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WE KNOW PEOPLE

## HAMILTON JAMES & BRUCE GROUP LIMITED ANNOUNCES FULL YEAR RESULTS - 30<sup>TH</sup> JUNE, 2009

**Monday 31<sup>st</sup> August, 2009** - Hamilton James & Bruce Group Limited (HJB) today announced an after tax loss of \$6.186 million. Pre tax losses were \$6.050 million. Full year revenues from operations totaled \$53.320 million which were down by 32.4% from the prior year. Both permanent and contracting revenues fell year on year.

The second half of the financial year saw Gross and Net Revenues fall by approximately 24% and 34% respectively on the preceding 6 months, the major component being a fall in Permanent Revenue of approximately 46%. The profit after tax which was a loss of \$299k for the second half of the financial year represented a turnaround from the first half results of \$5,588 million. Included in the full year results (first half) was the recognition of liability for an onerous lease contract, from which an exit was subsequently negotiated and therefore any unutilised provision written back in the second half. For a more detailed explanation please refer to the following Appendix 4E.

Tough economic trading conditions have continued to affect the overall performance of the business with customer confidence and demand for recruitment services being much lower than previous years. HJB has responded to the tougher conditions by right-sizing the business, which has included closing offices and reducing costs via our "green and lean" policy. In addition, it was necessary to reduce our total head count by over 50% plus modify employee working hours. We have re-focused our business to leverage growth opportunities within sectors less affected by hiring freezes and the global financial crisis whilst ensuring our debtors and collections are in line with our trading terms.

We have seen pockets of positive change in the second half of the year, however, we remain cautious. With the tough economic conditions our permanent recruitment business has been significantly affected. Our temporary and contracting revenues although affected, have been more robust.

In 2009 we formed a strategic alliance with an outplacement and career transitioning organisation – Trevor-Roberts Associates. This has enabled HJB to provide solutions to our customers through the range of responses to the economic crisis, including the need to reduce staff numbers and downsize their organisation.

HJB completed a successful capital raising in December 2008 of approximately \$2 million. We plan to raise further funds of up to \$2 million via a Convertible Loan Note (CLN), to meet working capital needs, with \$1.6 million committed to date. At this time the company's Extraordinary General Meeting to finalise the CLN has been postponed until 23<sup>rd</sup> September 2009. This is due to a takeover offer by Charterhouse which has been made to all shareholders of Hamilton James & Bruce.

RECRUITMENT ADVICE & CONSULTING



On the 4<sup>th</sup> August, 2009 Charterhouse Pte Ltd offered HJB Shareholders \$0.04 cash for each of their shares. This offer is due to close on 21<sup>st</sup> September 2009. Our major shareholder has committed to selling a 55.83% stake in the business and the HJB Directors have fully endorsed the offer. The outcome of the takeover offer is to be determined and at the time of writing the offer remains conditional.

Due to the timing of the Charterhouse takeover bid, our Auditors have diverted their focus from our preliminary final report (4E) to our Annual Statutory Accounts. These are expected to be lodged by the 14th September 2009.

Until the outcome is finalised, the Directors, senior management and all staff are committed to business as usual in the best interests of all stakeholders.

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Director, Chief Financial Officer  
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**More about Hamilton James & Bruce Group Limited**

Hamilton James & Bruce has been providing excellence in recruitment and associated services for over 30 years. The company is still Australian owned and operated, a fact of which we are very proud.

Hamilton James & Bruce is an acknowledged leader in the Australian recruitment industry. Having placed thousands of people in the financial, government and not for profit sectors since our inception in 1979, we have forged an enviable reputation as the recruitment company that gets it right.

Knowing people is at the core of our business. Be they executives, middle management or office support staff, Hamilton James & Bruce has the specialist resources, skills and processes to find the people you need. We focus our business along ten areas of specialization: Accounting, Technology, Banking & Finance, Government, Hospitality, Human Resources, Legal, Operations & Engineering, Sales Marketing & Communications; and Business Services.

Hamilton James & Bruce Group Ltd comprises the brands of Hamilton James & Bruce, HJB Bowdens and Provincial Personnel.

With offices in NSW, VIC, the ACT and QLD, and alliance partners in WA, NT, SA and overseas, Hamilton James & Bruce Group Ltd can build an international, national or local solution to meet your recruitment needs.

