

The background of the cover is black, featuring a series of vibrant, multi-colored curved lines in shades of blue, green, yellow, and red. These lines sweep across the page from the bottom left towards the top right, creating a sense of motion and modernity.

**Clarius Group Limited
and Controlled Entities**

Financial Report for the Year Ended

30 June 2010

ABN 43 002 724 334

Directors' Report

The directors present their report together with the financial report of Clarius Group Limited, (the "Company") and its controlled entities (the "consolidated entity") for the financial year ended 30 June 2010 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:

Name	Position	Date of Appointment
Mr Geoffrey J Moles	Managing Director	1 March 1984
Mr Lawrence J Gibbs	Non-Executive Chairman	29 August 2001
Mr Peter D Bunting	Non-Executive Director	6 July 2004
Ms Penelope Morris	Non-Executive Director	23 August 2005

Principal Activities

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

Established over twenty six 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

- Candle Information and Communications Technology
- Alliance Recruitment Corporate Services and Financial Services
- Lloyd Morgan Accounting and Finance
- The One Umbrella Library and Records Management
- SouthTech Personnel Technical and Engineering
- JAV IT Managed IT Services and Professional IT

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

Directors' Report

Operating Results

The consolidated profit of the consolidated entity after providing for income tax for the financial year amounted to \$3,019,000 (2009: loss \$8,322,000).

Dividends Paid or Recommended

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

	2010 \$000
No final dividend was paid	-
No interim dividend was paid:	-

On 25 August 2010 the Directors resolved to declare a fully franked final dividend of 2.0 cents per share to be paid on 15 October 2010 amounting to \$1.7 million.

Review of Operations

Net profit after tax for the second half of the year was \$1.9 million up 73% on the first half result of \$1.1 million. The combined result was a net profit after tax of \$3.0 million for the full year compared to a loss of \$8.3 million for the prior year. The 2009 result included an impairment write down of \$10.1 million. The improvement in the profit is a result of improved trading conditions with higher demand for our services.

The cash flow for the second half was positive at \$2.9 million resulting in a full year negative operating cash flow of \$1.2 million. The gearing ratio at balance date was 0.9%.

Continued focus on cost control has seen further reduction in the cost base of the business which was necessary to maintain and improve profitability. Although the gross margin of the business was down by \$10.8 million, the profit after tax was up when compared to 2009 which was \$1.8 million before impairment. Our strategy to protect the business and remain profitable in a climate of reduced demand for our services is now demonstrated in the results. We now have had three consecutive halves of profit growth.

Staff numbers are now constant at 320 in line with current levels of demand for our services. We do have the capacity for further growth in the short term without the need to significantly increase staff numbers.

Financial Position

The net assets of the consolidated entity have increased by \$18.1 million from 30 June 2009. This was due primarily to the share placement and rights issue undertaken in October 2009 that raised approximately \$15.0 million that was applied to the repayment of borrowings. Gearing at balance date was modest at 0.9% with significant undrawn credit facilities.

Overall the consolidated entity is in a sound position with little gearing, un-drawn financing facilities and the potential to raise further capital as and when required. The Directors believe the consolidated entity is in a financial position to continue to grow both organically and through opportunistic acquisition when they arise.

Significant Changes in State of Affairs

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

Directors' Report

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 2010 are included in greater detail in the Managing Director's review section of the annual report.

These developments, together with the current strategy of continuous productivity improvement, are expected to assist in the achievement of the Company's long term goals.

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, other than the following:

On the 25th August 2010 the Company resolved that a fully franked final dividend of 2.0 cents per share be paid on 15 October 2010 and that the Dividend Reinvestment Plan operate with a 2.5% discount in relation to this final dividend

Environmental Issues

The consolidated entity's operations are regulated by the relevant Commonwealth and State legislation. The nature of the Company's business does not give rise to any significant environmental issues.

Information on Directors

Geoffrey J Moles

Managing Director

Geoffrey Moles has over 40 years commercial experience in Information Technology (IT) and Recruitment including over 30 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 and Chairman.

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

Directors' Report

Lawrence J Gibbs

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 Buckenridge & Young Limited, a well known Australian stockbroking and investment banking firm. He has 35 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 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

Peter D Bunting

Non-Executive Director

Peter Bunting LLB FCA, worked for 31 years in the accounting profession, with 16 years as a partner in Deloitte. From 2000 to 2005 he was chairman of the Health Insurance Commission, then a major Federal Government agency, delivering health programs including Medicare and the PBS. He is a director of several unlisted companies.

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

Penelope Morris AM

Non-Executive Director

Penny Morris has been a professional company director since 1994 serving on a diverse range of public company and government enterprise boards. She is currently a director of Mirvac Limited, NSW Institute of Teachers and Bowel Cancer & Digestive Research Institute Australia. Prior to this period, Penny held senior executive positions with Lend Lease in Sydney, and the Commonwealth Government in Canberra. Penny has a Bachelor of Architecture (Hons.), a Masters of Environmental Science and Diplomas of Company Directorship and International Company Directorship.

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

Directors' Report

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:

Geoffrey J Moles

4,078,948 ordinary shares

Lawrence J Gibbs

67,096 ordinary shares

Peter D Bunting

9,643 ordinary shares

Penelope Morris

51,429 ordinary shares

Company Secretary

Nick Geddes FCA, FCIS Company Secretary. Nick is the principal of Australian Company Secretaries, a company secretarial practice that he formed in 1993. Nick is immediate 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

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

Directors' Report

fees that can be paid to non-executive directors is subject to approval by shareholders at the 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 Terms of Reference (Executive Remuneration Policy), sets out the terms and conditions by which the chief executive and other senior executives remuneration is determined. The Executive Remuneration Policy was developed by the Remuneration and Nominations Committee and approved by the Board after seeking 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 Board Executive Remuneration Policy has been designed to align executive and shareholder interests and objectives. The Board believes the Executive Remuneration Policy 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 annually with each executive and the criteria are based predominantly on the forecast growth of the consolidated entity's profits and shareholder value. 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 chief executive and senior executives' remuneration package there is a performance-based component, related to Key Performance Indicators (KPIs). The intention of this program is to facilitate congruence of goals between executives and those of the business and shareholders. The KPIs are set annually, with a degree of 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 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 respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the annual assessment, the KPIs 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 KPIs are set for the following year.

Directors' Report

In determining whether or not a financial KPI has been achieved, the Company bases the assessment on audited figures, however, where the KPI involves comparison of the consolidated entity or a division within the consolidated entity to the market, independent reports are obtained from organisations such as Standard & Poors.

Consequences of performance on shareholder wealth

In considering the Groups performance and benefits for shareholder wealth, the remuneration committee have regard to the following indicies in respect of the current financial year and previous four financial years.

	2010	2009	2008	2007	2006
Profit attributable to owners of the Company	\$3,019,000	(\$8,322,000)	\$11,333,000	\$13,405,000	\$11,707,000
Dividends paid	-	-	\$9,104,000	\$10,114,000	\$9,550,000
Share price at the end of the year	\$0.63	\$0.51	\$1.11	\$3.15	\$3.25
Return on capital employed	2.9%	N/A	12.2%	15.8%	16.3%

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 not issued based on performance criteria alone, as they are also issued to encourage staff retention within the consolidated entity. The key goal is to increase congruence of goals between executives, staff, directors and shareholders.

Directors' Report

Details of directors' and key management personnel remuneration

The remuneration of each director is as follows:

Parent Entity	Short-term employee benefits				Post-employment benefits	Long term benefits		Share based payment	Total remuneration paid \$
	Salary \$	Directors fees \$	Other \$	Bonus \$	Superannuation \$	Long service leave \$	Termination payments \$	Options Annualised value \$	
Directors									
Geoffrey J Moles									
2010	501,001	-		40,000	14,461	-	-	-	555,462
2009	200,000	108,410	-	-	9,756	-	-	-	318,166
Lawrence J Gibbs									
2010	-	100,917	-	-	9,083	-	-	-	110,000
2009	-	66,546	-	-	5,989	-	-	-	72,535
Peter D Bunting									
2010	-	77,982	-	-	7,018	-	-	-	85,000
2009	-	75,024	-	-	6,752	-	-	-	81,776
Penelope Morris									
2010	-	73,968	-	-	1,032	-	-	-	75,000
2009	-	71,290	-	-	-	-	-	-	71,290
Diana J Eilert (1)									
2010	-	-	-	-	-	-	-	-	-
2009	200,467	-	-	-	11,530	-	250,000	-	461,997

(1) Diana J Eilert ceased employment 3 November 2008

Directors' Report

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

Consolidated	Short-term employee benefits			Post-employment benefits	Long term benefits		Share based payments	Total remuneration paid \$
	Salary \$	Other \$	Bonus \$	Superannuation \$	Long service leave \$	Termination payments \$	Options Annualised value \$	
Key management personnel								
Kym L Quick								
2010	243,471	-	25,000	14,461	15,401	-	-	298,333
2009	264,319	-	65,000	13,744	-	-	57,549	400,612
Paul A Barbaro								
2010	241,794	-	20,000	14,461	-	-	-	276,255
2009	256,255	-	70,000	13,744	-	-	67,415	407,414
Mark A Langan								
2010	234,000	-	-	14,461	-	-	-	248,461
2009	137,700	-	-	8,330	-	-	-	146,030
Linda A Trevor (2)								
2010	31,405	-	-	1,766	-	-	-	33,171
2009	-	-	-	-	-	-	-	-
David M Stewart (3)								
2010	185,085	-	55,651	10,846	-	75,000	-	326,582
2009	244,615	-	103,877	12,073	-	-	14,524	375,089
Kerryn L Divall (1)								
2010	185,628	-	20,000	14,461	-	47,500	-	267,589
2009	172,166	-	25,000	13,744	-	-	1,777	212,687

