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Clarius Group Limited today reported net profit after tax of \$11.33 million for the full year to 30 June 2008, compared with \$13.4 million in 2007. Before one-offs, NPAT was \$12.1 million, down 10%. What were the major factors which impacted your results for 2008?

MD, Diana Eilert

We had a strong contribution from our acquisitions and also our Asian business. However the core Australian businesses experienced a reduction in profit. This was as a result of the run off of contractors during the first half, and a consequent lower profit run rate during the second half. As we flagged in the half year result, this was largely a consequence of the loss of one large customer resulting in a 'one-off' decline.

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You said that you have now stabilised contractor numbers. Can you tell us the number of contractors you had at the end of June 08 and how many you currently have? How have you been able to arrest the decline in contractor numbers? How do you plan to grow contractor numbers throughout FY09?

MD, Diana Eilert

The number of contractors and temps was around 2,500 at the end of June 2008 and are still around this number. Growth in contractor numbers over the past few years has been driven by acquisitions. We have managed to stabilise numbers through the appointment of new management and by focusing on this issue, but the real uplift will come when we implement some more substantive FutureForce initiatives in this half, as well as winning new customers mandates and delivering more for our existing customers.

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Revenue increased by 8% to \$321 million. This was largely due to acquisitions. Which acquisitions were the main contributors to the growth? How much organic growth did you experience? What are your expectations for revenue growth in FY09?

MD, Diana Eilert

The vast majority of revenue growth was from the acquisitions of Southtech and JAV IT, which contributed almost the entire revenue growth. Candle, was in fact slightly down on prior year. This was as a result of the run off of contractors during the first half with flat revenue in the second half. We have stabilised run-off in the heritage businesses and are implementing changes that should lead to revenue growth. The acquisitions should continue at a modest level of growth. This is of course subject to economic conditions.

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What is your outlook for Southtech and JAV IT for the current year?

MD, Diana Eilert

Southtech is an engineering contracting and recruitment business that has been well placed in the buoyant market for engineers. We would expect that business to continue to grow modestly, subject to no downturn in that sector. JAV IT has provided extraordinary customer service over the 21 years the business has been operating. With a heavy reliance on one customer, the opportunity is to now take that business to the next level operationally and to expand the customer base.

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The Lloyd Morgan Australia business accounted for an EBIT decline of negative \$1.8 million in FY08. You have stated that you have returned the business to profit in the second half of 2008. What actions did you take to return the business to profit? What are your expectations for Lloyd Morgan in FY09?

MD, Diana Eilert

Lloyd Morgan Australia has returned to profit under the leadership of Greg Smith. Greg hired some more experienced sales leaders and people to supplement his team, brought in stronger management disciplines and has reduced expenditure. Of course his focus on building strong enduring customer relationships is critical in delivering a sustained improvement in performance. We are expecting a profitable year in FY09 from this business.

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Your reported operating cash flow for FY08 was a negative \$0.3 million, compared to \$14.4 million in FY07. Why was the operating cash flow so low in FY08? What actions are you taking to improve the cash flow in the business? How do you see the cash flow trending in FY09?

MD, Diana Eilert

Operating cash flow should reflect the underlying profit of the business. This past year we had 2 main reasons operating cash flow was a small negative. Firstly we needed to provide working capital for our JAV IT and Southtech acquisitions. As these are largely services or contract based the amounts are quite significant. This was about \$5.1 million, almost equal to our first half profit. Secondly we received late payment from a large multinational customer due to their own internal processes. The payment of more than \$3 million was received more than 120 days after billing and after the end of the year.

Cash flow is a real focus for us now. Our billing processes are manual and are not suitable for a large and growing company with multiple brands. We are making a relatively small investment in on-line time sheets which will produce better quality results for our candidates and customers as well as vastly improved cash management. We are also tasking our account managers with ensuring terms and collections are improved.

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You have previously announced that you aim to achieve above market growth from the Candle and Alliance brands through Project FutureForce. What is the progress on Project FutureForce? How much have you spent on this project to date? How much do you intend to spend in FY09 and when will the benefits start to emerge?

MD, Diana Eilert

Project FutureForce aims to deliver growth largely through investment in our people. The design phase is mostly finished for Candle and implementation has commenced. The programme requires little in the way of capital investment, and we expect that higher people investment will continue to be required to generate retention and robust organic growth. In total the investment in people, HR and training is in the order of \$2 million annually, a cost that will be dialled up and down as our requirements change.

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How is your business positioned to deal with a slowing economic environment? Are you seeing any signs of slowing in Australia? What sectors are you focussing on?

MD, Diana Eilert

In terms of a slow down, Asia and Australia have experienced some hiring freezes, especially in the financial services sector.

We have focused the business on sectors that we believe will be more resilient in a slow down as they are sectors where higher labour growth is forecast. For us, these sectors are white collar and include ICT, construction and engineering and business services. Whilst the results do not yet show a down turn, we are implementing much more robust performance management system to ensure everyone in the business delivers value every month.

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Thank you Diana.

For further information about Clarius Group, visit www.clarius.com.au or call Diana Eilert on +61 2 9250 8100.

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