# Hamilton James & Bruce Group Limited

## Appendix 4E

### Preliminary final report



1 Name of entity: Hamilton James & Bruce Group Limited  
 ABN: 90 091 302 975  
 Financial year ended: 30 June 2009  
 Previous period: 30 June 2008

2	Results for announcement to the market		<u>\$000</u>		<u>\$000</u>
2.1	Revenues from continuing operations	down by	(25,517)	to	53,320
2.2	Profit / (Loss) before income tax from continuing operations	up by	3,585	to	(6,050)
	Profit / (Loss) after income tax from continuing operations	up by	3,912	to	(6,050)
	Profit / (Loss) for the financial year	up by	4,385	to	(6,186)
2.3	Net profit/(loss) after income tax for the period attributable to members of Hamilton James & Bruce Group Limited	up by	4,385	to	(6,186)

2.4 Dividends

This period

Final dividend  
Interim dividend

Previous period

Final dividend  
Interim dividend

Amount per share	Franked amount per share
Nil	Nil
Nil	Nil
Nil	Nil
Nil	Nil

2.5 Record date for determining entitlements to dividends

N/A
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## Hamilton James & Bruce Group Limited Preliminary final report - 30 June 2009



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## 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 the financial year ended 30 June 2009.

### Directors

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

Tim Burton-Taylor (Chairman – appointed 29 August 2008)  
Deborah Wilson (Managing Director & CEO)  
Mohit Prasad (CFO & Company Secretary – appointed 29 September 2008)  
Stephen Roberts (Non-Executive Director – appointed 8 July 2009)

Anna Buduls (Non-Executive Director - resigned 29 September 2008)  
Nicholas Burton Taylor (Alternate Director – resigned 29 August 2008)

### Principal activities

The consolidated entity's principal continuing activities during the financial 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:

<b>HJB full year results 2008</b>	<b>2009</b>	<b>2008</b>	<b>Change</b>
	<b>\$000</b>	<b>\$000</b>	<b>%</b>
Revenue			
Permanent placement fees	6,180	15,302	-59.6%
Temporary invoicing	46,551	63,404	-26.6%
Other	589	131	349.6%
<b>Total revenue</b>	<b>53,320</b>	<b>78,837</b>	<b>-32.4%</b>
(Loss) / profit before tax from continuing operations	(6,050)	(9,635)	37.2%
Income tax / benefit / (expense) from continuing operations	0	(327)	
(Loss) / profit after tax from continuing operations	(6,050)	(9,962)	39.3%
(Loss) / profit after tax from discontinuing operations	(136)	(609)	77.7%
(Loss) / profit after tax for financial year	(6,186)	(10,571)	41.5%
Consolidated profit after tax attributable to members	(6,186)	(10,571)	41.5%

Hamilton James & Bruce Group Limited (HJB) achieved total revenues of \$53.3 million. This represents an overall decrease of 32.4% on 2008. During this period the number of billing consultants was reduced by 50% from 92 at 30 June 2008 to 46 at 30 June 2009.

The revenue decrease comprises of a decline in permanent placement revenues of 59.6% and a decline in temporary revenues of 26.6%.

HJB recorded a loss after tax of \$6.186 million (or pre tax loss of \$6.050 million) for the full year to 30 June 2009 (2008: \$10.571 million loss after tax). Loss from continuing operations after tax, representing ongoing Australian operations, decreased to \$6.050 million (2008: \$9.962 million loss), while the impact of discontinued NZ based operations after tax was a loss of \$136k (2008: \$609k loss).

The loss from continuing operations before tax of \$6.050 million may be analysed as follows:

	Note	\$'000
Loss from continuing operations before tax		(6,050)
Addback: Costs associated with surrendering one floor of Sydney office	1	2,504
Costs associated with exiting Wacol office	2	64
Costs associated with right-sizing the business	3	<u>365</u>
Loss from continuing operations adjusted for above items		<u>(3,117)</u>

Notes: The company continued its efforts to reduce its cost base during the 2009 financial year. Key cost improvement initiatives included:

1. The surrender of one floor (1500m<sup>2</sup>) of the Sydney Bridge Street lease resulting in a one-off exit fee of \$450K and the disposal and write-down of furniture and leasehold improvements connected with the original premises. The total impact of these initiatives resulted in additional expenses of \$2,504k.
2. Exiting from Wacol office. The associated disposal of fixed assets and onerous lease resulted in a provision of \$64k.
3. Right-sizing of the business. This resulted in reducing the billing consultants from 92 to 46 and reducing the non-billing employees from 66 to 27. The total impact of these initiatives resulted in additional expenses of \$365k with the expectation to save approximately \$5 million per annum going forward. In addition to tighter performance management and redundancy the company also implemented a 9 day fortnight and accepted voluntary pay reductions. Our green and lean policies also contributed to right-sizing.