(1) Kerryn L Divall ceased employment 9 June 2010

(2) Linda Trevor commenced employment 13 May 2010

(3) David Stewart ceased employment 4 February 2010

Directors' Report

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

	Fixed remuneration %	Performance based payments %	Share based payments %
Directors			
Geoffrey J Moles			
2010	93	7	-
2009	100	-	-
Lawrence J Gibbs			
2010	100	-	-
2009	100	-	-
Peter D Bunting			
2010	100	-	-
2009	100	-	-
Penelope Morris			
2010	100	-	-
2009	100	-	-
Diana J Eilert			
2010	-	-	-
2009	100	-	-
Key management personnel			
Kym L Quick			
2010	92	8	-
2009	70	16	14
Paul A Barbaro			
2010	93	7	-
2009	67	17	16
Linda A Trevor			
2010	100	-	-
2009	-	-	-
Mark A Langan			
2010	100	-	-
2009	100	-	-
Kerryn L Divall			
2010	93	7	-
2009	89	11	-
David M Stewart			
2010	83	17	-
2009	70	27	3

The basis of the performance based bonus is described above.

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:

Directors' Report

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 Company 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.

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 share price index for similar sized companies. 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

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

Name & Position	Term of agreement	Basis of salary payment	Notice period
Geoffrey J Moles – Managing Director	On-going until terminated by either party	Base salary, inclusive of superannuation, for the year ended 30 June 2010 of \$500,000 to be reviewed annually by the Board Remuneration and Nominations Committee	Notice period of 3 months by either party.
Kym L Quick – Chief Operating Officer	On-going until terminated by either party	Base salary, inclusive of superannuation, for the year ended 30 June 2010 of \$320,000 to be reviewed annually by the Managing Director	Notice period of 3 months by either party.
Paul A Barbaro – Executive General Manager – Alliance	On-going until terminated by either party	Base salary, inclusive of superannuation, for the year ended 30 June 2010 of \$270,000 to be reviewed annually by the Managing Director	Notice period of 2 months by either party.
Linda A Trevor - Executive General Manager (commenced employment 13 May 2010)	On-going until terminated by either party	Base salary, inclusive of superannuation, for the 2 months ended 30 June 2010 of \$33,171 to be reviewed annually by the Managing Director (annual salary is \$250,000).	Notice period of 2 months by either party.
Kerryn L Divall – General Manager, Finance (ceased employment 9 June 2010)	Agreement terminated effective 9 June 2010	Base salary, inclusive of superannuation, for the year ended 30 June 2010 of \$204,461	Notice period of 3 months by either party.
Mark A Langan – General Manager Finance	On-going until terminated by either party	Base salary, inclusive of superannuation, for the year ended 30 June 2010 of \$248,461.	Notice period of 1 month by either party
David M Stewart – Chief Executive Officer - ICT (ceased employment 4 February 2010)	Agreement terminated effective 4 February 2010	Base salary, inclusive of superannuation, for the year ended 30 June 2010 of \$314,461 to be reviewed annually by the Managing Director	Notice period of 3 months by either party.

Directors' Report

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 only on the satisfaction of a performance hurdle.

Option Holdings

	Balance 01/07/2009	Granted	Exercised	Lapsed/forfeited	Balance 30/06/2010	Vested 30/06/2010
Directors						
Geoffrey J Moles	-	-	-	-	-	-
Lawrence J Gibbs	-	-	-	-	-	-
Peter D Bunting	-	-	-	-	-	-
Penelope Morris	-	-	-	-	-	-
Key Management Personnel						
Kym L Quick	1,200,000	-	-	200,000	1,000,000	-
Paul A Barbaro	1,000,000	-	-	-	1,000,000	-
Kerryn L Divall	95,000	-	-	95,000	-	-
Mark A Langan	-	-	-	-	-	-
David M Stewart	400,000	-	-	400,000	-	-
Linda A Trevor	-	-	-	-	-	-
Total	2,695,000	-	-	695,000	2,000,000	-

Options that 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 are as follows:

	No. Options	Exercise Price	Expiration Date	Fair Value at Grant Date (dollars)	Vesting Period (years)	Fair Value per option at Grant Date (cents)
Options Granted to						
Kym L Quick	-	-	-	-	-	-
Paul A Barbaro	-	-	-	-	-	-
Kerryn L Divall	-	-	-	-	-	-
Mark A Langan	-	-	-	-	-	-
David M Stewart	-	-	-	-	-	-
Linda A Trevor	-	-	-	-	-	-

Directors' Report

Shareholdings

	Balance 01/07/2009	Received as remuneration	Options exercised	Movement	Balance 30/06/2010
Directors					
Geoffrey J Moles	2,970,290	-	-	1,108,658	4,078,948
Lawrence J Gibbs	52,185	-	-	14,911	67,096
Peter D Bunting	7,500	-	-	2,143	9,643
Penelope Morris	40,000	-	-	11,429	51,429
Key Management Personnel					
Kym L Quick	-	-	-	-	-
Paul A Barbaro	-	-	-	-	-
Kerryn L Divall	-	-	-	-	-
Mark A Langan	-	-	-	-	-
David M Stewart	-	-	-	-	-
Linda A Trevor	-	-	-	-	-
Total	3,069,975	-	-	1,137,141	4,207,116

Shares Issued on Exercise of Options during the Year

	Number of shares issued	Amount paid per share \$	Amount unpaid per share \$
Directors			
Diana J Eilert	-	-	-
Key Management Personnel			
Kym L Quick	-	-	-
Paul A Barbaro	-	-	-
Kerryn L Divall	-	-	-
Mark A Langan	-	-	-
David M Stewart	-	-	-
Linda A Trevor	-	-	-
Total	-	-	-

Directors' Report

Meetings of Directors

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

Director	Number of meetings held (1)	Number of meetings attended
Geoffrey J Moles	13	13
Peter D Bunting	13	12
Lawrence J Gibbs	13	13
Penelope Morris	13	12

(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, five Committee meetings were held. Attendances were:

Director	Number of meetings held (2)	Number of meetings attended
Lawrence J Gibbs	5	4
Peter D Bunting	5	5
Penelope Morris	5	5

(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, two Committee meetings were held. Attendances were:

Director	Number of meetings held (3)	Number of meetings attended
Peter D Bunting	2	2
Lawrence J Gibbs	2	2
Penelope Morris	2	2

(3) The number of meetings held during the time the Director was a member of the Board Remuneration and Nominations Committee.

Directors' Report

Indemnifying Officers or Auditor

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

The Company 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 8 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.

Directors' Report

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 Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid or payable to the external auditors during the year ended 30 June 2010:

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Audit Services:				
Auditors of the Company:				
<i>KPMG Australia</i>				
Audit and review of financial reports	152,000	-	152,000	-
<i>Overseas KPMG firms</i>				
Audit and review of financial reports	49,000	-	-	-
	201,000	-	152,000	-
<i>Previous parent company auditor</i>				
Audit and review of financial reports	-	160,000	-	160,000
<i>Other auditors</i>				
Audit and review of financial reports	25,653	94,573	-	-
	226,653	254,573	152,000	160,000
Other Services				
Auditors of the Company:				
<i>KPMG Australia</i>				
Economic research and analysis	44,000	-	44,000	-
	44,000	-	44,000	-
<i>Other Services</i>				
Previous parent company auditor				
Taxation services	56,875	34,513	45,800	32,000
Business services	2,170	10,915	2,170	10,915
	59,045	45,428	47,970	42,915

Directors' Report

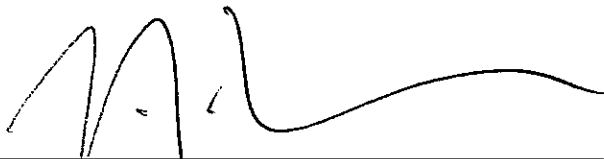
Auditor's Independence

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 18 of the directors' report.

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 and the directors' report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Board of Directors



Geoffrey J Moles
Managing Director



Lawrence J Gibbs
Chairman

Dated at Sydney this 25th day of August 2010



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 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

A handwritten signature in blue ink, appearing to read 'David Sinclair'.

