives are set annually and may include targets for earnings per share (EPS), earnings before interest, taxation, depreciation and amortisation (EBITDA) and other financial performance objectives as deemed appropriate by the Nominations and Remuneration 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. Financial and non financial objectives each account to a percentage 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 Nominations Committee assesses the actual performance of the Group, the relevant segment and individual against the KPI's set at the beginning of the financial year. A percentage of the pre-determined maximum amount is awarded depending on results of the relevant business unit. To achieve the maximum STI requires consistent outstanding performance. No bonus is awarded where performance falls below the minimum.

Long Term Incentive (LTI)

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

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

Employment Contracts

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

The contracts detailed below are as current as at 30 June 2012 and differ to the amounts paid during the year ended 30 June 2012 as a result of changes made to employment contracts during the year to reflect the succession planning for executives.

Name and Position	Term of Agreement	Basis of Salary Payment	Notice Period
Geoffrey J Moles[1] Non-Executive Director	On-going until terminated by either party	Base salary, inclusive of superannuation, as at 30 June 2012 of $200,000 to be reviewed annually by the Board Remuneration and Nominations Committee.	Notice period of 3 months by either party
Kym L Quick[2] Managing Director & Chief Executive Officer	On-going until terminated by either party	Base salary, inclusive of superannuation, as at 30 June 2012 of $500,000 to be reviewed annually by the Board Remuneration and Nominations Committee. Annual bonus eligibility of $200,000.	Notice period of 3 months by either party
Paul A Barbaro Executive General Manager – Alliance Recruitment, Lloyd Morgan and Ignite	On-going until terminated by either party	Base salary, inclusive of superannuation, as at 30 June 2012 of $320,775 to be reviewed annually by the Managing Director. Annual bonus eligibility of $150,000.	Notice period of 2 months by either party
Linda A Trevor Executive General Manager – Candle	On-going until terminated by either party	Base salary, inclusive of superannuation, as at 30 June 2012 of $251,314 to be reviewed annually by the Managing Director. Annual bonus eligibility of $100,000.	Notice period of 2 months by either party
Anne L Bastock Chief Financial Officer (commenced on 23 April 2012)	On-going until terminated by either part	Base salary, inclusive of superannuation as at 30 June 2012 of $235,775 to be reviewed annually by the Managing Director. Annual bonus eligibility of $60,000.	Notice period of 3 months by either party

[1] Geoffrey J Moles resigned as Managing Director and was appointed as a Non Executive Director 30 June 2012. He has been a Director since 1 March 1984, in a variety of roles including Managing Director, Non-Executive Director and Non-Executive Chairman. The Base Salary and Notice period noted above relates to his role as Managing Director only and are no longer relevant in his current role as non-Executive Director.
[2] Kym L Quick was appointed Chief Operating Officer on 30 September 2011, before being appointed Managing Director & Chief Executive Officer on 30 June 2012.

Share-Based Payments

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

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

Option Holdings

	Grant Date	Exercise Price	Expiry Date	Balance 30/06/2011	% Vested in Year	Lapsed	Balance 30/06/2012	Vested & Exercisable
Directors								
Lawrence J Gibbs	-	-	-	-	-	-	-	-
Kym L Quick	27 Sep 07	$3.27	27/09/2011	200,000	-	(200,000)	-	-
	01 Sep 08	$1.46	01/09/2012	200,000	50%	-	200,000	200,000
	05 Jan 09	$0.27	05/01/2013	50,000	50%	-	50,000	50,000
	29 Jun 09	$0.52	29/06/2013	50,000	50%	-	50,000	50,000
Geoffrey J Moles	-	-	-	-	-	-	-	-
Penelope Morris	-	-	-	-	-	-	-	-
Simon C M Kelly	-	-	-	-	-	-	-	-
Key Management Personnel								
Paul A Barbaro	27 Sep 07	$3.27	27/09/2011	200,000	-	(200,000)	-	-
	01 Sep 08	$1.46	01/09/2012	200,000	50%	-	200,000	200,000
	05 Jan 09	$0.27	05/01/2013	50,000	50%	-	50,000	50,000
	29 Jun 09	$0.52	29/06/2013	50,000	50%	-	50,000	50,000
Mark A Langan	-	-	-	-	-	-	-	-
Linda A Trevor	-	-	-	-	-	-	-	-
Anne L Bastock	-	-	-	-	-	-	-	-
Total	**-**	**-**		**1,000,000**	**-**	**(400,000)**	**600,000**	**600,000**

Shareholdings

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

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

Meetings of Directors

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

Director	Number of Meetings Held[1]	Number of Meetings Attended
Lawrence J Gibbs	13	13
Geoffrey J Moles	13	12
Penelope Morris	13	12
Simon C M Kelly	11	10

[1] The number of meetings held during the time the director was a member of the board.

Board Audit Risk and Compliance Committee Meetings

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

Director	Number of Meetings Held[2]	Number of Meetings Attended
Lawrence J Gibbs	4	4
Penelope Morris	4	4
Simon C M Kelly	3	3

[2] The number of meetings held during the time the director was a member of the Board Audit Risk and Compliance Committee.

Board Remuneration and Nominations Committee Meetings

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

Director	Number of Meetings Held[3]	Number of Meetings Attended
Lawrence J Gibbs	5	5
Penelope Morris	5	5
Simon C M Kelly	3	3

[3] The number of meetings held during the time the director was a member of the Board Remuneration and Nominations Committee.

Indemnifying Officers or Auditor

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

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

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs of expenses to defend legal proceedings; with the exception of the following;
- during the year the Company paid a premium to insure the directors listed in this report against liabilities for the costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of directors of the Company. The terms of the policy prohibit disclosure of the premium paid.

Directors' Benefits

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

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

Proceedings on Behalf of the Company

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

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

Non-Audit Services

The Board of Directors, in accordance with the advice from the Board Audit Risk and Compliance Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below 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.

The following fees for non-audit services were paid or payable to the external auditors during the year ended 30 June 2012:

	Consolidated 2012 $000	Consolidated 2011 $000
Audit Services:		
Auditors of the Company:		
KPMG Australia		
Audit and review of financial reports	**179,000**	172,320
Overseas KPMG firms		
Audit and review of financial reports	**44,673**	43,760
	223,673	216,080
Other auditors		
Audit and review of financial reports	**20,360**	19,800
	244,033	235,880
Services other than Audit:		
Auditors of the Company:		
KPMG Australia		
Economic research and analysis	**67,500**	59,000
Taxation services	**32,570**	28,150
	100,070	87,150
Overseas KPMG firms		
Preparation of financial statements	**15,021**	21,575
Taxation services	**6,891**	3,269
	21,912	24,844
Other Auditors		
Preparation of financial statements	**12,256**	17,229
	134,238	129,223

Auditor’s Independence

The lead auditor’s independence declaration for the year ended 30 June 2012 has been received and can be found below.

Rounding of Amounts

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

Signed in accordance with a resolution of the Board of Directors

....

Kym L Quick
Managing Director

....

Lawrence J Gibbs
Chairman

Dated at Sydney this 29th day of August 2012

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

To: The directors of Clarius Group Limited

I declare that, to the best of my knowledge and belief in relation to the audit for the financial year ended 30 June 2012, there have been:

no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and no contraventions of any applicable code of professional conduct in relations to the audit.

....

KPMG

....

John Wigglesworth
Partner

Dated at Sydney this 29th day of August 2012

FINANCIAL
STATEMENTS

Statement of Comprehensive Income

For the year ended 30 June 2012

	Note	Consolidated 2012 $000	2011 $000
Revenues from continuing operations	6	**273,374**	267,236
On hired labour costs		**(227,118)**	(215,278)
Gross profit		**46,256**	51,958
Employee benefits expense		**(32,299)**	(33,889)
Depreciation and amortisation expense	7	**(637)**	(691)
Operating rental expense		**(3,401)**	(3,128)
Other expenses	7	**(5,865)**	(7,185)
Impairment loss		**(11,501)**	(14,562)
Results from operating activities		**(7,447)**	(7,497)
Finance income		**43**	88
Finance cost	7	**(300)**	(331)
Net finance costs		**(257)**	(243)
Loss before income tax		**(7,704)**	(7,740)
Income tax expense	8	**(1,739)**	(2,571)
Loss for the year attributable to the owners of the company		**(9,443)**	(10,311)
Other comprehensive income			
Foreign currency translation differences for foreign operations		7	(1,473)
Income tax on other comprehensive income		-	-
Other comprehensive loss for the period, net of income tax		7	(1,473)
Total comprehensive loss for the year attributed to the owners of the company		(9,436)	(11,784)

		Cents Per Share	
Basic earnings per share	12	**(10.6)**	(11.9)
Diluted earnings per share	12	**(10.3)**	(11.2)

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes (on pages 44 to 78).