The directors are of the opinion that the above expenses have assisted to significantly reduce the cost base to be more in line with revenues currently being produced.

The discontinuation post the sale of OCG in 2007, our past New Zealand operations, resulted in a net loss after tax of \$0.136 million. This being the total and now final tax charge with respect to the sale and closure of this operation.

### Balance Sheet

Net Assets have decreased to \$6.3 million from \$10.6 million in 2008. Cash, trade and other receivables have decreased to \$6.0 million from \$9.2 million as a result of the decline in revenues, increased cash collections and cash raised during the Rights Issue in December 2008.

Non-current assets have reduced to \$8.9 million from \$11.2 million in 2008. This decrease in non-current assets has come from the write-off of assets and leasehold improvements associated with the surrender of one floor of the Sydney premise, as previously mentioned.

Current liabilities have reduced to \$7.4 million from \$7.8 million in 2008, largely due to a reduction in trade creditors and other payables from \$4.6 million in 2008 to \$3.6 million. Borrowings have increased due to the additional cash injection by related parties to HJB of \$1.165 million. It should also be noted that in June 2009, HJB transitioned its Invoice Financing Facility from ANZ Banking Corporation to Affiniti Capital.

Retained profits have decreased to negative \$15.3 million from negative \$9.1 million, largely due to the previously mentioned write downs and an operating loss.

### **Closed Offices**

During the last quarter of the financial year HJB closed its Wacol office in South East Queensland and Chatswood office in New South Wales. Both these offices remain untenanted at time of writing. The clients of these offices are now serviced out of Brisbane and Sydney respectively.

### **Ordinary Dividend**

Based on the Group's performance in 2008 / 09 and the continuing rebuild no ordinary dividend will be paid this year.

### **Clients and Candidates**

HJB has the expertise to service both large and small corporations, government departments and "not for profit" organisations across the disciplines of Accounting, Legal, Information Technology, Banking, Finance and Insurance, Business Support, Government, Sales and Marketing, Human Resources, Hospitality, Operations and Engineering and Hospitality.

HJB continues to build strong partnerships and relationships with its customer base whilst endeavouring to value add and expand our offerings. In 2009 we entered an alliance relationship with a Career Transitioning organization (Trevor-Roberts Associates) to fulfill a key need of our customers. Generally when not hiring they are reducing and realigning their workforce and this is an opportunity both now and in the future.

Without doubt one of our greatest achievements for 2009 was our appointment to the NSW Government c100 contract in four categories. The opportunity around this contract is substantial and key teams have been formed to ensure we maximize the opportunities.

We place a strong value on the relationships and partnerships with our clients and candidates and always commit to the highest ethical recruitment practices.

### **Outlook**

The last financial trading year 2008 / 09 has seen us experience one of the most challenging years in the Australian recruitment industry and certainly in HJB's history. Core challenges started with the steep decline in revenues (particularly permanent) from October 2008 and have continued to be tough since.

Each of our locations and the majority of our customers have had various symptoms from the Global Financial Crisis and we are now focused on driving our temporary and contracting revenues much harder. This is being achieved through existing relationships and new ones. We appreciate that permanent revenues will rebound in time and we know economic conditions both globally and domestically will rebound however we are cautious in our outlook but remain committed to driving sales activities.

## Preliminary consolidated income statement

For the year ended 30 June 2009

	Notes	2009 \$000	2008 \$000
<b>Revenue from continuing operations</b>		<b>53,320</b>	78,837
Depreciation and amortisation expense	5	(1,248)	(2,430)
Impairment - other assets	5	(1,002)	(227)
Impairment - goodwill		-	(7,289)
Employment costs	5	(51,507)	(72,196)
Interest expense	5	(369)	(509)
Other expenses		(5,244)	(5,821)
Profit / (Loss) before income tax from continuing operations		(6,050)	(9,635)
Income tax benefit / (expense) from continuing operations		-	(327)
<b>Profit / (Loss) after income tax from continuing operations</b>		<b>(6,050)</b>	<b>(9,962)</b>
Profit / (Loss) before income tax from discontinued operations		-	(423)
Income tax benefit / (expense) from discontinued operations		(136)	(186)
<b>Profit / (Loss) after income tax from discontinued operations</b>		<b>(136)</b>	<b>(609)</b>
<b>Profit / (Loss) for the financial year</b>		<b>(6,186)</b>	<b>(10,571)</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		(4.6)	(15.7)
Diluted earnings per share		(4.6)	(15.7)

