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WE KNOW PEOPLE

## Hamilton James & Bruce Announces Half Year Results

**Tuesday 27<sup>th</sup> February 2007** – Listed recruitment company, Hamilton James & Bruce (HJB), today announced an operating profit before tax from its Australian operations of \$451K, a 45% increase on the corresponding period from last financial year.

The past six months has seen a number of significant improvements at Hamilton James & Bruce, as management continued to focus on rebuilding and consolidating the business.

Management's efforts have paid off as the half year results also represent a strong turnaround on the second half's results of last financial year, when the Australian operations recorded a loss before tax.

Net operating profit after tax for the group was \$272K and 5% down on the corresponding period for the last financial year. Included in this figure is the equity accounted profit from HJB's 25% interest in OCG (HJB's NZ investment), which fell from \$91K to \$43K. The total profit after tax in the corresponding period was \$4.583M, which included a \$4.296M profit on the disposal of 75% of OCG.

Management focus for the remainder of the financial year continues to be on increasing revenue across the business, including a specific focus on building a strong temporary/contracting base, attraction, retention and development of key staff, and managing productivity.

Growth within the Australian business will also come from two acquisitions that have occurred this financial year, IT Resources and Provincial Personnel, and the opening of two new offices in Canberra and the Gold Coast.

The Directors anticipate profitable trading will continue into the second half of 2006/07.

RECRUITMENT ADVICE & CONSULTING

Hamilton James & Bruce Pty Limited ABN 11 002 921 468

# Hamilton James & Bruce Group Limited

## Appendix 4D

### Half-Year Report



1	Name of entity;	Hamilton James & Bruce Group Limited			
	ABN:	90 091 302 975			
	Half-year ended:	31 December 2006			
	Previous period:	31 December 2005			
2	Results for announcement to the market				<u>\$000</u>
2.1	Revenues from continuing operations	down by	0.6%	to	40,461
2.2	Operating profit before tax from Australian business	up by	45.0%	to	451
	Equity accounted profit from OCG Consulting	down by	52.7%	to	43
	Profit before income tax and OCG disposal	up by	22.9%	to	494
	Profit before income tax and after OCG disposal	down by	89.80%	to	494
2.3	Net profit after income tax for the period attributable to members of Hamilton James & Bruce Group Limited	down by	94.1%	to	272

Note the result from the corresponding period in the last financial year included a profit of \$4.296M on the disposal of 75% of the Group's interest in OCG Consulting Limited, a New Zealand company.

2.4	Dividends				
	This period				
	Final dividend		N/A		N/A
	Interim dividend		Nil		Nil
	Special dividend (paid Dec 06)		2 cents		2 cents
	Previous period				
	Final dividend		Nil		Nil
	Interim dividend		Nil		Nil
	Special dividend (paid Dec 05)		2 cents		2 cents
2.5	Record date for determining entitlements to dividends				N/A

## Hamilton James & Bruce Group Limited Interim financial report - 31 December 2006



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This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Hamilton James & Bruce Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

## Directors' Report

Your directors present their report on the consolidated entity consisting of Hamilton James & Bruce Group Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2006.

### Directors

The following persons were directors of Hamilton James & Bruce Group Limited during the whole of the half-year and up to the date of this report:

Deborah Wilson (Chairman & CEO)  
Nick Burton Taylor AM  
Anna Buduls

Deborah Wilson was appointed CEO on 10 July 2006.

### Principal activities

The consolidated entity's principal continuing activities during the half year consisted of the provision of employee placement, temporary and contracting services.

### Review of operations

A summary of the consolidated revenues and results from operations is set out below:

HJB half year results 2006	6 Months to 31 December		
	2006 \$000	2005 \$000	Change %
Revenue			
Permanent Placement Fees	7,986	9,644	-17.2%
Temporary Invoicing	32,309	30,979	4.3%
Other	166	81	104.9%
Total Revenue	40,461	40,704	-0.6%
<b>Operating profit before tax and equity accounted profits</b>	<b>451</b>	<b>311</b>	<b>45.0%</b>
Equity accounted profits	43	91	-52.7%
Operating profit before tax	494	402	22.9%
Income tax expense	(222)	(115)	93.0%
Operating profit after tax	272	287	-5.2%
Profit after tax from OCG sale (net of tax)	-	4,296	-100.0%
<b>Consolidated profit after tax attributable to members</b>	<b>272</b>	<b>4,583</b>	<b>-94.1%</b>

## **Directors' report (continued)**

HJB returned a profit before tax from its Australian operations of \$0.451m which is 45.0% up on the corresponding period last year. The corresponding period last year recognised the profit on sale of the Group's 75% investment in OCG Consulting Limited (OCG) and as a result the consolidated profit after tax fell from \$4.583m to \$0.272m a drop of 94.1%. \$4.296m profit was recognised on the sale of OCG last year. In addition the equity accounted profit from OCG was \$0.043m compared with \$0.091 in the corresponding period last year.