FINANCIAL STATEMENTS

Statement of Financial Position

As at 30 June 2012

	Note	Consolidated 2012 $000	2011 $000
Current assets			
Cash and cash equivalents	12	**932**	4,538
Trade and other receivables	19	**60,468**	53,644
Total current assets		**61,400**	58,182
Non-current assets			
Plant and equipment	17	**2,257**	1,655
Deferred tax assets	16	**2,219**	2,438
Intangible assets	19	**42,358**	53,391
Total non-current assets		**46,834**	57,484
Total assets		**108,234**	115,666
Current liabilities			
Trade and other payables	20	**23,978**	21,685
Bank overdraft	14	**5**	489
Interest bearing Liabilities	13	**2,683**	-
Current tax liabilities	21	**296**	978
Provisions	22	**1,959**	1,128
Total current liabilities		**28,921**	24,280
Non-current liabilities			
Provisions	22	**537**	1,104
Total non-current liabilities		**537**	1,104
Total liabilities		**29,458**	25,384
Net Assets		**78,776**	90,282
Equity			
Share Capital	23	**91,616**	91,040
Reserves	24	**(312)**	(325)
Accumulated losses	25	**(12,528)**	(433)
Total equity		**78,776**	90,282

The Statement of Financial Position should be read in conjunction with the accompanying notes (on pages 44 to 78).

Statement of Changes in Equity - Consolidated

As at 30 June 2012

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

Prior Year

	Share Capital 000's	Translation Reserve $000	Share Based Payment Reserve $000	Retained Earnings 000's	Total 000's
Balance at 1 July 2010	89,589	(211)	1,335	13,337	104,050
Total comprehensive income for the period					
Loss for the year attributed to the owners of the company	-	-	-	(10,311)	(10,311)
Other comprehensive income					
Foreign currency translation differences for foreign operations	-	(1,473)	-	-	(1,473)
Total other comprehensive income for the period	-	(1,473)	-	-	(1,473)
Transactions with owners recorded directly in equity					
Issue of ordinary shares	1,451	-	-	-	1,451
Share based payments	-	-	24	-	24
Distribution to owners	-	-	-	(3,459)	(3,459)
Total transactions with owners	1,451	-	24	(3,459)	(1,984)
Balance as at 30 June 2011	91,040	(1,684)	1,359	(433)	90,282

The Statement of Changes in Equity should be read in conjunction with the accompanying notes (on pages 44 to 78).

Statement of Cash Flows

For the year ended 30 June 2012

		Consolidated	
	Note	**2012 $000**	2011 $000
Cash flows from operating activities			
Receipts from customers		**379,416**	330,579
Payments to suppliers and employees		**(357,483)**	(312,454)
Interest received		**43**	39
Interest and other borrowing costs paid		**(300)**	(394)
Income tax paid		**(2,202)**	(1,761)
GST paid		**(21,515)**	(17,217)
Net cash (used in) / provided by operating activities	13	**(2,041)**	(1,208)
Cash flows from investing activities			
Purchase of plant and equipment		**(1,191)**	(748)
Payments for software development and intangible assets		**(437)**	(503)
Net cash (used in) / provided by investing activities		**(1,628)**	(1,251)
Cash flows from financing activities			
Repayment of borrowings		**2,683**	-
Loans to related parties		**(7)**	8
Dividends paid to shareholders		**(2,085)**	(2,061)
Proceeds from the issue of shares		**2**	47
Net cash (used in) / provided by financing activities		**593**	(2,006)
Net increase / (decrease) in cash held		**(3,076)**	5,422
Cash at the beginning of the financial year		**4,049**	(965)
Effect of exchange rates on cash holdings in foreign currencies		**(46)**	(408)
Cash at the end of the financial year	14	**927**	4,049

The Statement of Cash Flows should be read in conjunction with the accompanying notes (on pages 44 to 78).

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 2012 cover the consolidated entity of Clarius Group Limited and its controlled entities.

2. BASIS OF PREPARATION

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

The consolidated financial statements were authorised for issue by the board of directors on 29th August 2012.

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 2012 and the results of all subsidiaries for the year ended 30 June 2012. Clarius Group Limited and its subsidiaries are collectively referred to in this financial report as the consolidated entity.

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

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

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

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

(b) Revenue

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

Revenue is recognised for the major business activities as follows:

(i) Contracting revenue

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

(ii) Permanent recruitment revenue

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

Executive positions – on the completion of the recruitment assignment

Administration positions – on start date of the employee

(iii) Payroll services

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

(iv) On hired labour

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

(v) Interest income

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

(vi) Dividends

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

(c) Income tax

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

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

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

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

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

Tax consolidation legislation

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

(d) Employee benefits

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

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

Share based payments

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

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

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

Termination benefits

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

(e) Leases

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets

(i) Candidate databases

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

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

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

(ii) Goodwill

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

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

(iii) Software development costs

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

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

(g) Plant and equipment

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

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

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

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

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

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

(h) Impairment of non financial assets

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

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

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

(i) Foreign currency transactions and balances

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Clarius Group Limited group companies

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

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

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

(j) Cash and cash equivalents

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

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

(k) Rounding of accounts

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

(l) Trade receivables

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

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

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

(m) Financial instruments

Classification

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

(i) Loans and receivables

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

(ii) Financial Liabilities

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

(iii) Share Capital

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (continued)

Recognition and derecognition

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

(n) Provisions

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

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

(o) Dividends

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

(p) Goods and Services Tax (GST)

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

(q) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(r) Critical accounting estimates and judgements

(i) Impairment of non-financial assets

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

(ii) Income taxes

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

(iii) Impairment of receivables / provision of bad debts

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

(s) Segment reporting

The consolidated entity determines and presents operating segments based on the information that internally is provided to the CEO, who is 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 Company's CEO to make decisions about resources to be allocated to the segment and assess its performance.

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

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

(t) New standards and accounting interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are available for early adoption at 30 June 2012, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 Financial Instruments, which becomes mandatory for the Group's 2016 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

(u) Removal of parent entity financial statements

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

(v) Comparatives

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

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	**2012 $000**	2011 $000
Financial Assets:			
Cash and cash equivalents	14	**932**	4,538
Trade receivables (net of doubtful debts)	15	**48,728**	44,787
Accrued income	15	**10,638**	8,103
		60,298	57,428
Financial Liabilities:			
Trade creditors and other payables	20	**23,978**	21,685
Bank overdraft	13	**5**	489
Interest bearing liabilities	13	**2,683**	-
		26,666	22,174

(a) Market Risk

Foreign Exchange Risk

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

Exposure to Currency Risk

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

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

	30 June 2012				
	HKD $000	**NZD $000**	**CNY $000**	**SNG $000**	**MYR $000**
Trade and other receivables	1,266	5,251	2,091	98	-
Cash	185	693	281	5	-
Bank Overdraft	-	-	-	(7)	-
Interest bearing liabilities	-	-	-	-	-
Trade and other payables	(576)	(2,412)	(1,023)	(22)	-
Net Exposure on Statement of Financial Position	875	3,532	1,349	74	-

	30 June 2011				
	HKD $000	**NZD $000**	**CNY $000**	**SNG $000**	**MYR $000**
Trade and other receivables	1,866	4,061	7,808	2	-
Cash	-	1,344	3,126	48	43
Bank Overdraft	(4,075)	(2)	-	-	-
Trade and other payables	(750)	(1,960)	(4,385)	(8)	(13)
Net Exposure on Statement of Financial Position	(2,959)	3,443	6,549	42	30

Consolidated Entity Sensitivity

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

	Impact of 10% Increase of AUD against foreign currencies on consolidated balances				
30 June 2012	**HKD $000**	**NZD $000**	**CNY $000**	**SNG $000**	**MYR $000**
Equity	(10)	(250)	(19)	(5)	-
Impact on Net Profit After Tax	(69)	(260)	(66)	(9)	(2)
30 June 2011					
Equity	32	(241)	(86)	(3)	(1)
Impact on Net Profit After Tax	(285)	(145)	26	(7)	(6)

	Impact of 10% Decrease of AUD against foreign currencies on consolidated balances				
30 June 2012	**HKD $000**	**NZD $000**	**CNY $000**	**SNG $000**	**MYR $000**
Equity	11	276	21	6	-
Impact on Net Profit After Tax	76	286	72	10	2
30 June 2011					
Equity	(35)	266	94	3	1
Impact on Net Profit After Tax	314	160	(28)	8	7

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Cash flow and fair value interest rate risk

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

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

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

		30 June 2012		30 June 2011	
	Note	**Weighted Average Interest Rate**	**Balance $000**	**Weighted Average Interest Rate**	**Balance $000**
Bank Overdraft	13	10.7%	5	8.0%	489
Receivables Financing Facility	13	5.3%	2,683	-	-

The following two tables demonstrate the impact on Net Profit After Tax if the average interest rate had either increased or decreased by 1% over the whole of the year ending 30 June 2012.