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

## Preliminary consolidated balance sheet

As at 30 June 2009

	Notes	2009 \$000	2008 \$000
<b>Current assets</b>			
Cash and cash equivalents	9	1,464	160
Trade and other receivables	10	4,509	9,069
<b>Total current assets</b>		<b>5,973</b>	<b>9,229</b>
<b>Non-current assets</b>			
Investments accounted for using the equity method		-	-
Available-for-sale financial assets		1	1
Rental bonds		71	-
Property, plant and equipment	11	1,368	3,274
Deferred tax assets		-	-
Intangible assets	12	7,424	7,956
<b>Total non-current assets</b>		<b>8,864</b>	<b>11,231</b>
<b>Total assets</b>		<b>14,837</b>	<b>20,460</b>
<b>Current liabilities</b>			
Trade and other payables	13	3,557	4,627
Borrowings	18	3,221	1,943
Lease incentives	14	203	350
Current tax liabilities	15	43	186
Provisions	16	366	584
Deferred settlement		-	100
<b>Total current liabilities</b>		<b>7,390</b>	<b>7,790</b>
<b>Non-current liabilities</b>			
Lease incentives	19	652	1,456
Borrowings		-	-
Deferred tax liabilities		-	-
Provisions	20	446	576
Deferred settlement		-	-
<b>Total non-current liabilities</b>		<b>1,098</b>	<b>2,032</b>
<b>Total liabilities</b>		<b>8,488</b>	<b>9,822</b>
<b>Net assets</b>		<b>6,349</b>	<b>10,638</b>
<b>Equity</b>			
Contributed equity		21,615	19,665
Reserves		41	94
Retained profits		(15,307)	(9,121)
<b>Total equity</b>		<b>6,349</b>	<b>10,638</b>

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

## Preliminary consolidated statement of changes in equity

For the year ended 30 June 2009

	2009 \$000	2008 \$000
<b>Total equity at the beginning of the financial year</b>	<b>10,638</b>	21,506
Adjustment to retained earnings	-	(446)
	-	(446)
Exchange differences on foreign currency translation	-	(960)
Reversal of FCTR arising on disposal of foreign entities	-	1,109
<b>Net income recognised directly in equity</b>	<b>-</b>	149
<b>Profit / (loss) for the financial year</b>	<b>(6,186)</b>	(10,571)
<b>Total recognised income and expense for the financial year</b>	<b>(6,186)</b>	(10,422)
<b>Transactions with equity holders in their capacity as equity holders:</b>		
Share payment reserve	(53)	-
Issue of equity	1,950	-
	1,897	-
<b>Total equity at the end of the financial year</b>	<b>6,349</b>	10,638

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

## Preliminary consolidated cash flow statement

For the year ended 30 June 2009

	2009 \$000	2008 \$000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	63,023	87,699
Payments to suppliers and employees (inclusive of goods and services tax)	(64,084)	(86,701)
	(1,061)	998
Interest paid	(369)	(509)
Interest received	45	82
Income taxes (paid) / refund	(376)	173
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(1,761)</b>	<b>744</b>
<b>Cash flows from investing activities</b>		
Settlement of prior year purchase of subsidiary	(100)	(1,192)
Proceeds from sale of subsidiary		2,114
Payment for software	-	-
Payment for property, plant and equipment	(63)	(890)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(163)</b>	<b>32</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	1,711	-
Proceeds from lease incentive/fitout	-	150
Dividends paid	-	-
Proceeds from rights issue, net of costs	1,950	
Repayment of borrowings to financial institutions	-	(3,079)
Repayment of borrowings from associates	-	2,440
<b>Net cash inflow/(outflow) from financing activities</b>	<b>3,661</b>	<b>(489)</b>
<b>Net increase/(decrease) in cash held</b>	<b>1,737</b>	<b>287</b>
Cash at the beginning of the financial year	(273)	(66)
Effects of exchange rate changes on cash	-	(494)
<b>Cash at the end of the financial year</b>	<b>1,464</b>	<b>(273)</b>

The above preliminary consolidated statements of cash flows should be read in conjunction with the accompanying notes.

## **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **(a) Basis of preparation**

This financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

#### **Compliance with IFRS**

Australian Accounting Standards include Australian equivalent to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes and the parent entity financial statements and notes of Hamilton James & Bruce Group Limited comply with International Financial Reporting Standards (IFRS).

These financial statements have been prepared in accordance with the historical cost convention.

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

#### **Estimated impairment of goodwill**

The Group currently tests at each reporting period whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1n(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions.