In September 2006 the Group announced the acquisition of the recruitment and contracting business of IT Resources (ITR). The acquisition price included an initial payment of \$0.5m and the issue of 6 million shares in HJB valued at 30 cents. The balance of the consideration is linked to the performance of the business over the next six months.

Management focus continues to be on increasing revenues across the business including its specific focus on building a strong temporary/contracting base, attraction, retention and development of key staff and managing productivity. The focus on growth within the Australian market place has been shown by the acquisition of IT Resources as detailed above, and by the acquisition of Provincial Personnel and the opening of a Canberra office subsequent to the half year end.

## **Dividend**

Shareholders received a two cent special dividend in December 2006 as a result of the profit from the sale of the Group's 75% interest in OCG in October 2005. This was the second of the two special dividends declared.

The Board has declared that no ordinary dividend will be paid for the first half.

## **Balance Sheet**

Current receivables have increased as the loans outstanding to OCG and El Vacio (\$2.3M) as part of the sale of OCG in the corresponding period have moved from non-current to current. These balances fall due in the second half of the calendar year.

The reduction in trade creditors has been partially off-set by an increase in borrowings due to increase in the use of the invoice financing and to facilitate the purchase of the IT Resources business.

## **Auditors' Independence Declaration**

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 15.

## **Rounding of Amounts to the nearest thousand dollars**

The company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of the directors.

## Consolidated income statement

For the half-year ended 31 December 2006

	Period ended 31 December	
	2006 \$000	2005 \$000
<b>Revenue from continuing operations</b>	<b>40,461</b>	40,704
Other income		
Profit from sale of business - OCG Consulting Limited	-	4,446
Foreign exchange gain / (loss)	(135)	62
Depreciation and amortisation expense	(661)	(566)
Employment costs	(36,233)	(36,539)
Interest expense	(202)	(133)
Other expenses	(2,779)	(3,217)
Share of net profits of associate accounting for using the equity method	43	91
<b>Profit before income tax</b>	<b>494</b>	4,848
Income tax expense	(222)	(265)
<b>Profit for the half-year</b>	<b>272</b>	4,583
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	<b>0.4</b>	<b>7.5</b>
Diluted earnings per share	<b>0.4</b>	<b>7.5</b>

The above consolidated income statement should be read in conjunction with the accompanying notes.

## Consolidated balance sheet

As at 31 December 2006

	31 December 2006 \$000	30 June 2006 \$000
<b>Current assets</b>		
Cash and cash equivalents	69	969
Trade and other receivables	11,800	7,370
<b>Total current assets</b>	<b>11,869</b>	<b>8,339</b>
<b>Non-current assets</b>		
Investments accounted for using the equity method	2,215	2,001
Available-for-sale financial assets	2	2
Property, plant and equipment	3,887	4,209
Deferred tax assets	604	833
Intangible assets	15,395	13,043
Receivables	-	2,094
<b>Total non-current assets</b>	<b>22,103</b>	<b>22,182</b>
<b>Total assets</b>	<b>33,972</b>	<b>30,521</b>
<b>Current liabilities</b>		
Trade and other payables	2,748	4,376
Borrowings	5,450	1,936
Lease incentives	320	320
Current tax liabilities	54	31
Provisions	480	716
Deferred settlement	145	-
<b>Total current liabilities</b>	<b>9,197</b>	<b>7,379</b>
<b>Non-current liabilities</b>		
Borrowings	500	-
Lease incentives	2,296	1,986
Deferred tax liabilities	457	493
Provisions	170	683
<b>Total non-current liabilities</b>	<b>3,423</b>	<b>3,162</b>
<b>Total liabilities</b>	<b>12,620</b>	<b>10,541</b>
<b>Net assets</b>	<b>21,352</b>	<b>19,980</b>
<b>Equity</b>		
Contributed equity	19,665	17,805
Reserves	(217)	(766)
Retained profits	1,904	2,941
<b>Total equity</b>	<b>21,352</b>	<b>19,980</b>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

## Consolidated statement of changes in equity

For the half-year ended 31 December 2006

	Period ended 31 December	
	2006 \$000	2005 \$000
<b>Total equity at the beginning of the half-year</b>	<b>19,980</b>	17,895
Consolidation of HJ&B Employee Share Trust	34	-
Exchange differences on foreign translation	536	43
<b>Net income recognised directly in equity</b>	<b>570</b>	43
<b>Profit for the half-year</b>	<b>272</b>	4,583
<b>Total recognised income and expense for the half-year</b>	<b>842</b>	4,626
<b>Transactions with equity holders in their capacity as equity holders:</b>		
Share payment reserve	13	47
Issue of equity	1,860	-
Dividends paid	(1,343)	(1,834)
	<b>530</b>	<b>(1,787)</b>
<b>Total equity at the end of the half-year</b>	<b>21,352</b>	20,734