David Sinclair
Partner

Sydney

25 August 2010

Financial Statements

Statement of Comprehensive Income ⁽¹⁾

For the year ended 30 June 2010

	Note	Consolidated		Parent Entity	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Revenues from continuing operations	4	266,109	293,397	182,777	199,231
On hired labour costs		(217,495)	(234,007)	(157,929)	(162,898)
Gross Profit		48,614	59,390	24,848	36,333
Employee benefits expense		(33,092)	(40,367)	(17,977)	(19,747)
Depreciation and amortisation expense	5	(777)	(1,256)	(340)	(584)
Operating rental expense		(3,256)	(3,568)	(1,339)	(1,272)
Other expenses		(6,394)	(9,971)	251	(1,770)
Results from operating activities		5,095	4,228	5,443	12,960
Finance income	4	39	41	548	415
Finance cost	5	(394)	(1,437)	(338)	(1,362)
Net finance costs		(355)	(1,396)	210	(947)
Impairment of goodwill and investments		-	(10,120)	-	(6,289)
Profit / (Loss) before income tax		4,740	(7,288)	5,653	5,724
Income tax expense	6	(1,721)	(1,034)	(1,802)	(1,046)
Profit / (Loss) for the year attributable to the members of Clarius Group Limited		3,019	(8,322)	3,851	4,678
Other comprehensive income					
Foreign currency translation differences for foreign operations		44	902	(337)	9
Income tax on other comprehensive income		-	-	-	-
Other comprehensive income for the period, net of income tax		44	902	(337)	9
Total comprehensive income for the period		3,063	(7,420)	3,514	4,687

		Cents Per Share	
Basic earnings per share	10	3.8	(14.0)
Diluted earnings per share	10	3.7	(12.1)

(1)The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Financial Statements

Statement of Financial Position ⁽²⁾

As at 30 June 2010

	Note	Consolidated		Parent Entity	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Current assets					
Cash assets and cash equivalents	12	1,258	2,701	27	1,670
Trade and other receivables	13	54,799	50,134	78,586	72,273
Current tax receivable	20	547	664	575	547
Total current assets		56,604	53,499	79,188	74,490
Non-current assets					
Trade and other receivables	13	-	-	12,432	12,329
Plant and equipment	15	1,518	1,929	595	662
Deferred tax assets	14	2,608	2,475	1,256	1,153
Other financial assets	16	-	-	12,836	12,828
Intangible assets	18	68,621	67,719	19,309	18,876
Total non-current assets		72,747	72,123	46,428	45,848
Total assets		129,351	125,622	125,616	120,338
Current liabilities					
Trade and other payables	19	20,878	21,534	16,501	16,457
Bank overdraft	11	2,223	639	1,714	-
Interest bearing liabilities	11	-	15,000	-	15,000
Provisions	21	1,175	1,330	610	534
Total current liabilities		24,276	38,503	18,825	31,991
Non-current liabilities					
Deferred tax liabilities	20	-	22	-	-
Provisions	21	1,025	1,188	641	789
Total non-current liabilities		1,025	1,210	641	789
Total liabilities		25,301	39,713	19,466	32,780
Net Assets		104,050	85,909	106,150	87,558
Equity					
Contributed equity	22	89,589	74,636	89,589	74,636
Reserves	23	1,124	955	1,007	1,219
Retained profits	24	13,337	10,318	15,554	11,703
Total equity		104,050	85,909	106,150	87,558

(2) The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Financial Statements

Statement of Changes in Equity - Consolidated ⁽³⁾

As at 30 June 2010	Share Capital 000's	Other Reserve 000's	Retained Earnings 000's	Total 000's
Balance at 1 July 2009	74,636	955	10,318	85,909
Total comprehensive income for the period				
Profit / (Loss)	-	-	3,019	3,019
Other comprehensive income				
Foreign currency translation differences	-	44	-	44
Total other comprehensive income for the period		44	-	44
Transactions with owners recorded directly in equity				
Issue of ordinary shares	14,953	-	-	14,953
Share based payments	-	125	-	125
Dividends to equity holders	-	-	-	-
Total transactions with owners	14,953	125	-	15,078
Balance as at 30 June 2010	89,589	1,124	13,337	104,050

Prior Year	Share Capital 000's	Other Reserve 000's	Retained Earnings 000's	Total 000's
Balance at 1 July 2008	71,611	(76)	21,400	92,935
Total comprehensive income for the period				
Profit / (Loss)	-	-	(8,322)	(8,322)
Other comprehensive income				
Adjustment from prior year	-	-	1,258	1,258
Foreign currency translation differences	-	902	-	902
Total other comprehensive income for the period	-	902	1,258	2,160
Transactions with owners recorded directly in equity				
Issue of ordinary shares	3,025	-	-	3,025
Share based payments	-	129	-	129
Dividends to equity holders	-	-	(4,018)	(4,018)
Total transactions with owners	3,025	129	(4,018)	(864)
Balance as at 30 June 2009	74,636	955	10,318	85,909

(3) The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Financial Statements

Statement of Changes in Equity - Parent ⁽³⁾

As at 30 June 2010	Share Capital 000's	Other Reserve 000's	Retained Earnings 000's	Total 000's
Balance at 1 July 2009	74,636	1,219	11,703	87,558
Total comprehensive income for the period				
Profit / (Loss)	-	-	3,851	3,851
Other comprehensive income				
Foreign currency translation differences	-	(337)	-	(337)
Total other comprehensive income for the period		(337)	-	(337)
Transactions with owners recorded directly in equity				
Issue of ordinary shares	14,953	-	-	14,953
Share based payments	-	125	-	125
Dividends to equity holders	-	-	-	-
Total transactions with owners	14,953	125	-	15,078
Balance as at 30 June 2010	89,589	1,007	15,554	106,150

Prior Year	Share Capital 000's	Other Reserve 000's	Retained Earnings 000's	Total 000's
Balance at 1 July 2008	71,611	(177)	11,043	82,477
Total comprehensive income for the period				
Profit / (Loss)	-	-	4,678	4,678
Other comprehensive income				
Adjustment from prior year	-	1,258	-	1,258
Foreign currency translation differences	-	9	-	9
Total other comprehensive income for the period		1,267	-	1,267
Transactions with owners recorded directly in equity				
Issue of ordinary shares	3,025	-	-	3,025
Share based payments	-	129	-	129
Dividends to equity holders	-	-	(4,018)	(4,018)
Total transactions with owners	3,025	129	(4,018)	(864)
Balance as at 30 June 2009	74,636	1,219	11,703	87,558

(3) The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Financial Statements

Statement of Cash Flows ⁽⁴⁾

For the year ended 30 June 2010

	Note	Consolidated		Parent Entity	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Cash flows from operating activities					
Receipts from customers		290,502	336,799	199,861	227,711
Payments to suppliers and employees		(272,377)	(307,227)	(186,733)	(200,599)
Interest received		39	41	25	-
Interest and other borrowing costs paid		(394)	(1,437)	(338)	(1,362)
Income tax paid		(1,761)	(964)	(1,933)	2,056
GST paid		(17,217)	(18,847)	(10,708)	(10,775)
Net cash provided by operating activities	11	(1,208)	8,365	174	17,031
Cash flows from investing activities					
Payment for purchase of business		(493)	(4,796)	-	-
Purchase of plant and equipment		(218)	(425)	(212)	(213)
Proceeds from disposal of non-current assets		-	-	-	63
Payments for software development and intangible assets		(396)	(108)	(494)	(61)
Net cash (used in) / provided by investing activities		(1,107)	(5,329)	(706)	(211)
Cash flows from financing activities					
Repayment of borrowings		(15,000)	-	(15,000)	-
Loans related parties		20	41	(2,049)	(11,445)
Dividends paid to shareholders		(79)	(2,675)	(79)	(2,675)
Proceeds from the issue of shares		14,303	-	14,303	-
Net cash (used in) / provided by financing activities		(756)	(2,634)	(2,825)	(14,120)
Net increase / (decrease) in cash held		(3,071)	402	(3,357)	2,700
Cash at the beginning of the financial year		2,062	1,399	1,670	(1,030)
Effect of exchange rates on cash holdings in foreign currencies		44	261	-	-
Cash at the end of the financial year	12	(965)	2,062	(1,687)	1,670

(4) The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Financial Statements

Note 1 Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report is compliant to the International Financial Reporting Standards (IFRS) and interpretations adopted by The International Accounting Standards Board (IASB).

The financial report covers the consolidated entity of Clarius Group Limited and controlled entities and Clarius Group Limited as an individual entity. Clarius Group Limited is a listed public company, incorporated and domiciled in Australia.

The consolidated financial statements were authorised for issue by the board of directors on 25 August 2010.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Clarius Group Limited as at 30 June 2010 and the results of all subsidiaries for the year ended 30 June 2010. 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 purchase 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.

Financial Statements

Note 1 Statement of Significant Accounting Policies (continued)

(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 when 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 signing of the contract of employment by each party

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 when the services are provided.

(iv) *Interest income*

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the consolidated entity reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(v) *Dividends*

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

(c) Income 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 or taxable profit or loss.

Financial Statements

Note 1 Statement of Significant Accounting Policies (continued)

(c) Income tax (continued)

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 adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences 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.

The head entity, Clarius Group Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Clarius Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the consolidated entity. Details about the tax funding agreement are disclosed in note 6.

(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 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.

Financial Statements

Note 1 Statement of Significant Accounting Policies (continued)

(d) Employee benefits (continued)

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. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are amortised over their estimated useful lives. 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.

(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 resource base of the various businesses. They are amortised on a straight line basis over a period of two years from the date of acquisition.

The only candidate databases recorded in the balance sheet are those that were purchased. Therefore, the candidate databases for the Candle ICT division in New South Wales and Australian Capital Territory, which were not purchased, have not been recorded.

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.

Financial Statements

Note 1 Statement of Significant Accounting Policies (continued)

(f) Intangible assets continued

(ii) Goodwill

Change in accounting policy

As from 1 July 2009, the Group has adopted the revised AASB 3 Business Combinations (2008) and the amended AASB 127 Consolidated and Separate Financial Statements (2008). Revised AASB 3 and amended AASB 127 have been applied prospectively to business combinations with an acquisition date on or after 1 July 2009.

The change in accounting policy had no impact on earnings per share.