Consolidated Entity Sensitivity	30 June 2012		30 June 2011	
	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	(34)	34	(3)	3

Price Risk

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

(b) Credit Risk

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

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

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

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

Consolidated Entity Receivables

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

	30 June 2011					
	Current	**1-30 Days $000**	**31-60 Days $000**	**61-90 Days $000**	**90+ Days $000**	**Total $000**
Consolidated Entity Receivables	30,841	10,487	2,076	851	532	44,787
	69%	23%	5%	2%	1%	100%

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

(c) Liquidity Risk

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

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

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

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

5. SEGMENT REPORTING

(a) Segments

Geographic Segments	Australia 2012 $000	Australia 2011 $000	New Zealand 2012 $000	New Zealand 2011 $000	Asia 2012 $000	Asia 2011 $000	Consolidated 2012 $000	Consolidated 2011 $000
Revenue								
External sales	**266,975**	258,118	**5,018**	5,365	**1,381**	3,753	**273,374**	267,236
Other revenue	**35**	84	**5**	2	**3**	2	**43**	88
Total segment revenue	**267,010**	258,202	**5,023**	5,367	**1,384**	3,755	**273,417**	267,324
Result								
Segment result before tax,impairment and Intercompany charges	**5,088**	6,700	**243**	296	**(1,534)**	(174)	**3,797**	6,822
Impairment of goodwill	**(8,851)**	(10,803)	**(2,650)**	(1,339)	**-**	(2,420)	**(11,501)**	(14,562)
Intercompany charges	**496**	659	**(496)**	(659)	**-**	-	**-**	-
Segment result before taxation	**(3,267)**	(3,444)	**(2,903)**	(1,702)	**(1,534)**	(2,594)	**(7,704)**	(7,740)
Income tax expenses							**(1,739)**	(2,571)
Net profit/(loss) for the year							**(9,443)**	(10,311)
Segment assets	**102,328**	106,642	**4,993**	6,851	**913**	2,173	**108,234**	115,666
Segment liabilities	**27,188**	22,606	**1,939**	1,514	**331**	1,264	**29,458**	25,384
Depreciation and amortisation	**526**	575	**22**	28	**89**	88	**637**	691
Impairment of goodwill	**8,851**	10,803	**2,650**	1,339	**-**	2,420	**11,501**	14,562

Australian Segments	Candle 2012 $000	Candle 2011 $000	Alliance 2012 $000	Alliance 2011 $000	Jav IT 2012 $000	Jav IT 2011 $000	Others 2012 $000	Others 2011 $000	Australian Total 2012 $000	Australian Total 2011 $000
Revenue										
External sales	**186,272**	183,828	**45,083**	47,927	**15,408**	18,861	**20,212**	7,502	**266,975**	258,118
Other revenue	**32**	83	**-**	-	**-**	-	**3**	1	**35**	84
Total segment revenue	**186,304**	183,911	**45,083**	47,927	**15,408**	18,861	**20,215**	7,503	**267,010**	258,202
Result										
Segment result before tax,impairment and Intercompany charges	**5,038**	4,610	**362**	868	**(172)**	979	**(140)**	243	**5,088**	6,700
Impairment of goodwill	**(4,358)**	(931)	**(3,041)**	(3,184)	**(1,452)**	(6,688)	**-**	-	**(8,851)**	(10,803)
Intercompany charges	**496**	659	**-**	-	**-**	-	**-**	-	**496**	659
Segment result before taxation	**1,176**	4,338	**(2,679)**	(2,316)	**(1,624)**	(5,709)	**(140)**	243	**(3,267)**	(3,444)
Income tax expenses									**(1,747)**	(2,215)
Net profit/(loss) for the year									**(5,014)**	(5,659)
Segment assets	**65,687**	68,430	**24,099**	27,698	**4,903**	7,245	**7,639**	3,269	**102,328**	106,642
Segment liabilities	**20,749**	16,424	**1,777**	2,542	**755**	1,092	**3,907**	2,548	**27,188**	22,606
Depreciation and amortisation	**360**	361	**85**	136	**38**	46	**43**	32	**526**	575
Impairment of goodwill	**4,358**	931	**3,041**	3,184	**1,452**	6,688	**-**	-	**8,851**	10,803

(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 Groups on hired labour revenue makes up 97% (2011: 94%) of the consolidated revenue, and 3% (2011: 6%) 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.

6. REVENUE

		Consolidated	
	Note	**2012 $000**	2011 $000
Rendering of services		**273,374**	267,236
Total revenue from continuing operations		**273,374**	267,236

7. EXPENSES

	Note	Consolidated 2012 $000	2011 $000
Finance costs:			
Third parties		**300**	331
Total borrowing costs and expenses		**300**	331
Depreciation of non-current assets			
Plant and equipment		**431**	361
Leasehold improvements		**158**	225
Plant and equipment		**589**	586
Amortisation of non-current assets			
Capitalised computer software		**48**	103
Candidate databases		**-**	2
Total amortisation		**48**	105
Total depreciation and amortisation expense		**637**	691
Other expenses:			
Other direct costs		**85**	204
Net advertising costs		**547**	876
Foreign exchange		**9**	4
Bad and doubtful debts		**84**	24
Operating overheads		**5,140**	6,077
Total other expenses		**5,865**	7,185
Share based payments		**6**	24
Contributions to defined contribution plans		**2,097**	2,072

8. INCOME TAX EXPENSE

	Note	Consolidated 2012 $000	Consolidated 2011 $000
Current tax		**1,911**	2,447
Deferred tax		**(172)**	124
		1,739	2,571
Deferred income tax expense included in income tax expense comprises:			
Decrease / (Increase) in deferred tax assets	16	**(172)**	124
		(172)	124
The prima facie tax on profit before income tax is reconciled to the income tax as follows:			
Prima facie tax payable on profit before income tax at 30%		**(2,311)**	(2,322)
		(2,311)	(2,322)
Add tax effect of:			
Impairment		**3,450**	4,369
Other non-allowable items		**42**	8
De-recognition of tax losses in subsidiary		**-**	427
Current year losses for which no deferred tax asset was recognised		**460**	169
Prior period income tax expense		**92**	-
Tax rate adjustment on wholly-owned subsidiaries		**6**	(80)
Total income tax expense		**1,739**	2,571

9. DIVIDENDS

The following dividends were declared and paid by the Group:

2012	Cents per share	Total Amount $000	Date of Payment
Final 2011 ordinary	2.00	1,763	14 Oct 11
Interim 2012 ordinary	1.00	889	26 Mar 12
Total amount		**2,652**	

2011	Cents per share	Total Amount $000	Date of Payment
Final 2010 ordinary	2.00	1,717	13 Oct 10
Interim 2011 ordinary	2.00	1,742	24 Mar 11
Total amount		**3,459**	

On 21 August 2012 the Directors resolved not to declare a final dividend for the year ended 30 June 2012.