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## Consolidated cash flow statement

For the half-year ended 31 December 2006

	Period ended 31 December	
	2006 \$000	2005 \$000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	42,700	46,551
Payments to suppliers and employees (inclusive of goods and services tax)	(45,248)	(44,132)
	(2,548)	2,419
Interest paid	(202)	(133)
Interest received	39	48
Income taxes refund	(226)	(323)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(2,937)</b>	<b>2,011</b>
<b>Cash flows from investing activities</b>		
Payment for purchase of business	(521)	-
Proceeds from sale of business	-	6,853
Payment for software	(123)	(758)
Payment for property, plant and equipment	(54)	(314)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(698)</b>	<b>5,781</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	4,014	2,616
Dividends paid	(1,334)	(1,834)
Repayment of borrowings	-	(6,039)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>2,680</b>	<b>(5,257)</b>
<b>Net increase/(decrease) in cash held</b>	<b>(955)</b>	<b>2,535</b>
Cash at the beginning of the half-year	969	(953)
Effects of exchange rate changes on cash	55	-
<b>Cash at the end of the half-year</b>	<b>69</b>	<b>1,582</b>

The above consolidated statement of cash flow should be read in conjunction with the accompanying notes.

## Notes to the consolidated financial statements

### NOTE 1 BASIS OF PREPARATION OF INTERIM FINANCIAL REPORTS

This general purpose financial report for the interim half-year reporting period ended 31 December 2006 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Hamilton James & Bruce Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

### NOTE 2 SEGMENT INFORMATION

#### (a) Business segments

The consolidated entity operates in one industry segment being the recruitment industry. As a result no additional business segment information has been provided.

#### (b) Geographical segments

The consolidated entity's business units have investments in two geographic areas, being Australia and New Zealand. The wholly owned subsidiary in New Zealand, Hamilton James & Bruce Consulting Limited acts as an investment vehicle holding 25% interest in OCG Consulting Limited.

#### (c) Equity-accounted investments

The Group owns 25% of OCG Consulting Limited, a recruitment company located in New Zealand which is accounted for using the equity method and operates in the same business segment as the rest of the Group.

#### (d) Secondary reporting format - geographical segments

	Period ended 31 December	
	2006	2005
	\$000	\$000
Segment revenues from continuing operations		
Australia	40,418	40,613
New Zealand	43	91
Segment assets		
Australia	29,623	27,513
New Zealand	4,349	3,008
Acquisitions of property, plant and equipment		
Australia	54	314
New Zealand	-	-

Segment revenues were allocated based on the country in which the customer was located. Segment assets and capital expenditure were allocated based on where the assets were located.

**NOTE 3 DIVIDENDS**

	Period ended 31 December	
	2006 \$000	2005 \$000
<b>Ordinary shares</b>		
Dividends paid during the interim financial reporting period	<b>1,343</b>	1,834

**NOTE 4 EQUITY SECURITIES ISSUED**

	Period ended 31 December		Period ended 31 December	
	2006 Shares	2005 Shares	2006 \$000	2005 \$000
<b>Issues of ordinary shares during the half year</b>				
Issue as part of consideration paid for IT Resources	<b>6,000,000</b>	-	<b>1,860</b>	-

**NOTE 5 BUSINESS COMBINATION AND DISPOSAL OF BUSINESS**

**Current period**

On 11 September 2006, Hamilton James & Bruce Group Limited (HJB) acquired a Melbourne based IT recruitment and contracting business, IT Resources Group (ITR). The acquisition price included an initial payment of \$500,000 and the issue of 6 million HJB shares at 31 cents (the market rate on settlement ie 1 October 2006). The balance of the consideration is linked to the performance of the business over the next six months.

The acquired business contributed revenues of \$1,311,000 to the Group for the period from 1 October 2006 to 31 December 2006.

Details of the estimated net assets acquired and intangibles are as follows:

	\$000
Purchase consideration	
Cash paid	500
HJB shares issued	1,860
Deferred settlement	145
Direct costs relating to the acquisition	16
Total purchase consideration	<u>2,521</u>
Fair value of net identifiable assets acquired (PP&E)	11
Goodwill & intangibles	<u>2,510</u>

The intangible is attributable to ITR's reputation, IT market position and established relationships in the IT recruitment and contracting industry.