### **(b) Principles of consolidation**

#### **(i) Subsidiaries**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Hamilton James & Bruce Group Limited, and the parent entity, as at 30 June 2009 and the results of all subsidiaries for the year then ended. Hamilton James & Bruce Group Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. 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 Group (note h).

The balances, and effects of transactions, between the Group companies have been eliminated.

**(ii) Employee Share Trust**

The HJ&B Employee Share Trust administers the Group's employee share scheme. This Trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group.

Shares held by the HJ&B Employee Share Trust are disclosed as treasury shares and deducted from contributed equity.

**(iii) Associates**

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

**(c) Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different to those of segments operating within other economic environments.

**(d) Foreign currency translation**

**(i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities 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 Hamilton James & Bruce 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 the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit and loss as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (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 for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale, where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**(e) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. The Group 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 Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the billings have been resolved.

Revenue for the major business activities is recognised as follows:

- Temporary placements: On receipt and processing of a timesheet from the temporary employee or contractor;
- Permanent placements: In stage payments once the service has been performed or on appointment as accepted by both the client and the candidate.

Amounts disclosed as revenue are net of credit notes raised in respect of services requiring replacement.

- Interest income: Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group 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.

**(f) Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

*Tax Consolidation Legislation*

Hamilton James & Bruce Group Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Hamilton James & Bruce 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, Hamilton James & Bruce 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 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 group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned consolidated entities.

**(g) Leases**

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the finance balance outstanding. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Operating lease payments (net of incentives) are charged to the income statement on a straight line basis over the lease term.

Incentives received on entering into operating leases are recognised as liabilities and written off over the period of the lease. Lease incentives at the reporting date are being written off over periods of up to 10 years.

**(h) Business combinations**

The purchase method of accounting is used 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 up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their fair value as at the acquisition date based on the best available evidence of the price at which the instruments could be exchanged between knowledgeable, willing parties in an arm's length transaction. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

**(i) Impairment of assets**

Goodwill and other intangible 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 are tested 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 which are largely independent of the cash inflows from other assets or group of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**(j) Cash and cash equivalents**

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits at call with financial institutions and other highly liquid investments with short periods to maturity (less than three months), which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**(k) Trade receivables**

Trade receivables are recognised at fair value less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables is impaired. The amount of the impairment 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.

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

**(l) Plant and equipment**

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight line basis to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. The estimated useful lives vary from 3-5 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

**(m) Leasehold improvements**

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter.

The cost of rectification of leasehold property at the end of a lease is estimated and is brought into the balance sheet at fair value. The asset is then depreciated over the life of the lease.

**(n) Intangible assets**

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary / associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(ii) Software

Costs incurred on software and its implementation are treated as intangible assets. The Group capitalises certain direct labour costs of those persons directly involved with the development and implementation of systems where the systems contribute to future period financial benefits through revenue generation and/or cost reduction. These capitalised costs are amortised over the period in which the benefits will be received.

**(o) Trade and other creditors**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(p) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

**(q) Borrowing costs**

Borrowing costs are recognised as expenses in the period in which they are incurred.

Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings;
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings, and
- finance lease charges.

**(r) Provisions**

Provisions for legal claims and services are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

**(s) Employee benefits**

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Annual leave

The liability for annual leave is recognised in the current provision for employee benefits as it is expected to be settled within 12 months of the reporting date.

(iii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible to the estimated future cash outflows.

(iv) Profit share and bonus plans

A liability for employee benefits in the form of profit sharing and bonus plans is recognised in other creditors when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report, or
- past practice gives clear evidence of the amount of the obligation.

(v) Superannuation

The consolidated entity participates in a defined contribution superannuation plan. The amount charged to the income statement in respect of superannuation represents the contributions paid or payable by the consolidated entity to the superannuation fund during the reporting year.

(vi) Termination benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when the Group is demonstrably committed to either terminating the employment of current employees according to a formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. The liabilities for termination benefits are

recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as provisions.

Liabilities for termination benefits relating to an acquired entity or operation that arise as a consequence of acquisitions are recognised as at the date of acquisition in the books of the acquiree if, at or before the acquisition date, the main features of the terminations were planned and a valid expectation had been raised in those employees affected that the terminations would be carried out and this is supported by a detailed plan developed within three months of the acquisition or prior to the completion of the financial report, if earlier. These liabilities are disclosed in aggregate with other restructuring costs as a consequence of the acquisition.

Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are measured as the estimated cash outflows, discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future payments, where the effect of discounting is material.