	Consolidated	
Franking Credit Balance	**2012 $000**	2011 $000
Dividend franking account		
Amount of franking credits available to shareholders of Clarius Group Limited for subsequent financial years	**16,175**	14,675

10. KEY MANAGEMENT PERSONNEL DISCLOSURES

The directors of Clarius Group Limited who have held office during the financial year are:

Lawrence J Gibbs	Non-executive Chairman	
Kym L Quick[1]	Managing Director and Chief Executive Officer	Appointed 30 June 2012
Geoffrey J Moles[2]	Managing Director	Retired as MD on 30 June 2012
	Non-Executive Director	From 30 June 2012
Penelope Morris	Non-executive Director	
Simon C M Kelly	Non-executive Director	Appointed 24 August 2011

[1] Kym L Quick was previously COO before being appointed as Chief Executive Officer on 30 September 2011
[2] Geoffrey J Moles resigned as Managing Director and was appointed as a Non Executive Director 30 June 2012.
He has been a Director since 1 March 1984, in a variety of roles including Managing Director, Non-Executive Director and Non-Executive Chairman.

The names of the persons who had authority and responsibility for planning, directing and controlling the activities of the consolidated entity directly or indirectly who held office during the financial year are:

Paul A Barbaro	Executive General Manager – Alliance, Lloyd Morgan and Ignite	
Linda Trevor	Executive General Manager - Candle	
Mark A Langan	Chief Financial Officer	Resigned 31 May 2012
Anne L Bastock	Chief Financial Officer	Commenced 23 April 2012

The Company has taken advantage of the relief provided by the Corporations Amendment Regulations 2006 (no 4) and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in the remuneration report on pages 27 to 34.

Option Holdings

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

2012	Balance 01/07/2011	Granted	Exercised	Lapsed	Balance 30/06/2012	Vested 30/06/2012
Directors						
Lawrence J Gibbs	-	-	-	-	-	-
Geoffrey J Moles	-	-	-	-	-	-
Penelope Morris	-	-	-	-	-	-
Simon C M Kelly[1]	-	-	-	-	-	-
Key Management Personnel						
Kym L Quick	500,000	-	-	(200,000)	300,000	300,000
Paul A Barbaro	500,000	-	-	(200,000)	300,000	300,000
Mark A Langan[2]	-	-	-	-	-	-
Linda A Trevor	-	-	-	-	-	-
Anne L Bastock[3]	-	-	-	-	-	-
Total	**1,000,000**	**-**	**-**	**(400,000)**	**600,000**	**600,000**

2011	Balance 01/07/2010	Granted	Exercised	Lapsed	Balance 30/06/2011	Vested 30/06/2011
Directors						
Lawrence J Gibbs	-	-	-	-	-	-
Geoffrey J Moles	-	-	-	-	-	-
Penelope Morris	-	-	-	-	-	-
Key Management Personnel						
Kym L Quick	1,000,000	-	-	(500,000)	500,000	350,000
Paul A Barbaro	1,000,000	-	-	(500,000)	500,000	350,000
Mark A Langan[2]	-	-	-	-	-	-
Linda A Trevor	-	-	-	-	-	-
Total	**2,000,000**	**-**	**-**	**(1,000,000)**	**1,000,000**	**700,000**

[1] Simon C M Kelly was appointed on 24 August 2011
[2] Mark Langan resigned on 31 May 2012
[3] Anne Bastock commenced employment on 23 April 2012

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

10. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

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

Prior Year	Balance 01/07/2010	Received as Remuneration	Options Exercised	Other Movement	Balance 30/06/2011
Directors					
Lawrence J Gibbs	67,096	-	-	4,227	71,323
Geoffrey J Moles	4,078,948	-	-	600,000	4,678,948
Penelope Morris	51,429	-	-	-	51,429
Key Management Personnel					
Kym L Quick	-	-	-	-	-
Paul A Barbaro	-	-	-	-	-
Mark A Langan[2]	-	-	-	-	-
Linda A Trevor	-	-	-	-	-
Total	**4,197,473**	**-**	**-**	**604,227**	**4,801,700**

[1] Mark Langan resigned on 31 May 2012
[2] Anne Bastock commenced employment on 23 April 2012

Other Transaction with Directors

There were no other transactions with Directors or key management personnel during the current financial year.

11. 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	
	2012 $	2011 $
Audit Services:		
Auditors of the Company:		
KPMG Australia		
Audit and review of financial reports	**179,000**	172,320
Overseas KPMG firms	**44,673**	43,760
Audit and review of financial reports	**223,673**	216,080
Other Auditors		
Audit and review of financial reports	**20,360**	19,800
	244,033	235,880
Services other than Audit:		
Auditors of the Company:		
KPMG Australia		
Economic research and analysis	**67,500**	59,000
Taxation services	**32,570**	28,150
	100,070	87,150
Overseas KPMG firms		
Preparation of financial statements	**15,021**	21,575
Taxation services	**6,891**	3,269
	21,912	24,844
Other Auditors		
Preparation of financial statements	**12,256**	17,229
	134,238	129,223

12. EARNINGS PER SHARE

	Consolidated	
	2012 cents	2011 cents
Basic earnings per share	**(10.6)**	(11.9)
Diluted earnings per share	**(10.3)**	(11.2)

(a) Reconciliation of Earnings used in Calculating Earnings Per Share

	Consolidated	
	2012 $000	2011 $000
Loss after tax used in calculating basic earnings per share	**(9,443)**	(10,311)
Adjustments for calculation of diluted earnings per share:		
Notional Interest earned on conversion of options	**30**	132
Net loss used in calculating diluted earnings per share	**(9,413)**	(10,179)

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

	Consolidated	
	2012 $000	2011 $000
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	**88,816**	86,969
Adjustment for calculation of diluted earnings per share:		
Weighted average number of options	**2,388**	4,202
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**91,204**	91,171

(c) Classification of Securities

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

13. CASH FLOW INFORMATION

(a) Reconciliation of Profit after Tax to Net Cash Flow from Operating Activities

	Consolidated	
	2012 $000	2011 $000
Loss for the year	**(9,443)**	(10,311)
Adjustments for:		
Depreciation and amortisation	**637**	691
Loss on disposal of fixed asset	**-**	24
Impairment losses on intangible assets	**11,501**	14,562
Non-cash employee benefits expense – share based payments	**6**	24
Income tax expense	**1,739**	2,571
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
(Increase) / Decrease in trade debtors and accrued income	**(6,573)**	1,123
(Increase) / Decrease in prepayments	**(251)**	24
Increase / (Decrease) in trade creditors and accruals	**2,281**	755
Increase / (Decrease) in provisions	**264**	91
Income tax paid	**(2,202)**	(875)
Net cash provided by operating activities	**(2,041)**	8,679

(b) Credit Standby Arrangements with Banks

	Consolidated	
	2012 $000	2011 $000
Receivables Purchase Facility	**15,000**	15,000
Amount utilised under recourse facility	**(2,683)**	-
Amount utilised under non recourse facility	**(2,360)**	-
Unused Receivables Purchase Facility	**9,957**	15,000

The Group has a bank overdraft facility and an invoice financing facility. Under the invoice financing facility certain invoices are sold to the finance providers of Clarius Group Limited. The finance providers purchase these invoices on either a recourse or a non-recourse basis. Invoices sold to the Group's finance providers under the non-recourse arrangement have been derecognised in the financial statements at 30 June 2012. Invoices sold on a limited recourse basis of $2.360 million (2011: Nil) have been recognised at their full amount in the financial statements at 30 June 2012. The amount due to the bank under the recourse arrangement of $2.683 million (2011: Nil) has been recognised as an increase in cash and liabilities at 30 June 2012.

(c) Overdraft Facilities

	Consolidated	
	2012 $000	2011 $000
Overdraft facility	**2,175**	2,757
Amount utilised	**(5)**	(489)
Unused overdraft facility	**2,170**	2,268

The trade receivables financing facility and parent entity overdraft are subject to annual reviews with a term of agreement due for renewal at 31 December 2012.

Bank overdrafts

The current interest rate on the parent overdraft facility is 10.7%. Bank overdraft facilities are arranged with Australian (AUD$1,000,000), and New Zealand (NZD$1,500,000) banks with the general terms and conditions being agreed to on a regular basis. Interest rates are variable and subject to adjustment. The directors anticipate that these facilities will continue to be available provided the consolidated entity, and the companies within the consolidated entity with overdraft facilities have not breached any borrowing covenants and the required financial ratios continue to be met. As at 30 June 2012 these requirements have been met.

14. CASH AND CASH EQUIVALENTS

	Consolidated	
	2012 $000	2011 $000
Cash at bank and on hand	**495**	1,708
Deposits at call	**437**	2,830
	932	4,538

The deposits are bearing interest rates of 4.45% (2011: 4.25%). These deposits are at call.