Measuring Goodwill

Goodwill is recorded initially at the amount by which the purchase price for a business exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill acquired on acquisition of subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, Goodwill is tested at each balance date for impairment or more frequently if events or change 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 every employee's time spent on the project. These costs are amortised 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) Business combinations

Change in accounting policy

The Group has adopted AASB 3 Business Combinations (2008) and amended AASB 127 Consolidated and Separate Financial Statements (2008) for business combinations occurring in the financial year starting 1 July 2009.

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued, or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price at the date of exchange.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the net assets acquired is recorded as goodwill.

(h) Plant and equipment

Plant and equipment is brought to account at cost less, where applicable, any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets.

Financial Statements

Note 1 Statement of Significant Accounting Policies (continued)

(h) Plant and equipment continued

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 have been 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 operating profit 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

(i) Impairment of 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 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) 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 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.

Financial Statements

Note 1 Statement of Significant Accounting Policies (continued)

(j) Foreign currency transactions and balances continued

(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 accumulative 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.

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.

(k) Cash and cash equivalents

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

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

(l) Rounding of accounts

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

(m) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. 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. A provision for impairment of 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 provision 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.

Financial Statements

Note 1 Statement of Significant Accounting Policies (continued)

(m) Trade Receivables continued

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

(n) 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 the 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 are included in receivables in the balance sheet.

(ii) Available for sale assets

Available for sale financial assets, comprising principally investments in subsidiaries, are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available for sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

(iii) Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(iv) Share Capital

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

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the consolidated entity commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets

Financial Statements

Note 1 Statement of Significant Accounting Policies (continued)

(n) Financial instruments continued

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.

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method, less any impairment losses.

Impairment

The consolidated entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is evidence of impairment for any of the consolidated entity's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the income statement.

(o) 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.

(p) Dividends

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

(q) Goods and Services Tax (GST)

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

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Note 1 Statement of Significant Accounting Policies (continued)

(r) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the dilutive effect of outstanding employee options. The adjustment takes account of the weighted average income tax effect of interest and other associated financing costs.

(s) Critical accounting estimates and judgements

(i) Estimated impairment of goodwill

The consolidated entity tests at each balance date whether goodwill has suffered any impairment, in accordance with the accounting policy in note 1(f). The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 18 for details of these assumptions.

(ii) Income taxes

The consolidated entity is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the consolidated entity's provision for income taxes. The consolidated entity recognises liabilities for anticipated tax based on estimates of whether any additional taxes are due.

(iii) Impairment of receivables / provision of bad debts

Included in trade receivables is an allowance for doubtful debt. At reporting date this amount represents balances that are uncertain in relation to collectability however it is expected that the amounts will be recovered.

(t) Segment reporting

As of 1 July 2009 the Company determines and presents operating segments based on the information that internally is provided to the CEO, who is the Company's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 Operating Segments. Previously operating segments were determined and presented in accordance with AASB 114 Segment Reporting. The new accounting policy in respect of segment operating disclosures is presented as follows.

An operating segment is a component of the Company 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 Company'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, and for which discrete financial information is available.

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 Company's head office), head office expenses, and income tax assets and liabilities.

Financial Statements

Note 1 Statement of Significant Accounting Policies (continued)

(t) Segment reporting continued

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

(u) New standards and accounting interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010 but have not been applied in preparing this financial report.

AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Company's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Company has not yet determined the potential effect of the standard.

AASB 124 Related Party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for Company's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.

AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvements Process affects various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Company's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

AASB 2009-10 Amendments to Australian Accounting Standards - Classification of Rights Issue [AASB 132] (October 2010) clarifies that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which will become mandatory for the Company's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the Company's 30 June 2011 financial statements, with retrospective application required. The Company has not yet determined the potential effect of the interpretation.

(v) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the

Financial Statements

Note 1 Statement of Significant Accounting Policies (continued)

(v) Finance income and finance costs continued

Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(w) Presentation of financial statements

The Group applies revised AASB 101 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the statement of changes in equity all owner changes in equity.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

The company has adopted Class Order 10/654 which permits disclosure of parent entity financial statements.

Financial Statements

Note 2 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 frameworks and risk management strategies and processes in relation to such 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 cashflow forecasting and debt covenant monitoring for liquidity risks.

The consolidated entity and the parent entity hold the following financial instruments:

	note	Consolidated		Parent Entity	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Financial Assets:					
Cash and cash equivalents	12	1,258	2,701	27	1,670
Trade receivables	13	39,613	37,001	26,183	23,038
Accrued income	13	14,407	12,485	14,043	12,262
Loans to subsidiaries	13	-	-	38,014	49,725
Non current loans to subsidiaries	13	-	-	12,432	12,329
Investments in subsidiaries	16	-	-	12,836	12,828
		55,278	52,187	103,535	111,852
Financial Liabilities:					
Trade payables	19	20,878	21,534	16,501	16,457
Borrowings	11	2,223	15,639	1,714	15,000
		23,101	37,173	18,215	31,457

Financial Statements

Note 2 Financial Risk Management (continued)

(a) Market Risk

Foreign Exchange Risk

The consolidated entity and the parent entity operate internationally and are exposed to foreign exchange risk arising from various 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

	30 June 2010				
	HKD \$000	NZD \$000	CNY \$000	SNG \$000	MYR \$000
Trade Receivables	5,612	2,994	8,518	108	151
Cash	-	548	1,588	25	-
Bank Overdraft	(3,366)	-	-	-	(1)
Trade Payables	(1,175)	(1,413)	(3,002)	(8)	(10)
Net Statement of Financial Position Exposure	1,071	2,129	7,104	125	140
Net Profit / (Loss) for Overseas Business Unit	(3,837)	(462)	1,119	(197)	(155)

	30 June 2009				
	HKD \$000	NZD \$000	CNY \$000	SNG \$000	MYR \$000
Trade Receivables	8,166	1,920	4,438	135	92
Cash	-	244	2,232	161	147
Bank Overdraft	(4,016)	-	-	-	-
Trade Payables	(3,422)	(1,291)	(1,393)	(29)	(23)
Net Statement of Financial Position Exposure	728	873	5,277	267	216
Net Profit / (Loss) for Overseas Business Unit	(26,499)	22	429	(307)	(275)

Financial Statements

Note 2 Financial Risk Management (continued)

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				
	HKD \$000	NZD \$000	CNY \$000	SNG \$000	MYR \$000
30 June 2010					
Equity	355	(187)	(88)	13	8
Impact on Net Profit After Tax on consolidation	53	34	(18)	15	5
30 June 2009					
Equity	319	(248)	(73)	(2)	4
Impact on Net Profit After Tax on consolidation	383	(2)	(7)	24	9
	Impact of 10% Decrease of AUD against foreign currencies on consolidated balances				
	HKD \$000	NZD \$000	CNY \$000	SNG \$000	MYR \$000
30 June 2010					
Equity	(391)	206	97	(14)	(9)
Impact on Net Profit After Tax on consolidation	(58)	(38)	19	(17)	(6)
30 June 2009					
Equity	(351)	273	81	2	(4)
Impact on Net Profit After Tax on consolidation	(421)	2	8	(26)	(10)

Financial Statements

Note 2 Financial Risk Management (continued)

Cash flow and fair value interest rate risk

The consolidated entity's main interest rate risk arises from the parent entity borrowings followed by 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 commercial bill 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 2010			30 June 2009	
	Note	Weighted average interest rate	Balance \$000	Weighted average interest rate	Balance \$000
Bank Overdraft	11	10.7%	2,223	10.5%	639
Commercial Bill	11	-	-	4.0%	15,000

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 2010.

Consolidated Entity Sensitivity

	30 June 2010		30 June 2009	
	1% increase in average interest rate	1% decrease in average interest rate	1% increase in average interest rate	1% decrease in average interest rate
	\$000	\$000	\$000	\$000
Impact on Net Profit After Tax	(16)	16	(191)	191

Parent Entity Sensitivity

	30 June 2010		30 June 2009	
	1% increase in interest rate	1% decrease in interest rate	1% increase in interest rate	1% decrease in average interest rate
	\$000	\$000	\$000	\$000
Impact on Net Profit After Tax	(12)	12	(187)	187

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.

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Note 2 Financial Risk Management (continued)

(b) Credit risk

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

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

Consolidated Entity Receivables

30 June 2010

	Current	30 Days	60 Days	90 Days	Total
	\$000	\$000	\$000	\$000	\$000
Consolidated Entity Receivables	25,598	10,744	2,091	1,229	39,662
	65%	27%	5%	3%	100%

30 June 2009

	Current	30 Days	60 Days	90 Days	Total
	\$000	\$000	\$000	\$000	\$000
Consolidated Entity Receivables	26,738	4,844	4,061	1,476	37,119
	72%	13%	11%	4%	100%

Parent Entity Receivables

30 June 2010

	Current	30 Days	60 Days	90 Days	Total
	\$000	\$000	\$000	\$000	\$000
Parent Entity Receivables	18,785	6,649	194	555	26,183
	72%	25%	1%	2%	100%

30 June 2009

	Current	30 Days	60 Days	90 Days	Total
	\$000	\$000	\$000	\$000	\$000
Parent Entity Receivables	18,172	1,844	2,204	835	23,055
	79%	8%	9%	4%	100%

Financial Statements

Note 2 Financial Risk Management (continued)

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 13.

c) Liquidity Risk

The consolidated entity manages liquidity risk by continuously monitoring forecast and actual cash flows. Due to the nature of on-hired labour working capital requirements, the group treasury function aims to maintain a balance of flexibility and cost effective cash flow funding.