(vii) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

**(t) Contributed Equity**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

**(u) Dividends**

Provision is made for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of the financial year but not distributed at balance date.

**(v) Earnings per share**

(i) Basic earnings per share

Basic earnings per share is determined by dividing the operating profit after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial 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 after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(w) Investments and other financial assets**

Interests in listed and unlisted securities, other than controlled entities in the consolidated financial statements, are brought to account at fair value and dividend income is recognised in the income statement when receivable. Controlled entities are accounted for in the consolidated financial statements as set out in note 1(b).

The Group does not hold any investments that meet the recognition and measurement requirements under AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement.

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 Group provides money, goods or services directly to a debtor with non intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet note (note 12).

**(x) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with the other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. 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 flow.

**(y) Rounding of Amounts**

The Company is of a kind referred to in Class Order 98/100, issued by the ASIC, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

**(z) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group's and the parent entity's

assessment of the impact of the applicable new standards and interpretations is set out below;

- (i) *AASB-8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009)*

AASB 8 will result in a significant change in the approach to segment reporting, as it requires the adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group currently does not have separate operating segments therefore AASB 8 and AASB 2007-3 will have no impact on the Group's financial statements. The Group will apply AASB 8 and AASB 2007-3 from 1 January 2009.

The following new standards and amendments to standards are not expected to have a material impact on either the Group or parent entity's financial statements,

Standard	Title	Operative Date
2007-6	Amendments to Australian Accounting Standards arising from AASB 123 Borrowing Costs	1 January 2009
2008-1	Amendments to Australian Accounting Standard – Share Based Payments: Vesting Conditions and Cancellations [AASB 2]	1 January 2009
AASB 3	Revision to Australian Accounting Standard – Business Combinations [AASB 3]	1 January 2009
2008-7	Amendments to AASB1 and AASB 127 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 July 2009
2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2009
2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 July 2009
2008-13	Amendments to Australian Accounting Standards arising from AASB Interpretation 17 - Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110]	1 July 2009
2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 July 2009
2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2010
IFRS 2	Group Cash-Settled Share-based Payment Transactions	1 January 2010
2009-6	Amendments to Australian Accounting Standards	1 January 2009
2009-7	Amendments to Australian Accounting Standards	1 July 2009

## Notes to the preliminary consolidated financial statements

### 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 operates in one geographical segment being Australia. As a result no additional geographical segment information has been provided.

### NOTE 3 CORRECTION OF ERROR AND REVISION OF ESTIMATES

(i) Correction of error in recording income tax refundable/payable for New Zealand entities in the previous financial year

Due to an error in the income tax computations associated with the tax impacts of the liquidation of the wholly owned subsidiaries in New Zealand, the income tax refundable/payable position as at 30 June 2008 was overstated by \$392,000.

This error had the effect of overstating consolidated trade and other receivables by \$206,000, understating the consolidated current tax liability by \$186,000, and overstating consolidated retained profits and consolidated total equity by \$392,000 as at 30 June 2008.

This error understated the tax expense of continuing operations for the year ended 30 June 2008 by \$392,000.

The error has been corrected by restating each of the affected financial statement line items for the year end 30 June 2008, as described above.

(ii) Revision of useful lives of software

During the 2008 year the estimated total useful lives of software were revised to 2.5 years. The net effect of the change in the 2008 financial year was an increase in amortisation expense for the Group of \$836,000.

### NOTE 4 REVENUE

	2009 \$000	2008 \$000
<b>From continuing operations</b>		
<i>Sales revenue</i>		
Permanent placements	6,180	15,302
Temporary placements	46,551	63,404
<i>Other revenue</i>		
Interest	45	42
Advertising rebates	-	44
HR consulting	10	17
Rents and sub-lease rentals	524	28
Other	10	-
<b>Total revenue from continued operation</b>	<b>53,320</b>	<b>78,837</b>
<b>From discontinued operations</b>		
<i>Other revenue</i>		
Interest	-	40
Dividend	-	9
<b>Total revenue from discontinued operation</b>	<b>-</b>	<b>49</b>
<b>Total revenue</b>	<b>53,320</b>	<b>78,886</b>