Reconciliation of Cash

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

		Consolidated	
	Note	**2012 $000**	2011 $000
Balances as above		**932**	4,538
Bank overdrafts	**13**	**(5)**	(489)
		927	4,049

15. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2012 $000	2011 $000
Current		
Trade receivables	**48,728**	44,787
Allowance for doubtful debts	**-**	-
	48,728	44,787
Accrued income	**10,638**	8,103
Prepayments	**725**	474
Other debtors	**377**	280
	60,468	53,644

(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	
	2012 $000	2011 $000
At July 1	**-**	49
Provision for impairment recognised during the year	**58**	24
Unused amount reversed	**(58)**	(73)
At 30 June 2012	**-**	-

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

(f) Past due but not impaired

As of 30 June 2012, trade receivables of $13,744,000 (2011: $13,946,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2012 $000	2011 $000
Overdue 1 to 30 days	**9,447**	10,487
Overdue 30 to 60 days	**2,618**	2,076
Overdue 60 to 90 days	**1,230**	851
Overdue greater than 90 days	**449**	532
	13,744	13,946

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

16. DEFERRED TAX ASSETS

	Consolidated	
	2012 $000	2011 $000
The balance comprises temporary differences attributable to:		
Employee benefits	**644**	544
Provision for make good on leased premises	**47**	74
Lease incentive	**179**	22
Accruals	**1,075**	1,477
Losses	**274**	321
	2,219	2,438
Movements		
Balance at the beginning of the year	**2,438**	2,608
(Credited)/charged to the income statement	**(172)**	124
De-recognition of tax losses in subsidiary	**-**	(427)
Losses carried forward	**(47)**	133
Balance at the end of the year	**2,219**	2,438

There are unrecognised deferred tax assets in relation to tax losses of $1,057,000 (2011: $597,000).

17. PLANT AND EQUIPMENT

	Consolidated	
	2012 $000	2011 $000
Plant and equipment, at cost	**6,224**	6,642
Accumulated depreciation	**(5,115)**	(5,463)
	1,109	1,179
Leasehold improvements, at cost	**2,613**	3,082
Accumulated amortisation	**(1,465)**	(2,606)
	1,148	476
Total plant and equipment	**2,257**	1,655

(a) Movements in Carrying Amounts - 2012

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

(b) Movements in Carrying Amounts - 2011

	Plant and Equipment	Leasehold Improvements	Total
	$000	**$000**	**$000**
Consolidated			
Balance at the beginning of the year	1,001	517	1,518
Additions	564	184	748
Disposals	(25)	-	(25)
Depreciation expense	(361)	(225)	(586)
Carrying amount at the end of the year	1,179	476	1,655

18. SUBSIDIARIES

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

			Equity Holding [1]	
	Country of Incorporation	Class of Shares	2012 %	2011 %
Freeman Adams Pty Limited	Australia	ordinary	**100**	100
Candle IT & T Recruitment Pty Limited	Australia	ordinary	**100**	100
Alliance Recruitment Pty Limited	Australia	ordinary	**100**	100
Workskills Professionals Pty Limited	Australia	ordinary	**100**	100
Premier Personnel Pty Limited	Australia	ordinary	**100**	100
Candle Australia Pty Limited	Australia	ordinary	**100**	100
The One Umbrella Pty Limited	Australia	ordinary	**100**	100
Candle Holdings Limited	New Zealand	ordinary	**100**	100
Candle New Zealand Limited	New Zealand	ordinary	**100**	100
Doughty Contractors Limited	New Zealand	ordinary	**100**	100
Candle IT & T Recruitment Limited	New Zealand	ordinary	**100**	100
Choice IT Pty Limited	Australia	ordinary	**100**	100
Lloyd Morgan Sydney Pty Limited	Australia	ordinary	**100**	100
Lloyd Morgan International Pty Limited	Australia	ordinary	**100**	100
Lloyd Morgan (Brisbane) Pty Limited	Australia	ordinary	**100**	100
JAV IT Group Pty Limited	Australia	ordinary	**100**	100
Ignite Management Services Pty Limited	Australia	ordinary	**100**	100
Lloyd Morgan Limited	Hong Kong	ordinary	**100**	100
Lloyd Morgan Hong Kong Limited	Hong Kong	ordinary	**100**	100
Lloyd Morgan Singapore Pte Limited	Singapore	ordinary	**100**	100
Lloyd Morgan Malaysia Sdn Bhd	Malaysia	ordinary	**100**	100
Beijing Candle Technology Service Co. Ltd	China	ordinary	**100**	-
Lloyd Morgan China Limited	China	ordinary	**89**	89

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

19. INTANGIBLE ASSETS

	Consolidated 2012 $000	Consolidated 2011 $000
Candidate databases	**1,876**	1,876
Accumulated amortisation	**(1,876)**	(1,876)
	-	-
Capitalised software development costs	**4,065**	3,628
Accumulated amortisation	**(2,618)**	(2,612)
	1,447	1,016
Goodwill	**77,094**	77,057
Accumulated impairment losses	**(36,183)**	(24,682)
	40,911	52,375
Total intangible assets	**42,358**	53,391

(a) Movements in carrying amounts - 2012

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

(b) Movements in carrying amounts - 2011

	Candidate Databases $000	Capitalised Software Costs $000	Goodwill $000	Total $000
Consolidated				
Balance at the beginning of the year	2	646	67,973	68,621
Additions	-	375	17	392
Amortisation expense	(2)	(5)	-	(7)
Impairment write down	-	-	(14,562)	(14,562)
Exchange differences	-	-	(1,053)	(1,053)
Carrying amount at the end of the year	-	1,016	52,375	53,391

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

(c) Impairment tests

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

	Consolidated	
	2012 $000	2011 $000
Candle ICT	**17,132**	17,132
Candle New Zealand	**-**	2,613
Alliance Recruitment and SouthTech	**23,779**	26,820
Lloyd Morgan Australia	**-**	4,358
JAV IT Group	**-**	1,452
Total	**40,911**	52,375

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

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

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

Cash flows were projected based on financial budgets approved by management covering a five year period, and a discount rate of post tax 11.05% (2011: 12.23%) for large CGU's in Australia and 12.45% (2011: 13.71%) for the small CGU's in Australia. The movement in rates since 30 June 2011 is predominantly as a result of the reduction in interest rates. Small CGU's are defined as having a turnover of less than $10 million. All CGU's in the above table are classified as large except for Lloyd Morgan Australia.

Cash flows beyond that five year period have been extrapolated using growth rates that reflect the trading expectations for each individual CGU. The estimated future cash flows of the CGU's have been determined using the budgets for the year ended 30 June 2013. Detailed budgets were prepared by branch, built up by individual revenue generating head count for the year ending 30 June 2013. These base year branch budgets were then forecast for the next four years by applying assumptions for growth to both temporary and permanent revenue, with assumptions relating to labour cost and head count and other overheads. It is management's view that growth over the next five years will be higher than that of recent years as the economy emerges from the relatively low levels of demand as a result of the Global Financial Crisis. In addition, the business has taken steps to significantly reduce overheads and improve productivity to increase profitability.

The average short term rate of growth in profit before tax for years one to five is 21% (2011: 13%). For the CGU's with goodwill remaining at 30 June 2012, the average short term rate of growth in profit for years one to five, as used in the impairment tests at 30 June 2012, is 11%. After year five a terminal value is calculated using long term growth rates which are assumed to be 3% (2011: 3%), in line with the long-term average growth rate for the industry. For 2013 the projections are based on the most recent growth trends and sentiment in the market as assessed by the specialist brand managers. The key assumptions relate to the number of contractor and permanent placements for each branch within each CGU. A range of factors are taken into consideration in determining budgeted contractor and permanent placements including anticipated client demand, internal capacity and economic trends. Short term growth rates exceed that of the industry reflecting the benefit of strategies to contain the cost base, improve profitability and increased market share and reflect the significant leverage to return in the recruitment market.

19. INTANGIBLE ASSETS (CONTINUED)

(d) Impairment test result

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

As a result of the impairment write downs above one of the CGU's is sensitive to any adverse changes in key assumptions when comparing its recoverable amount to its carrying value. This CGU is Alliance Recruitment. In the event that the key growth assumptions are not achieved it is probable that the carrying amount of Alliance Recruitment will exceed its recoverable amount as determined by the value in use calculation.