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

Refer to note 11 Cash Flow information for a summary of credit facilities both available and utilised as at balance date.

Trade payables will be settled within six months. Bank overdrafts will be settled within one year.

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Note 3 Segment Reporting

(a) Segments

Geographic Segments	Australia		New Zealand		Asia		Consolidated	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Revenue								
External sales	255,863	278,140	5,229	8,231	5,090	6,779	266,182	293,150
Other revenue	(44)	261	8	24	2	3	(34)	288
Total segment revenue	255,819	278,401	5,237	8,255	5,092	6,782	266,148	293,438
Result								
Segment result before tax and Intercompany charges	6,392	(1,686)	(918)	29	(734)	(5,631)	4,740	(7,288)
Intercompany charges	(390)	436	390	(436)	-	-	-	-
Segment result before taxation	6,002	(1,250)	(528)	(407)	(734)	(5,631)	4,740	(7,288)
Income tax expenses							(1,721)	(1,034)
Net profit for the year							3,019	(8,322)
Segment assets	121,133	124,330	2,573	2,820	5,645	(1,528)	129,351	125,622
Segment liabilities	15,017	37,147	1,148	1,039	9,136	1,527	25,301	39,713
Net assets							104,050	85,909
Depreciation and amortisation	654	1,096	37	43	86	117	777	1,256
Impairment of goodwill	-	6,290	-	-	-	3,830	-	10,120

(b) Segment accounting policies

Segment information is prepared in accordance with the accounting policies of the entity as disclosed in note 1(t) and accounting standard AASB 8: Segment Reporting. Management has organised the entity around geographical areas. The services provided are all recruitment related. 89% of consolidated revenue relates to on hired labour, and 11% 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.

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Note 4 Revenue

	Note	Consolidated		Parent Entity	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Sales revenue		266,182	293,150	182,850	190,333
Other revenue:					
Software royalties		(73)	247	(73)	247
Dividend from wholly-owned subsidiary		-	-	-	8,651
		(73)	247	(73)	8,898
Total revenue from continuing operations		266,109	293,397	182,777	199,231

(a) Interest revenue

	Note	Consolidated		Parent Entity	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Interest revenue receivable from:					
Wholly owned subsidiaries		-	-	523	414
Other persons		39	41	25	1
Total interest revenue		39	41	548	415
Total revenue including interest		266,148	293,438	183,325	199,646

Financial Statements

Note 5 Expenses

	Note	Consolidated		Parent Entity	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Finance costs:					
Other persons		394	1,437	338	1,362
Total borrowing costs and expenses		394	1,437	338	1,362
Depreciation of non-current assets					
Plant and equipment		418	585	205	284
Amortisation of non-current assets					
Leasehold improvements		212	351	75	167
Capitalised computer software		147	210	60	133
Candidate databases		-	110	-	-
Total amortisation		359	671	135	300
Total depreciation and amortisation expense		777	1,256	340	584
Bad and doubtful debts		14	359	(33)	100
Contributions to defined contribution plans		2,035	2,362	958	1,032

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Note 6 Income Tax Expense

	Note	Consolidated		Parent Entity	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Current tax		1,594	326	1,905	439
Deferred tax		127	708	(103)	607
		1,721	1,034	1,802	1,046
Deferred income tax expense included in income tax expense comprises:					
Decrease / (Increase) in deferred tax assets	14	149	752	(103)	607
(Decrease) / Increase in deferred tax liabilities	20	(22)	(44)	-	-
		127	708	(103)	607
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%					
Consolidated		1,422	(2,186)	-	-
Parent entity		-	-	1,696	1,717
		1,422	(2,186)	1,696	1,717
Add tax effect of:					
Impairment		-	2,534	-	(671)
Other non-allowable items		76	460	106	-
Tax rate adjustment on wholly-owned subsidiaries		223	226	-	-
Total income tax expense		1,721	1,034	1,802	1,046

Financial Statements

Note 6 Income Tax Expense (continued)

Tax consolidation legislation

Clarius Group Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. The accounting policy in relation to this legislation is set out in note 1(c).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, Clarius Group Limited.

The entities have also entered into a tax compensation deed and a deed of tax sharing under which the wholly-owned entities fully compensate Clarius Group Limited for any current tax payable assumed and are compensated by Clarius Group Limited for any current tax receivable that is transferred to Clarius Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon the receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year.

Note 7 Dividends

	Consolidated		Parent Entity	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
No final dividend was declared for 2009 (2008 final dividend was 7.0 cents per share)	-	4,018	-	4,018
No interim dividend was declared (No interim dividend was declared for 2009)	-	-	-	-
	-	4,018	-	4,018
The balance of the franking account at period end adjusted for franking credits arising from payment of income tax payable and excludes payment of proposed dividends	14,996	14,070	14,996	14,183

Financial Statements

Note 8 Key Management Personnel Disclosures

The names of the parent entity directors who have held office during the financial year are:

Geoffrey J Moles	Managing Director
Lawrence J Gibbs	Non-executive Chairman
Peter D Bunting	Non-executive Director
Penelope Morris	Non-executive Director

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:

Kym L Quick	Chief Operating Officer	
Paul A Barbaro	Executive General Manager – Alliance	
Kerryn L Divall	General Manager, Finance	Ceased employment 8 June 2010
David M Stewart	Chief Executive Officer – Candle	Ceased employment 4 February 2010
Linda Trevor	Executive General Manager - Candle	Commenced employment 13 May 2010
Mark A Langan	General Manager, Finance	

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 5 to 13.

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Note 8 Key Management Personnel Disclosures (continued)

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.

2010	Balance 01/07/2009	Granted	Exercised	Lapsed/forfeited	Balance 30/06/2010	Vested 30/06/2010
Directors						
Geoffrey J Moles	-	-	-	-	-	-
Lawrence J Gibbs	-	-	-	-	-	-
Peter D Bunting	-	-	-	-	-	-
Penelope Morris	-	-	-	-	-	-
Key Management Personnel						
Kym L Quick	1,200,000	-	-	200,000	1,000,000	-
Paul A Barbaro	1,000,000	-	-	-	1,000,000	-
Kerryn L Divall	95,000	-	-	95,000	-	-
David M Stewart (1)	400,000	-	-	400,000	-	-
Mark A Langan	-	-	-	-	-	-
Linda A Trevor (2)	-	-	-	-	-	-
Total	2,695,000	-	-	695,000	2,000,000	-
2009						
	Balance 01/07/2008	Granted	Exercised	Lapsed/forfeited	Balance 30/06/2009	Vested 30/06/2009
Directors						
Geoffrey J Moles	-	-	-	-	-	-
Lawrence J Gibbs	-	-	-	-	-	-
Peter D Bunting	-	-	-	-	-	-
Penelope Morris	-	-	-	-	-	-
Diana J Eilert (3)	2,100,000	-	-	(2,100,000)	-	-
Key Management Personnel						
Kym L Quick	930,000	300,000	-	(30,000)	1,200,000	-
Paul A Barbaro	700,000	300,000	-	-	1,000,000	-
Kerryn L Divall	15,000	80,000	-	-	95,000	-
David M Stewart	-	400,000	-	-	400,000	-
Mark A Langan	-	-	-	-	-	-
Jane A Bianchini (4)	700,000	-	-	(700,000)	-	-
David A Marshall (5)	800,000	-	-	(800,000)	-	-
Gregory M Smith (6)	-	200,000	-	(200,000)	-	-
Total	5,245,000	1,280,000	-	(3,830,000)	2,695,000	-

Further information regarding the option plan is set out in note 27.

Financial Statements

Note 8 Key Management Personnel Disclosures (continued)

Shareholdings	Balance 01/07/2009	Received as Remuneration	Options Exercised	Other Movement	Balance 30/06/2010
Directors					
Geoffrey J Moles	2,970,290	-	-	1,108,658	4,078,948
Lawrence J Gibbs	52,185	-	-	14,911	67,096
Peter D Bunting	7,500	-	-	2,143	9,643
Penelope Morris	40,000	-	-	11,429	51,429
Key Management Personnel					
Kym L Quick	-	-	-	-	-
Paul A Barbaro	-	-	-	-	-
Mark A Langan	-	-	-	-	-
Kerryn L Divall (1)	-	-	-	-	-
Linda A Trevor	-	-	-	-	-
Total	3,069,975	-	-	1,137,141	4,207,116

Prior Year	Balance 01/07/2008	Received as Remuneration	Options Exercised	Other Movement	Balance 30/06/2009
Directors					
Geoffrey J Moles	1,325,324	-	-	1,644,966	2,970,290
Lawrence J Gibbs	49,238	-	-	2,947	52,185
Peter D Bunting	7,500	-	-	-	7,500
Penelope Morris	40,000	-	-	-	40,000
Diana J Eilert (3)	200,000	-	-	(200,000)	-
Key Management Personnel					
Kym L Quick	-	-	-	-	-
Paul A Barbaro	-	-	-	-	-
Mark A Langan	-	-	-	-	-
Kerryn L Divall (1)	-	-	-	-	-
Gregory M Smith (6)	5,000	-	-	(5,000)	-
Total	1,627,062	-	-	1,442,913	3,069,975

(1) Kerryn L Divall ceased employment effective 8 June 2010

(2) Linda A Trevor commenced employment 13 May 2010

(3) Diana J Eilert ceased employment 3 November 2008

(4) Jane A Bianchini ceased employment effective 12 December 2008

(5) David A Marshall ceased employment effective 1 December 2008

(6) Gregory M Smith ceased employment effective 15 December 2008

Other transactions with directors

There were no other transactions with Directors during the current financial year.