## Notes to the preliminary consolidated financial statements (continued)

### NOTE 5 EXPENSES

	2009 \$000	2008 \$000
<b>Profit before income tax includes the following specific expenses:</b>		
Continuing operations		
<i>Depreciation</i>		
Plant and equipment	11 335	461
<i>Amortisation</i>		
Lease incentive	11 321	330
Contracts	11 -	2
Software and database	11 532	1,569
Make good	11 60	68
	<b>913</b>	<b>1,969</b>
<b>Depreciation and amortisation expense</b>	<b>1,248</b>	<b>2,430</b>
<i>Impairment</i>		
Plant and equipment	11 372	143
Lease incentive	11 630	
Make good	11 -	84
	<b>1,002</b>	<b>227</b>
Employment costs		
Temporary placements	36,609	49,170
Permanent personnel	11,669	18,513
Termination payments	-	-
Defined contribution superannuation expense	3,229	4,513
	<b>51,507</b>	<b>72,196</b>
Financing costs	369	509
Occupancy costs	2,836	2,406
Release fee 20 Bridge Street - Operating lease	450	-
Net loss on disposal of property, plant and equipment	251	132
Impairment of goodwill	-	7,289
Discontinued operations		
Net loss on disposal of investment (24.25% OCG)	-	335
Reversal of FCTR arising on disposal of foreign entities	-	1,109

#### Impairment of assets

On 30 June 2009 the Group was released from its existing lease at 20 Bridge Street, Sydney. As part of this transaction the Group surrendered Level 11 and as a result plant and equipment and office fitout incentive assets have been impaired as stated above.

## Notes to the preliminary consolidated financial statements (continued)

### NOTE 6 DIVIDENDS

	<u>2009</u>	2008
	<u>\$000</u>	<u>\$000</u>
<b>Ordinary shares</b>		
Dividends paid during the interim financial reporting period	-	-

### NOTE 7 EQUITY SECURITIES ISSUED

	<u>2009</u>	2008	<u>2009</u>	2008
	<u>Shares</u>	<u>Shares</u>	<u>\$000</u>	<u>\$000</u>
<b>Issues of ordinary shares during the financial year</b>				
Issued as part of Capital raising 1:1 offer	67,141,685	Nil	1,950	-

### NOTE 8 DISCONTINUED OPERATIONS

#### (a) Description

On 30 April 2008 the Group announced its intention to liquidate the two dormant wholly owned subsidiaries in New Zealand, New PDH Limited and CHMC Consulting Limited. These two entities in the process of being liquidated are reported in this preliminary financial report as discontinued operations.

The operations of the subsidiaries consisted of an investment in an associate. The investment was disposed of in November 2007 for consideration consisting of cash and equity instruments. The subsidiaries undertook an ordinary sale of the equity instruments received in consideration during the year ended 30 June 2008.

Financial information relating to the discontinued operation for the years ended 30 June 2008 and 30 June 2009 are set out below.

	<u>2009</u>	2008
	<u>\$000</u>	<u>\$000</u>
<b>(b) Financial performance and cash flow information</b>		
Revenue	-	49
Share of net profit of associates using the equity accounting method	-	141
Foreign exchange gain	-	709
Loss from sale of business - OCG Consulting Limited	-	(335)
Reversal of FCTR arising on disposal of discontinued entities	-	(1,109)
Foreign exchange loss		
Interest expense		
Other expense	-	122
Profit/(loss) before income tax	-	(423)
Income tax expense	(136)	(186)
<b>Profit / (Loss) after income tax from discontinued operations</b>	<b>(136)</b>	<b>(609)</b>
Net cash inflow (outflow) from operating activities	(136)	(201)
Net cash inflow (outflow) from investing activities	-	2,114
Net cash inflow (outflow) from financing activities	-	(1,885)
<b>Net decrease in cash generated by the discontinued operations</b>	<b>(136)</b>	<b>28</b>

## Notes to the preliminary consolidated financial statements (continued)

### (c) Carrying amounts of assets and liabilities

The carrying amounts of assets and liabilities as at the financial reporting dates are as follows:

	2009 \$000	2008 \$000
Cash and cash equivalent	-	41
Trade and other receivables	-	54
Loans to associates		
Investments		
<b>Total assets</b>	<b>-</b>	<b>95</b>
Trade and other payables	-	(38)
Loans between parent and discontinued entities	-	6,760
Current tax liabilities	-	-
<b>Total liabilities</b>	<b>-</b>	<b>6,722</b>
<b>Net assets</b>	<b>-</b>	<b>6,817</b>

### (d) Details of the sale of the investment in associate

	2008 NZD '\$000
Consideration	2,475
Comprising :-	
-equity	1,930
-cash	545
Less : amount under equalisation agreement	(45)
Less : carrying amount of investment	(2,816)
Loss on disposal of investment	(386)
	AUD '\$000
Equivalent to	(335)

### NOTE 9 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2009 \$000	2008 \$000
Cash at bank and on hand	1,464	160
<b>Total cash and cash equivalents</b>	<b>1,464</b>	<b>160</b>

#### Reconciliation to cash at the end of the year

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

Balance as above	1,464	160
Less: Bank overdrafts	-	(433)
<b>Balance as per statement of cash flows</b>	<b>1,464</b>	<b>(273)</b>

Included in the cash balance is a restricted amount of \$1.0 million that is held in a term deposit as security against HJB's bank guarantees.