The directors believe that there would be no impact on the carrying amounts of the goodwill in respect of the Candle ICT cash generating unit as a result of a reasonably possible change in the key assumptions on which management have based its determination of the CGU's recoverable amount.

20. TRADE AND OTHER PAYABLES

	Consolidated	
	2012 $000	2011 $000
Current		
Trade and Other Payables	**23,978**	21,685
	23,978	21,685

(a) Interest Rate Exposure

All trade and other payables are non-interest bearing.

(b) Financial Guarantees

Bank guarantees for $3.536 million (2011: $1.299 million) have been provided by the consolidated entity to parties outside the group. In the event of default, the Bank has recourse to the consolidated group for this amount.

21. TAX PAYABLE

	Consolidated	
	2012 $000	2011 $000
Current		
Income tax payable	**296**	978

22. PROVISIONS

	Consolidated 2012 $000	Consolidated 2011 $000
Current		
Employee benefits	**1,783**	958
Lease incentive	**56**	170
Work under guarantee	**120**	-
	1,959	1,128
Non-current		
Employee benefits	**378**	858
Make good on leased premises	**159**	246
	537	1,104
	2,496	2,232

Employee benefits

This provision represents annual leave and long service leave entitlements.

Lease incentive

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

Work under guarantee

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

Make Good

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

Movements in Provisions

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

	Lease Incentive $000	Make-Good $000	Work under Guarantee $000	Total $000
Consolidated				
Carrying amount at the beginning of the year	170	246	-	416
Additional provision recognised	61	8	120	189
Amounts utilised	(175)	(95)	-	(270)
Carrying amount at the end of the year	56	159	120	335

23. SHARE CAPITAL

	Consolidated	
	2012 $000	2011 $000
89,449,675 fully paid ordinary shares (2011: 88,161,315)	**91,616**	91,040
Ordinary shares at the beginning of the year	**91,040**	89,589
Shares issued during the year:		
Dividend Reinvestment Plan	**574**	1,404
Exercise of employee options	**2**	47
At the end of the year	**91,616**	91,040

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 regard 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	
Ordinary Shares	**2012 no.**	2011 no.
At the beginning of the year	**88,161,315**	85,826,186
Shares issued during the year:		
Purchase consideration for acquisitions	**1,280,860**	2,182,629
Dividend Reinvestment Plan	**7,500**	152,500
Exercise of employee options	**89,449,675**	88,161,315
At the end of the year	**88,161,315**	85,826,186

Share Options

Further information relating to the Company share option plan is set out in note 28. Details of options granted to directors and executive officers are set out in the remuneration report on pages 29 to 34. At 30 June 2012 there were 2,067,000 (2011: 3,170,000) options outstanding.

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 the 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	**2012 $000**	2011 $000
Total borrowings	13	**2,688**	489
Less: cash and cash equivalents	14	**(932)**	(4,538)
Net (cash) / debt		**1,756**	(4,049)
Total equity		**78,776**	90,282
Total capital		**80,532**	86,233
Gearing ratio		**2.2%**	0%

FINANCIAL STATEMENTS

24. RESERVES

		Consolidated	
	Note	**2012 $000**	2011 $000
Share-based payments	24 (a)	**1,365**	1,359
Foreign currency translation	24 (a)	**(1,677)**	(1,684)
Total		**(312)**	(325)

Nature and Purpose of Reserves

(i) Share-based payments

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

(ii) Foreign currency translation reserve

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

25. RETAINED PROFITS

		Consolidated	
	Note	**2012 $000**	2011 $000
(Accumulated losses)/Retained Profits at the beginning of the financial year		**(433)**	13,337
Loss for the year		**(9,443)**	(10,311)
Dividends paid	**9**	**(2,652)**	(3,459)
Accumulated losses at the end of the financial year		**(12,528)**	(433)

26. OPERATING LEASE COMMITMENTS

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

	Consolidated	
	2012 $000	2011 $000
Within one year	**2,686**	1,734
Later than one year but not later than five years	**6,980**	1,680
Later than five years	**836**	-
	10,502	3,414

Operating lease commitments refer to property leases for the 18 sites (2011: 18 sites) operating across Australia, New Zealand and Asia. In general leases are negotiated with fixed increases for the first three years and then a market review thereafter.

27. CONTINGENT LIABILITIES

There are no material contingent liabilities.

28. SHARE BASED PAYMENTS

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

Consolidated – 2012

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

Consolidated – 2011

Grant Date	Date of Expiry	Exercise Price $	Balance at Start of Year No.	Granted During Year No.	Exercised During Year No.	Forfeited During Year No.	Lapsed During Year No.	Balance at End of Year No.
28 Sep 06	28 Sep 10	3.27	1,268,000	-	-	(1,228,000)	(40,000)	-
24 Apr 07	24 Apr 11	3.27	300,000	-	-	(300,000)	-	-
28 Jun 07	28 Jun 11	3.23	200,000	-	-	(200,000)	-	-
27 Sep 07	27 Sep 11	3.27	975,000	-	-	-	(102,000)	873,000
01 Sep 08	01 Sep 12	1.46	400,000	-	-	-	-	400,000
05 Jan 09	05 Jan 13	0.27	862,000	-	(102,500)	-	(92,500)	667,000
30 Mar 09	30 Mar 13	0.38	100,000	-	(50,000)	-	-	50,000
18 May 09	18 May 13	0.44	300,000	-	-	-	-	300,000
26 May 09	26 May 13	0.52	380,000	-	-	-	(40,000)	340,000
29 Jun 09	29 Jun 13	0.52	631,000	-	-	-	(91,000)	540,000
			5,416,000	-	(152,500)	(1,728,000)	(365,500)	3,170,000
Weighted average exercise price			**$1.93**	**-**	**$0.31**	**$3.27**	**$1.53**	**$1.33**

28. SHARE BASED PAYMENTS (CONTINUED)

No options were granted during the year ended 30 June 2012. The weighted average remaining contractual life of share options outstanding at the year end was 0.67 years (2011: 1.29 years).

Share Option Plan

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

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

The current period share based payment expense was $6,000 (2011: $24,000).

Fair Value of Options Granted

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

No options have been granted during the year.

29. RELATED PARTY DISCLOSURES

(a) Parent Entity

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

(b) Subsidiaries

Interests in subsidiaries are set out in note 18.

(c) Directors and Key Management Personnel

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

(d) Terms and conditions

All transactions between related parties were made on normal commercial terms and conditions, except that there are no fixed terms for the repayment of loans between parties.

30. DEED OF CROSS GUARANTEE

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

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

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

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

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are party to the Deed, after elimination of all transaction between parties to the Deed of Cross Guarantee, at 30 June 2012 is set out as follows:

Statement of Comprehensive Income

For the year ended 30 June 2012

	2012 $000	2011 $000
Revenue from continuing operations	**231,355**	231,755
On hired labour costs	**(195,824)**	(192,788)
Gross Profit	**35,531**	38,967
Employee benefits expense	**(24,828)**	(26,159)
Depreciation and amortisation expense	**(445)**	(497)
Operating rental expense	**(2,093)**	(2,167)
Other expenses	**(2,078)**	(5,809)
Impairment loss	**(26,031)**	(4,115)
Results from operating activities	**(19,944)**	220
Finance income	**1,029**	620
Finance cost	**(798)**	(253)
Net finance cost	**231**	367
Profit/(Loss) before income tax	**(19,713)**	587
Income tax expense	**(1,818)**	(2,001)
Loss after income tax	**(21,531)**	(1,414)
Other comprehensive income	**-**	-
Total comprehensive loss for the period	**(21,531)**	(1,414)
Retained earnings at beginning of year	**11,931**	16,804
Transfers to and from reserves	**-**	-
Reduction in retained earnings on share buy-back	**-**	-
Profit after income tax	**(21,531)**	(1,414)
Dividends recognised during the year	**(2,652)**	(3,459)
Retained earnings at end of year	**(12,252)**	11,931

30. DEED OF CROSS GUARANTEE (CONTINUED)

Statement of financial position

As at 30 June 2012

	2012 $000	2011 $000
Current assets		
Cash assets and cash equivalents	**259**	2,849
Trade and other receivables	**44,209**	43,118
Total current assets	**44,468**	45,967
Non-current assets		
Trade and other receivables	**18,804**	30,807
Plant and equipment	**1,593**	1,057
Deferred tax assets	**1,234**	1,648
Investments	**1,043**	7,727
Goodwill	**40,911**	42,337
Other intangible assets	**1,413**	967
Total non-current assets	**64,998**	84,543
Total assets	**109,466**	130,510
Current liabilities		
Trade and other payables	**17,857**	17,138
Interest bearing liabilities	**2,683**	-
Current tax liabilities	**138**	697
Provisions	**1,599**	885
Total current liabilities	**22,277**	18,720
Non-current liabilities		
Trade and other payables	**6,237**	6,862
Provisions	**549**	925
Total non-current liabilities	**6,786**	7,787
Total liabilities	**29,063**	26,507
Net Assets	**80,403**	104,003
Equity		
Share capital	**91,616**	91,040
Reserves	**1,039**	1,032
Retained profits	**(12,252)**	11,931
Total equity	**80,403**	104,003

31. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2012 the parent entity of the economic entity was Clarius Group Limited.