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Note 9 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 non-related audit firms:

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Audit Services:				
Auditors of the Company:				
<i>KPMG Australia</i>				
Audit and review of financial reports	152,000	-	152,000	-
<i>Overseas KPMG firms</i>				
Audit and review of financial reports	49,000	-	-	-
	201,000	-	152,000	-
<i>Previous parent company auditor</i>				
Audit and review of financial reports	-	160,000	-	160,000
<i>Other auditors</i>				
Audit and review of financial reports	25,653	94,573	-	-
	226,653	254,573	152,000	160,000
Other Services				
Auditors of the Company:				
<i>KPMG Australia</i>				
Economic research and analysis	44,000	-	44,000	-
	44,000	-	44,000	-
<i>Other Services</i>				
Previous parent company auditor				
Taxation services	56,875	34,513	45,800	32,000
Business services	2,170	10,915	2,170	10,915
	59,045	45,428	47,970	42,915

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Note 10 Earnings Per Share

	Consolidated	
	2010 cents	2009 cents
Basic earnings per share	3.8	(14.0)
Diluted earnings per share	3.7	(12.1)

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

	Consolidated	
	2010 \$000	2009 \$000
Net profit (loss) after tax used in calculating basic earnings per share	3,019	(8,322)
Adjustments for calculation of diluted earnings per share:		
Interest earned on conversion of options	170	362
Net profit used in calculating diluted earnings per share	3,189	(7,960)

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

	Consolidated	
	2010 '000	2009 '000
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	80,202	59,640
Adjustment for calculation of diluted earnings per share:		
Weighted average number of options	6,290	6,374
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	86,492	66,014

(c) Classification of securities

Options granted to employees under the Employee Share Option Plan are considered to be potential ordinary securities and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 27.

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Note 11 Cash Flow Information

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

	Consolidated		Parent Entity	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Profit (loss) for the year	3,019	(8,322)	3,851	4,678
Non-cash flows in operating profit:				
Depreciation and amortisation	777	1,146	340	584
Impairment of Investments	-	10,194	-	6,259
Non-cash employee benefits expense – share based payments	125	129	125	129
Loss on Disposal of investment	-	-	-	31
Unrealised foreign exchange movements on loan	-	-	-	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:				
(Increase) / Decrease in trade debtors and accrued income	(4,457)	12,944	(4,960)	5,315
(Increase) / Decrease in prepayments	(227)	55	(152)	1,166
Increase / (Decrease) in trade creditors and accruals	(166)	(7,118)	1,092	(3,920)
Increase / (Decrease) in provisions	(240)	(734)	8	(313)
Movement in income taxes payable	117	(267)	(28)	2,495
Movement in deferred taxes	(156)	338	(102)	607
Net cash provided by operating activities	(1,208)	8,365	174	17,031

(b) Credit standby arrangements with banks

	Consolidated		Parent Entity	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Receivables Purchase Facility	15,000	-	15,000	-
Bank bill credit facility	-	15,000	-	15,000
Amount utilised	-	(15,000)	-	(15,000)
Unused credit facility	15,000	-	15,000	-

During the year the bank bill facility was replaced with a trade receivables facility.

(c) Overdraft facilities

	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Overdraft facility	4,341	10,838	3,000	9,000
Amount utilised	(2,223)	(639)	(1,714)	-
Unused overdraft facility	2,118	10,199	1,286	9,000

The credit standby arrangement and parent entity overdraft are subject to half yearly reviews with a term of agreement due for renewal at 30 September 2010.

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Note 11 Cash Flow Information (continued)

Bank overdrafts

The current interest rate on the parent overdraft facility is 11.45%. Bank overdraft facilities are arranged with Australian (AUD\$3,000,000), New Zealand (NZD\$500,000) and Hong Kong banks (HKD\$6,200,000) with the general terms and conditions being agreed to on a regular basis. Interest rates are variable and subject to adjustment. Finance will be provided under all facilities provided the consolidated entity, or companies comprising the consolidated entity with overdraft facilities have not breached any borrowing requirements and the required financial ratios are met. As at 30 June 2010 these requirements have been met.

Note 12 Cash and Cash Equivalents

	Consolidated		Parent Entity	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Cash at bank and on hand	820	2,523	23	1,670
Deposits at call	438	178	4	-
	1,258	2,701	27	1,670

The deposits are bearing interest rates of 4.25% (2009: 2.5%). 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		Parent Entity	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Balances as above	1,258	2,701	27	1,670
Bank overdrafts (note 11)	(2,223)	(639)	(1,714)	-
	(965)	2,062	(1,687)	1,670

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Note 13 Trade and Other Receivables

	Consolidated		Parent Entity	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Current				
Trade receivables	39,662	37,119	26,183	23,055
Allowance for doubtful debts	(49)	(118)	-	(17)
	39,613	37,001	26,183	23,038
Accrued income	14,407	12,485	14,043	12,262
Amounts receivable from:				
Wholly owned subsidiaries	-	-	38,014	36,811
Prepayments	498	271	300	150
Other debtors	281	377	46	12
	54,799	50,134	78,586	72,273
Non-current				
Amounts receivable from:				
Controlled entities (1)	-	-	12,432	12,329

1. The parent company has agreed not to call upon these loans where it would be to the detriment of the company or its creditors for at least one year.

(a) Fair values

The fair value approximates to the carrying value of the non-current 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 2.

(d) Trade receivables aging analysis

Refer to the disclosure in note 2.

Note 13 Trade and Other Receivables (continued)

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

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	Consolidated		Parent Entity	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
At July 1	118	167	17	94
Provision for impairment recognised during the year	14	139	(33)	100
Unused amount reversed	(83)	(188)	16	(177)
	49	118	-	17

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(f) Past due but not impaired

As of 30 June 2010, trade receivables of \$3,320,000 (2009: \$5,537,000) were past due but no impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated		Parent Entity	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Overdue 60 to 90 days	2,091	4,061	193	2,204
Overdue greater than 90 days	1,229	1,476	555	835
	3,320	5,537	748	3,039

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.

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Note 14 Deferred Tax Assets

	Consolidated		Parent Entity	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
The balance comprises temporary differences attributable to:				
Doubtful debts	12	22	-	5
Employee benefits	484	537	279	288
Provision for make good on leased premises	72	109	37	68
Lease incentive	79	69	42	-
Accruals	1,346	1,405	898	792
Losses	615	333	-	-
	2,608	2,475	1,256	1,153
Movements				
Balance at the beginning of the year	2,475	2,855	1,153	1,760
Credited / (charged) to the income statement	(149)	(752)	103	(607)
Losses	282	372	-	-
Balance at the end of the year	2,608	2,475	1,256	1,153

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Note 15 Plant and Equipment

	Consolidated		Parent Entity	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Plant and equipment, at cost	6,752	8,007	4,217	4,605
Accumulated depreciation	(5,752)	(6,637)	(3,768)	(3,959)
	1,000	1,370	449	646
Leasehold improvements, at cost	3,137	3,858	1,919	2,286
Accumulated amortisation	(2,619)	(3,299)	(1,773)	(2,270)
	518	559	146	16
Total plant and equipment	1,518	1,929	595	662

(a) Movements in carrying amounts

	Plant and Equipment	Leasehold Improvements	Total
	\$000	\$000	\$000
Consolidated			
Balance at the beginning of the year	1,370	559	1,929
Additions	183	239	422
Disposals	(135)	(68)	(203)
Depreciation expense	(418)	(212)	(630)
Carrying amount at the end of the year	1,000	518	1,518
Parent entity			
Balance at the beginning of the year	646	16	662
Additions	57	205	262
Disposals	(49)	-	(49)
Depreciation expense	(205)	(75)	(280)
Carrying amount at the end of the year	449	146	595

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Note 16 Other Financial Assets

	Consolidated		Parent Entity	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Investments comprise:				
Shares in:				
Controlled entities at cost	-	-	12,836	12,828
Movements in Investments:				
Balance at the beginning of the year	-	-	12,828	19,074
Additions	-	-	8	87
Disposals	-	-	-	(74)
Impairment write down	-	-	-	(6,259)
Balance at the end of the year	-	-	12,836	12,828

Note 17 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1 (a):

	Country of Incorporation	Class of Shares	Equity Holding (1)	
			2010 %	2009 %
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
ACN 116 747 409 Pty Limited (formerly Reality Check 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
Lloyd Morgan China Limited	China	ordinary	89	89

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

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Note 18 Intangible Assets

	Consolidated		Parent Entity	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Candidate databases	1,876	2,140	1,039	1,039
Accumulated amortisation	(1,874)	(1,973)	(1,037)	(1,037)
	2	167	2	2
Capitalised software development costs	3,253	2,707	2,728	2,468
Accumulated amortisation	(2,607)	(2,601)	(2,187)	(2,360)
	646	106	541	108
Goodwill – refer to note 18(a)	78,093	77,566	25,055	25,055
Accumulated impairment losses	(10,120)	(10,120)	(6,289)	(6,289)
	67,973	67,446	18,766	18,766
Total intangible assets	68,621	67,719	19,309	18,876

(a) Movements in carrying amounts

	Candidate Databases	Capitalised Software Costs	Goodwill	Total
	\$000	\$000	\$000	\$000
Consolidated				
Balance at the beginning of the year	167	106	67,446	67,719
Additions	-	226	666	892
Additions arising from internal development	-	461	-	461
Disposals/Write downs	(165)	-	-	(165)
Amortisation expense	-	(147)	-	(147)
Exchange differences	-	-	(139)	(139)
Carrying amount at the end of the year	2	646	67,973	68,621
Parent entity				
Balance at the beginning of the year	2	108	18,766	18,876
Additions	-	32	-	32
Additions arising from internal development	-	461	-	461
Disposals/Write downs	-	-	-	-
Amortisation expense	-	(60)	-	(60)
Carrying amount at the end of the year	2	541	18,766	19,309

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.