Due to the complex nature of the intangible assets purchased, no value can be assigned before completion of the valuation which is currently being performed by an accredited valuation expert. Therefore intangible assets have not yet been identified individually.

**Prior period**

On 16 September 2005, HJB shareholders approved the disposal of 75% of the business of the wholly owned subsidiary OCG Consulting Limited (OCG). The sale was effective from 30 September 2005. The purchase consideration was \$9.7 million, and a gain on sale of \$4.4 million. HJB continues to have a 25% shareholding in OCG and recognised an equity profit of \$91,000 for the period 1 October 2005 to 31 December 2005.

**NOTE 5 BUSINESS COMBINATION AND DISPOSAL OF BUSINESS (continued)**

As part of the sale, a \$1.6 million interest bearing and \$0.6 million non-interest bearing loan was granted to El Vacio Limited (purchaser) and OCG Consulting Limited respectively. The loans are repayable two years from the day of being granted, being 7 October 2005.

The loan to El Vacio Limited is subject to interest which will accrue six monthly in arrears on the part of the loan as remains outstanding from time to time at the rate of the Reserve Bank of New Zealand published cash rate. As security for the loan, El Vacio Limited shall provide an equitable mortgage over 75% of OCG Consulting Limited's shareholding. Repayment shall be in full (including interest) on 7 October 2007.

The loan to OCG Consulting Limited was advanced free of interest. Repayment shall be repaid in full on 7 October 2007.

**NOTE 6 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

On 26th February 2007 the Hamilton James and Bruce Group announced the opening of a Canberra office and the acquisition of the recruitment business of Provincial Personnel, a Gold Coast based business.

**Supplementary Appendix 4D information and other relevant disclosures**

	Period ended 31 December	
	2006 cents	2005 cents
<b>(a) NTA backing</b>		
Net tangible asset backing per ordinary security	8.9	11.3

**(b) Details of controlled entities**

(i) Control gained over entities having material effect	N/A
(ii) Loss of control of entities having material effect	N/A

**(c) Details of associate entities**

(i) Name of entity	OCG Consulting Limited
(ii) Percentage holding	25%

	Period ended 31 December	
	2006 \$000	2005 \$000
(iii) Profit from continuing operations and income tax	43	91

**(d) Dividends**

(i) Date the dividend is payable	N/A
(ii) Record date to determine entitlements to dividend	N/A

	Amount per share	Franked amount per share @ 30%	Amount per share of foreign source dividend
Final dividend: Current period	N/A	N/A	N/A
Previous period	Nil	Nil	Nil
Interim dividend: Current period	Nil	Nil	Nil
Previous period	Nil	Nil	Nil
Special dividend: Current period (paid Dec 06)	2 cents	2 cents	Nil
Previous period (paid Dec 05)	2 cents	2 cents	Nil

Dividend Reinvestment Plan	The Company does not have a dividend reinvestment plan
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**(e) Franking credits available and prospects for paying or partly franked dividends for at least the next year**

Franking credits available at 31 December 2006 are \$2,137,000 based on the 30% tax rate.
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## Compliance statement

- 1 This report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations or other standards acceptable to ASX.
- 2 This report, and the accounts upon which the report is based (if separate), use the same accounting policies.
- 3 This report does give a true and fair view of the matters disclosed .
- 4 This report is based on financial statements to which one of the following applies:

The accounts have been audited

The accounts have been subject to review

The accounts are in the process of being audited or subject to review

The accounts have not yet been audited or reviewed

- 5 The entity has a formally constituted audit committee.



**Ken Edmondson**  
Chief Financial Officer

27 February 2007

## Directors' declaration

In the directors' opinion:

- (a) the half-year financial reports and notes set out on pages 5 to 11 are in accordance with the Corporations Act 2001, including;
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Hamilton James & Bruce Group Limited will be able to pay its debts as and when they become due and payable.

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



**Deborah Wilson**  
Chairman and Chief Executive Officer

Sydney, 27 February 2007

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## Auditor's Independence Declaration

As lead auditor for the review of Hamilton James & Bruce Group Limited for the half year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Hamilton James & Bruce Group Limited and the entities it controlled during the period.



Marc Upcroft  
Partner  
PricewaterhouseCoopers

Sydney  
27 February 2007

**INDEPENDENT AUDITOR'S REVIEW REPORT**  
**to the members of Hamilton James & Bruce Group Limited**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Hamilton James & Bruce Group Limited, which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the HJB Group (the consolidated entity). The consolidated entity comprises both Hamilton James & Bruce Group Limited (the company) and the entities it controlled during that half-year.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hamilton James & Bruce Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report.

A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

*Independence*

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

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Hamilton James & Bruce Group Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

  
PricewaterhouseCoopers

  
Marc Upcroft  
Partner

Sydney  
27 February 2007