	2012 $000	2011 $000
Result of parent entity		
Profit/(Loss) for the year	**(18,725)**	1,174
Other comprehensive income	**-**	-
Total comprehensive income for the year	**(18,725)**	1,174
Financial position of parent entity at year end		
Current Assets	**40,672**	41,876
Total Assets	**105,618**	123,495
Current Liabilities	**20,614**	17,417
Total Liabilities	**21,074**	18,155
Net Assets	**84,544**	105,340
Share capital	**91,616**	91,040
Reserves	**1,039**	1,031
Retained earnings	**(8,111)**	13,269
Total equity	**84,544**	105,340

Parent entity contingencies

There are no material contingent liabilities as at 30 June 2012.

There are no capital commitments for acquisition of property plant and equipment as at 30 June 2012 (2011: 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 subsidiary to the deed are disclosed in note 30.

32. EVENTS SUBSEQUENT TO THE REPORTING DATE

On the 21st August 2012 the Directors resolved not to declare a final dividend.

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 39 to 78 and the remuneration report in the Directors' report, set out on pages 29 to 34, 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 2012 and of its performance for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the controlled entity identified in note 30 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and the controlled entity pursuant to ASIC Class Order 98/1418.

3. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2012.

4. The directors draw attention to Note 2 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Kym L Quick
Managing Director

Lawrence J Gibbs
Chairman

Dated at Sydney this 29th day of August 2012

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF CLARIUS GROUP LTD

Report on the Financial Report

We have audited the accompanying financial report of Clarius Group Limited (the Company) which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 3 comprising a summary of significant accounting policies, and other explanatory information and the director's declaration of the group for 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.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with the Accounting Standard AASB 101: Presentation of the Financial Statements, that compliance with the Australian equivalent to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

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

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

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

Independence

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

Auditor's Opinion

In our opinion the financial report of Clarius Group Limited and Clarius Group Limited and Controlled Entities 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 2012 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) The financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Auditors opinion on the remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained in pages 29 to 34 of the directors' report comply with accounting standards AASB 124.

Report on the Remuneration Report

We have audited the remuneration report included on pages 14 to 22 of the directors' report for the year ended. 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 the Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of Clarius Group Limited for the year ended 30 June 2012 complies with section 300A of the Corporation Act 2001.

KPMG

John Wigglesworth
Partner

Dated at Sydney this 29th day of August 2011

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 704.

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

Clause 5.12: 'one vote for every fully paid share'

There is currently no On-Market Buy-Back

Distribution of Shareholders Number

Category	Number of Holders
1 – 1,000	562
1,001 – 5,000	1,281
5,001 – 10,000	616
10,001 – 100,000	721
100,001 and over	62
	3,242

The names of substantial shareholders listed in the holding Company's register as at 14 September 2012

Shareholder	Number of Ordinary Shares
Victor John Plummer	17,147,743
Perpetual Limited and subsidiaries	5,803,325
Geoffrey John Moles	4,678,948

20 largest shareholders of fully paid ordinary shares as at 14 September 2012

Rank	Name of Holder	Number of Units	%
1	Mr Victor John Plummer	17,615,819	19.69
2	RBC Investor Service Australia Nominees Pty Ltd	5,365,102	6.00
3	HSBC Custody Nominees (Australia) Limited	4,277,955	4.78
4	National Nominees Limited	4,111,195	4.60
5	MFPH Superannuation Management Pty Ltd	3,969,527	4.44
6	RBC Investor Service Australia Nominees Pty Ltd	3,858,039	4.31
7	J P Morgan Nominees Australia Limited	3,274,086	3.66
8	Avanteos Investments Limited	2,748,442	3.07
9	Perman Investments Pty Ltd	1,450,337	1.62
10	Citicorp Nominees Pty Ltd	1,157,820	1.29
11	BNP Paribas Noms Pty Ltd	1,099,733	1.23
12	Mr Ian Wallace Edwards & Mrs Josephine Edwards	1,083,072	1.21
13	Wingrove Park Pty Ltd	817,733	0.91
14	Mr Matthew Donald Mullins	723,700	0.81
15	Holtex Pty Ltd	600,000	0.67
16	Engoordina Pty Ltd	550,000	0.61
17	Mr Geoff Moles & Mrs Janice Barbara Moles	486,927	0.54
18	Mark Thompson Pty Ltd	401,460	0.45
19	UBS Wealth Management Australia Nominees Pty Ltd	397,452	0.44
20	Harper IT Executive Pty Ltd	385,097	0.43
		50,673,496	**60.76**

CORPORATE DIRECTORY

Registered Office

Australian Company
Secretaries Pty Limited
Level 9
20 Hunter Street
Sydney NSW 2000
T: +61 2 9252 1933

Postal Address

GPO Box 4231
Sydney, NSW 2001

Company Secretary

Mr Nicholas J V Geddes
Level 3, 70 Pitt Street
Sydney NSW 2000
T: 1300 134 875
F: +612 9252 0188

Share Registrar

Computershare
Level 4
60 Carrington Street
Sydney, NSW 2000
T: +61 3 9415 4000
F: +61 3 9473 2500

Australian Securities Exchange Listing

CND

Auditors

KPMG
10 Shelly Street
Sydney NSW 2000

Solicitors

Blake Dawson
Level 36, 255 George Street
Sydney NSW 2000

Bankers

Westpac Banking Corporation
273 George Street
Sydney, NSW 2000

Clarius Group

Head Office
Level 5, 1 York Street
Sydney NSW 2000
T: +612 9250 8100

candle

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

Brisbane
Ground Floor, 52 McDougall Street
Milton QLD 4064
T: +617 3217 6966

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

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

Perth
Level 3, 191 St. Georges Terrace,
Perth WA 6000
T: +618 9322 6200

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

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

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

Hong Kong
Suite 2401,
24/F Chinachem Exchange Square
1 Hoi Wan Street, Quarry Bay,
Hong Kong
T: +852 3187 8787

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

alliance recruitment

Brisbane
Level 14, 500 Queen Street
Brisbane QLD 4000
T: +617 3051 3600

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

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

Mt Waverley
Suite 32, 1 Ricketts Road
Mount Waverley VIC 3149
T: +613 9543 4977

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

Perth
Suite 4, 1 Scarborough Beach Road
North Perth WA 6006
T: +618 9201 7777

LLOYD MORGAN

Brisbane
Level 14, 500 Queen Street
Brisbane QLD 4000
T: +617 3051 3600

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

Mt Waverley
Suite 32, 1 Ricketts Road
Mount Waverley VIC 3149
T: +613 9543 4999

Perth
Suite 4, 1 Scarborough Beach Road
North Perth WA 6006
T: +618 9201 7777

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

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

Beijing
Room 1707, 17/F, 19 North Road,
East Third Ring Road,
Chaoyang District,
Beijing 10002
T: +86 10 6591 6531

Hong Kong
Suite 2401,
24/F Chinachem Exchange Square
1 Hoi Wan Street, Quarry Bay,
Hong Kong
T: +852 3187 8787

Shanghai
Suite 1004, Silver Court
85 Taoyuan Road
Shanghai 200021
T: +86 21 6093 2608