Amounts stated in the parent entity for additions and disposals of goodwill represent movements in relation to internal corporate reconstruction.

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Note 18 Intangible Assets (continued)

(b) 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	
	2010 \$000	2009 \$000
Candle ICT	13,709	13,709
Candle New Zealand	4,159	4,118
Alliance Recruitment	23,503	23,503
The One Umbrella	3,423	3,423
Lloyd Morgan Australia	5,290	5,290
Lloyd Morgan Asia	3,266	3,445
Reality Check	-	-
JAV IT Group	8,123	7,458
Southtech	6,500	6,500
Total	67,973	67,446

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

Value in use was determined by discounting the future cash flows generated from the continuing use of the CGU. The calculation of the value in use was based on the following key assumptions:

- Cash flows were projected based on detailed forecasts prepared by management for 2011. Cash flows for a further 4 year period were extrapolated using growth rates that reflect the trading expectations for each individual CGU. The average short term growth rates range from 11% to 18% with the higher rates expected for those CGU's that were most adversely affected by the Global Financial Crisis (GFC). Long term growth rates are assumed to be 3%, in line with the long-term average growth rate for the industry.
- For 2011 the projections are based on the most recent growth trends and sentiment in the market as assessed by our specialist brand managers. Evidence of increased demand for services confirms that our markets are recovering from the GFC.
- The discount rates used to determine the value in use are based on the weighted average cost of capital for the Group based on the risk free rates of return, the company's risk profile relative to the market, the marginal cost of borrowing for the company, its average level of gearing and a market premium. The rates thus determined were 13.8% for the smaller CGU's and 12.4% for the larger CGU's.

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Note 18 Intangible Assets (continued)

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

In the event that the key growth assumptions are not achieved there is a possibility that several of the CGU's value in use calculations may lead to the carrying amount exceeding the recoverable amount.

There are two CGU's that would be most sensitive to changes in key growth assumptions and, accordingly, have the least headroom when comparing the recoverable amount to the carrying value as a result of the difficult trading during the GFC. The first of these CGU's is Candle New Zealand where trading has been difficult as the economy went into recession. The current headroom based on short term average growth of 16% is \$0.7m. For the recoverable amount to equal the carrying amount the short term average growth rate would need fall to 13%. The second CGU is Alliance Recruitment which has headroom based on a short term average growth of 15% at \$2.0m. For the recoverable amount to equal the carrying amount the short term average growth rate would need fall to 12%.

(d) Impairment test result

Based on the impairment test conducted as described above all CGU's have a value in use that is in excess of the carrying amount, and, accordingly no impairment is evident.

Note 19 Trade and Other Payables

	Consolidated		Parent Entity	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Current				
Trade creditors	20,878	20,934	15,898	14,806
Amounts payable to:				
Controlled entities	-	-	603	1,651
Vendors of acquired businesses	-	600	-	-
	20,878	21,534	16,501	16,457

(a) Interest rate exposure

All trade and other payables are non-interest bearing.

(b) Fair value

The fair value approximates to the carrying value of the non-current payables.

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Note 19 Trade and Other Payables continued

(c) Financial guarantees

There are the following unsecured guarantees within the consolidated entity:

- (i) The parent entity has guaranteed the bank overdraft of Lloyd Morgan Hong Kong
- (ii) The Australian and New Zealand subsidiaries have guaranteed the bank overdraft of the parent entity.

No liability was recognised by the parent entity or the consolidated entity in relation to these guarantees as the fair value of the guarantees is immaterial.

Note 20 Tax Receivable and payable

	Consolidated		Parent Entity	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Current				
Income tax receivable	547	664	575	547
Deferred tax liabilities	-	22	-	-
The balance comprises temporary differences attributable to: depreciation and recognition of income in Asian subsidiaries	-	22	-	-
Movements				
Balance at the beginning of the year	22	66	-	-
Charged / (Credited) to the income statement	(22)	(44)	-	-
Balance at the end of the year	-	22	-	-

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Note 21 Provisions

	Consolidated		Parent Entity	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Current				
Dividend cheques not presented	58	137	58	137
Employee benefits	852	963	411	397
Lease incentive	265	230	141	-
	1,175	1,330	610	534
Non-current				
Employee benefits	768	827	518	563
Make good on leased premises	257	361	123	226
	1,025	1,188	641	789
	2,200	2,518	1,251	1,323

Dividend

This provision reflects dividends that were paid by cheque but not presented.

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.

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 contract requirements.

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Dividends	Lease Incentive	Make-good	Total
	\$000	\$000	\$000	\$000
Consolidated				
Carrying amount at the start of the year	137	230	361	728
Dividend declared	-	-	-	-
Amounts utilised	(79)	35	(104)	(148)
Carrying amount at the end of the year	58	265	257	580
Parent entity				
Carrying amount at the start of the year	137	-	226	363
Dividend declared	-	-	-	-
Amounts utilised	(79)	141	(103)	(41)
Carrying amount at the end of the year	58	141	123	322

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Note 22 Contributed Equity

	Consolidated		Parent Entity	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
85,826,186 fully paid ordinary shares (2009: 61,007,901)	89,589	74,636	89,589	74,636
Ordinary shares at the beginning of the year	74,636	71,611	74,636	71,611
Shares issued during the year:				
Purchase consideration for acquisitions	650	1,690	650	1,690
Dividend Reinvestment Plan	-	1,335	-	1,335
Placement and Rights Issue	14,303	-	14,303	-
Exercise of employee options	-	-	-	-
At the end of the year	89,589	74,636	89,589	74,636

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each fully paid ordinary share is entitled to one vote.

Ordinary Shares	Consolidated		Parent Entity	
	2010 no.	2009 no.	2010 no.	2009 no.
At the beginning of the year	61,007,901	57,404,189	61,007,901	57,404,189
Shares issued during the year:				
Purchase consideration for acquisitions	1,071,394	2,462,559	1,071,394	2,462,559
Dividend Reinvestment Plan	-	1,141,153	-	1,141,153
Placement and Rights Issue	23,746,891	-	23,746,891	-
Exercise of employee options	-	-	-	-
At the end of the year	85,826,186	61,007,901	85,826,186	61,007,901

Share Options

Further information relating to the Company share option plan is set out in note 27. Details of options granted to directors and executive officers are set out in the director's report. At 30 June 2010 there were 5,416,000 (2009: 7,403,854) options outstanding.

Capital Risk Management

The consolidated entity's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce 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 and the parent entity monitor 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.

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Note 22 Contributed Equity (continued)

	Note	Consolidated		Parent Entity	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Total borrowings	11	2,223	15,639	1,714	15,000
Less: cash and cash equivalents	12	1,258	2,701	27	1,670
Net debt		965	12,938	1,687	13,330
Total equity		104,050	85,909	106,150	87,558
Total capital		105,015	98,847	107,837	100,888
Gearing ratio		0.9%	13.1%	1.6%	13.2%

Note 23 Reserves

	Note	Consolidated		Parent Entity	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Share-based payments	23 (a)	1,335	1,210	1,335	1,210
Foreign currency translation	23 (a)	(211)	(255)	(328)	9
Total		1,124	955	1,007	1,219

(a) Movements

	Note	Consolidated		Parent Entity	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Share-based payments					
Movements during the year:					
At the beginning of the year		1,210	1,081	1,210	1,081
Option expense		125	129	125	129
At the end of the year		1,335	1,210	1,335	1,210
Foreign currency translation reserve					
Movements during the year:					
At the beginning of the year		(255)	(1,157)	9	-
Adjustment arising from the translation of foreign controlled entities' financial statements		44	902	(337)	9
At the end of the year		(211)	(255)	(328)	9

Note 23 Reserves continued

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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 the profit and loss when the net investment is disposed.

Exchange differences arising on loans to foreign subsidiaries from the parent entity are recorded in the foreign currency translation reserve. The reserve is recognised in the profit and loss when the loans are repaid and exchange differences realised.

Note 24 Retained Profits

	Note	Consolidated		Parent Entity	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Retained profits at the beginning of the financial year		10,318	22,658	11,703	11,043
Net (loss) / profit for the year		3,019	(8,322)	3,851	4,678
Dividends paid	7	-	(4,018)	-	(4,018)
Retained profits at the end of the financial year		13,337	10,318	15,554	11,703

Note 25 Capital Commitments and Leasing

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

	Consolidated		Parent Entity	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Within one year	2,643	2,451	1,541	1,332
Later than one year but not later than five years	2,351	2,969	1,138	2,135
Later than five years	-	-	-	-
	4,994	5,420	2,679	3,467

Operating lease commitments refer to property leases for the 21 sites (2009: 25 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.

Note 26 Contingent Liabilities

There are no material contingent liabilities.