SouthTech

Brisbane
Level 14, 500 Queen Street
Brisbane QLD 4000
T: +617 3121 5200

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

Sydney
Level 9, 1 York Street
Sydney NSW 2000
T: +612 9250 8078

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

the one umbrella

Brisbane
Level 14, 500 Queen Street
Brisbane QLD 4000
T: +617 3121 5244

Canberra
Level 2, 55 Wentworth Ave
Kingston ACT 2604
T: +612 6260 8741

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

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

Ignite

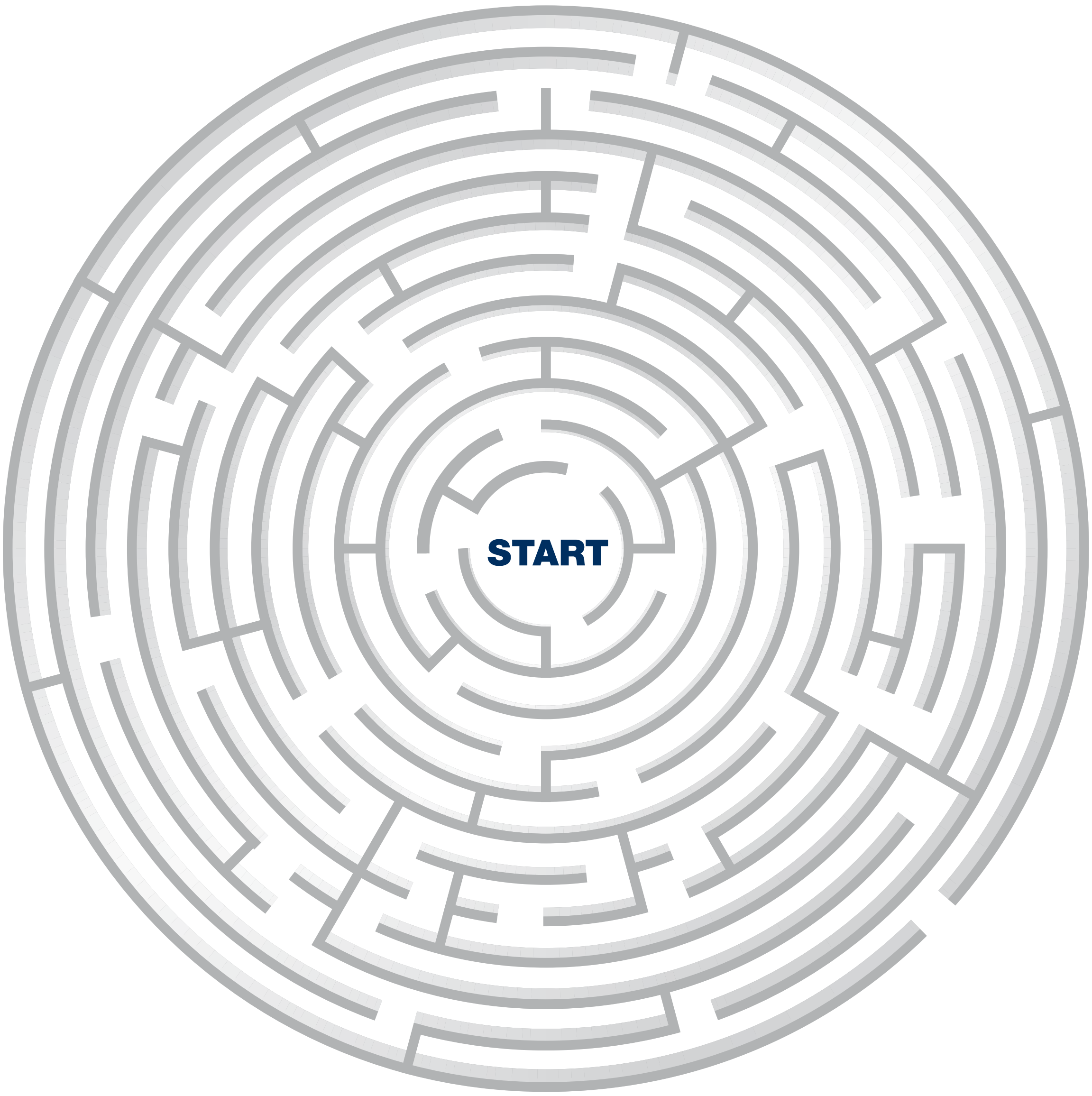
Sydney
Level 9, 1 York Street
Sydney NSW 2000
T: +612 9225 3777

jav I.T. GROUP

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

Sydney
Suite 1, 13 Sirius Road
Lane Cove NSW 2066
T: +612 9422 6888

COMPLETE THE MAZE!



COMPANY INFORMATION

CLARIUS GROUP LIMITED
ABN 43 002 724 334

Head Office:
Level 9, 1 York Street
Sydney NSW 2000

T: +612 9250 8100
W: www.clarius.com.au
E: feedback@clarius.com.au

STOCK EXCHANGE LISTING
Australian Securities Exchange

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

MANAGING DIRECTOR
Kym Quick

CHIEF FINANCIAL OFFICER
Anne Bastock

COMPANY SECRETARY
Nicholas Geddes

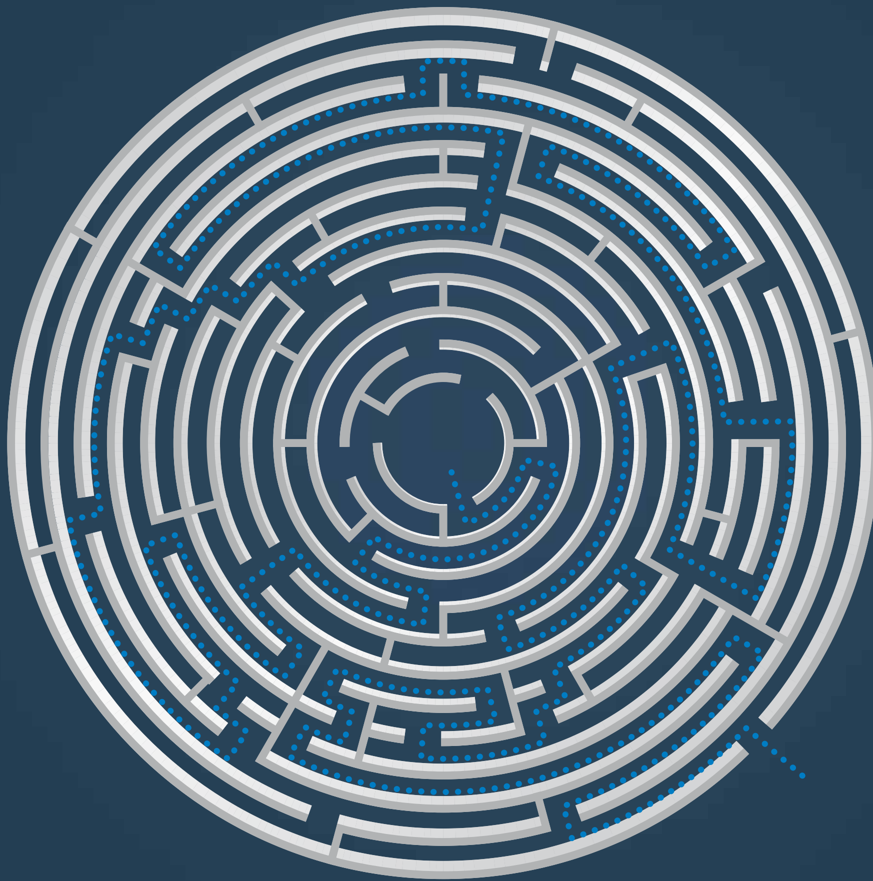
AUDITOR
KPMG

Financial year 2012 continued to present challenges to the recruitment market. A lack of confidence resulted in conservatism around hiring decisions and growth plans within organisations.

Undeterred and rising to the challenge, diligent cost control and productivity improvements led to an increase in sales revenue and continued profitability in difficult trading conditions.

Investment in infrastructure and ongoing efforts to protect and build our “house of specialist brands” strategy will be particularly important when the market recovers with the backdrop of a skills shortage.

Clarius is strongly positioned and we look to 2013 with confidence.



ClariusCares

RECYCLED CONTENT | ECO BLEACHING PROCESS | EMS ENVIRONMENTAL MANAGEMENT SYSTEMS | FOREST MANAGEMENT | ISO CERTIFICATION

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

The Clarius Group Annual Report 2012 is printed on Monza Recycled stock which contains 55% recycled fibre (25% post consumer and 30% pre consumer) and 45% elemental chlorine free pulp. All virgin pulp is derived from well-managed forests and controlled sources. It is manufactured by an ISO 14001 certified mill.

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