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Note 27 Share Based Payments

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

Consolidated and parent entity – 2010

Grant date	Date of expiry	Exercise price \$	Balance at start of year no.	Granted during year no.	Exercised during year no.	Forfeited/lapsed during year no.	Balance at end of year no.
01 Jul 05	01 Jul 09	2.08	534,187	-	-	534,187	-
23 Dec 05	23 Dec 09	2.42	66,667	-	-	66,667	-
17 Mar 06	17 Mar 10	2.97	110,000	-	-	110,000	-
28 Sep 06	28 Sep 10	3.27	1,461,000	-	-	193,000	1,268,000
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	1,211,000	-	-	236,000	975,000
01 Sep 08	01 Sep 12	1.46	400,000	-	-	-	400,000
08 Sep 08	08 Sep 12	1.44	300,000	-	-	300,000	-
05 Jan 09	05 Jan 13	0.27	1,195,000	-	-	333,000	862,000
30 Mar 09	30 Mar 13	0.38	100,000	-	-	-	100,000
18 May 09	18 May 13	0.44	300,000	-	-	-	300,000
26 May 09	26 May 13	0.52	380,000	-	-	-	380,000
29 Jun 09	29 Jun 13	0.52	846,000	-	-	215,000	631,000
			7,403,854	-	-	1,987,854	5,416,000
Weighted average exercise price			\$2.20	-	-	\$1.83	\$1.93

Financial Statements

Note 27 Share Based Payments (continued)

Consolidated and parent entity – 2009

Grant date	Date of expiry	Exercise price \$	Balance at start of year no.	Granted during year no.	Exercised during year no.	Forfeited/lapsed during year no.	Balance at end of year no.
30 Jun 04	30 Jun 08	1.61	65,734	-	-	65,734	-
29 Nov 04	29 Nov 08	2.05	83,334	-	-	83,334	-
01 Jul 05	01 Jul 09	2.08	623,520	-	-	89,333	534,187
23 Dec 05	23 Dec 09	2.45	66,667	-	-	-	66,667
17 Mar 06	17 Mar 10	2.97	130,000	-	-	20,000	110,000
28 Sep 06	28 Sep 10	3.30	2,205,000	-	-	744,000	1,461,000
24 Apr 07	24 Apr 11	3.30	300,000	-	-	-	300,000
28 Jun 07	28 Jun 11	3.26	200,000	-	-	-	200,000
27 Sep 07	27 Sep 11	3.30	1,683,000	-	-	472,000	1,211,000
1 Nov 07	1 Nov 14	3.23	800,000	-	-	800,000	-
29 Nov 07	29 Nov 14	3.30	2,100,000	-	-	2,100,000	-
21 Jul 08	21 Jul 12	1.52	-	300,000	-	300,000	-
01 Sep 08	01 Sep 12	1.49	-	600,000	-	200,000	400,000
08 Sep 08	08 Sep 12	1.44	-	300,000	-	-	300,000
05 Jan 09	05 Jan 13	0.30	-	1,315,000	-	120,000	1,195,000
30 Mar 09	30 Mar 13	0.41	-	100,000	-	-	100,000
18 May 09	18 May 13	0.47	-	300,000	-	-	300,000
26 May 09	26 May 13	0.55	-	380,000	-	-	380,000
29 Jun 09	29 Jun 13	0.55	-	846,000	-	-	846,000
			8,257,255	4,141,000	-	4,994,401	7,403,854
Weighted average exercise price			\$3.16	\$0.73	-	\$2.97	\$2.20

No options were granted during the year ended 30 June 2010. The weighted average share price at the date of issue for 2009 was \$0.73.

The weighted average remaining contractual life of share options outstanding at the year end was 1.69 years (2009: 2.45 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 share price must outperform the relevant ASX Index on which the shares of Clarius Group Limited are listed.

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

Financial Statements

Note 27 Share Based Payments (continued)

Fair value of options granted

The assessment of fair value of options is made at each grant date during the year. The range of fair values for options granted during 2009 was between \$0.30 and \$1.52. 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.

Note 28 Related Party Disclosures

(a) Parent entity

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

(b) Subsidiaries

Interests in subsidiaries are set out in note 17.

(c) Directors and key management personnel

Disclosures relating to director and key management personnel are set out in note 8.

(d) Transactions with related parties

Loans from subsidiaries	- Consolidated		1,000 Parent Entity	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Sales of services				
Recruitment services supplied to related to parties	-	-	-	-
Purchases				
Recruitment services received from subsidiaries	-	-	115	708
Tax consolidation legislation				
Current tax payable assumed from wholly owned tax consolidation entities	-	-	13	3,109
Dividend revenue				
Subsidiaries	-	-	-	8,651

(e) Loans

Loans to subsidiaries	Consolidated		Parent Entity	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Loans to subsidiaries	-	-	50,843	49,140
Loans to vendors of acquired business (secured)	-	-	-	-

Financial Statements

Note 28 Related Party Disclosures continued

Loans continued

No provision for doubtful debts has been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(f) Terms and conditions

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

Note 29 Events Subsequent to the Reporting Date

On the 25th August 2010 the Company resolved that a fully franked final dividend of 2.0 cents per share be paid on 15 October 2010 and that the Dividend Reinvestment Plan operate with a 2.5% discount in relation to this final dividend.

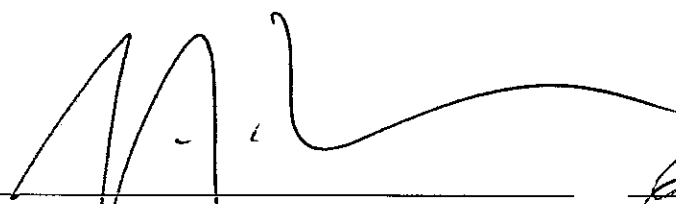

Director's Declaration

The Directors of the Company declare that:

- 1 In the opinion of the directors of Clarius Group Limited (the Company):
 - (a) the financial statements and notes that are contained in pages 19 -70 and the remuneration report in the Directors' report, set out on pages 5-13, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2010 and of their 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. 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 2010.
3. The directors draw attention to Note 1 to the financial statements, which include a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

This declaration is made in accordance with a resolution of the Board of Directors.

 _____ Geoffrey J Moles Managing Director	 _____ Lawrence J Gibbs Chairman
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Dated at Sydney this 25th day of August 2010



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

Report on the financial report

We have audited the accompanying financial report of Clarius Group Limited (the Company), which comprises the statements of financial position as at 30 June 2010, and statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, a statement of significant accounting policies and other explanatory notes 1 to 29 and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end.

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 Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a 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:

(a) the financial report of Clarius Group Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2010 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.

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

Report on the remuneration report

We have audited the Remuneration Report included in pages 5 to 13 of the directors' report for the year ended 30 June 2010. 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Clarius Group Limited for the year ended 30 June 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

David Sinclair
Partner

Sydney

25 August 2010

Additional Information

The following information is required by the Australian Stock Exchange Limited.

- There is only one class of equity securities, being ordinary shares.
- The number of shareholdings holding less than marketable parcels is 473.
- 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	653
1,001 – 5,000	1,672
5,001 – 10,000	815
10,001 – 100,000	871
100,001 and over	68
	4,079

The names of substantial shareholders listed in the holding Company's register as at 5 August 2010

Shareholder	Number of Ordinary Shares
Perpetual Limited and subsidiaries	10,716,513
Paradise Investments Management Pty Ltd	6,436,545

Additional Information

20 largest shareholders of fully paid ordinary shares as at 5 August 2010

Rank	Name of Holder	Number of Units	%
1	RBC Dexia Investor Services Australia Nominees	9,395,501	10.95
2	National Nominees Limited	6,714,785	7.82
3	HSBC Custody Nominees (Australia) Limited	4,412,834	5.14
4	Mr Victor John Plummer	4,252,058	4.95
5	Cogent Nominees Pty Limited	2,194,182	2.56
6	Mr Geoff Moles & Mrs Janice Barbara Moles	2,050,927	2.39
7	ANZ Nominees Limited	1,849,003	2.15
8	MFPH Superannuation Management Pty Ltd	1,805,527	2.10
9	Southside Technical services Pty Ltd	1,734,779	2.02
10	Wingrove Park Pty Limited	1,578,490	1.84
11	Perman Investments Pty Ltd	1,456,137	1.70
12	Citicorp Nominees Pty Limited	1,187,039	1.38
13	Mr Ian Wallace Edwards & Mrs Josephine Edwards	954,876	1.11
14	Avanteos Investments Limited	936,883	1.09
15	Mr Matthew Donald Mullins	742,700	0.87
16	Dr Mark Thompson	709,804	0.83
17	Harper IT Executive Pty Limited	665,284	0.78
18	J P Morgan Nominees Australia Limited	590,326	0.69
19	Engoordina Pty Ltd	550,000	0.64
20	Mr Grant John Montgomery	464,143	0.54
		44,245,278	51.55

Corporate Directory

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Australian Company Secretaries Pty Limited

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phone: +61 2 9252 1933

Postal Address

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Company Secretary

Mr Nicholas J V Geddes

Share Registrar

Computershare

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phone: +61 3 9415 4000

fax: +61 3 9473 2500

Australian Stock Exchange Listing

CND

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Solicitors

Blake Dawson

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Sydney NSW 2000

Bankers

Westpac Banking Corporation

273 George Street

Sydney, NSW 2000

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ACT 2603

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Wellington

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Perth
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Lloyd Morgan

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Sydney NSW 2000

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Melbourne VIC 3000

Brisbane
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