### NOTE 10 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	2009 \$000	2008 \$000
Trade receivables	4,334	8,877
Provision for impairment of receivables	(120)	(193)
<b>Net trade receivables</b>	<b>4,214</b>	<b>8,684</b>
Income tax refund	7	7
Prepayments	206	346
Other receivables	82	32
<b>Total trade and other receivables</b>	<b>4,509</b>	<b>9,069</b>

Notes to the preliminary consolidated financial statements (continued)

NOTE 11 NON-CURRENT ASSETS - PROPERTY PLANT AND EQUIPMENT

	Property, plant and equipment \$000	Leasehold rectification \$000	Office fitout incentive \$000	Total \$000
<b>Year ended 30 June 2008</b>				
Opening net book amount	1,299	271	2,032	3,602
Additions	675	111	104	890
Disposals	(132)	-	-	(132)
Depreciation/amortisation charge	(461)	(68)	(330)	(859)
Impairment loss	(143)	(84)	-	(227)
<b>Closing net book amount</b>	<b>1,238</b>	<b>230</b>	<b>1,806</b>	<b>3,274</b>
<b>At 30 June 2008</b>				
Cost	2,848	497	3,216	6,564
Accumulated depreciation	(1,610)	(267)	(1,410)	(3,290)
<b>Net book amount</b>	<b>1,238</b>	<b>230</b>	<b>1,806</b>	<b>3,274</b>
<b>Year ended 30 June 2009</b>				
Opening net book amount	1,238	230	1,806	3,274
Additions	63	-	-	63
Disposals	(144)	(107)	-	(251)
Depreciation/amortisation charge	(335)	(60)	(321)	(716)
Impairment loss	(372)	-	(630)	(1,002)
<b>Closing net book amount</b>	<b>450</b>	<b>63</b>	<b>855</b>	<b>1,368</b>
<b>At 30 June 2009</b>				
Cost	1,546	344	3,216	5,106
Accumulated depreciation	(1,096)	(281)	(2,361)	(3,738)
<b>Net book amount</b>	<b>450</b>	<b>63</b>	<b>855</b>	<b>1,368</b>

NOTE 12 NON-CURRENT ASSETS - INTANGIBLE ASSETS

	Goodwill \$000	Software \$000	Brandnames \$000	Contracts \$000	Total \$000
<b>Year ended 30 June 2008</b>					
Opening net book amount	14,319	2,312	243	2	16,876
Impairment	(7,046)	-	(243)	-	(7,289)
Adjustment to opening balance	(60)	-	-	-	(60)
Amortisation charge	-	(1,569)	-	(2)	(1,571)
<b>Closing net book amount</b>	<b>7,213</b>	<b>743</b>	<b>-</b>	<b>-</b>	<b>7,956</b>
<b>At 30 June 2008</b>					
Cost	14,259	3,661	243	70	18,233
Accumulated amortisation and impairment	(7,046)	(2,918)	(243)	(70)	(10,277)
<b>Net book amount</b>	<b>7,213</b>	<b>743</b>	<b>-</b>	<b>-</b>	<b>7,956</b>
<b>Year ended 30 June 2009</b>					
Opening net book amount	7,213	743	-	-	7,956
Impairment	-	-	-	-	-
Amortisation charge	-	(532)	-	-	(532)
<b>Closing net book amount</b>	<b>7,213</b>	<b>211</b>	<b>-</b>	<b>-</b>	<b>7,424</b>
<b>At 30 June 2009</b>					
Cost	14,259	3,661	243	70	18,233
Accumulated amortisation and impairment	(7,046)	(3,450)	(243)	(70)	(10,809)
<b>Net book amount</b>	<b>7,213</b>	<b>211</b>	<b>-</b>	<b>-</b>	<b>7,424</b>

**Notes to the preliminary consolidated financial statements (continued)**

**NOTE 13 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES**

	<b>2009</b>	2008
	<b>\$000</b>	\$000
Trade payables	<b>433</b>	683
<b>Other Payables</b>		
Employment costs	<b>1,880</b>	2,846
Goods & Services Tax	<b>303</b>	580
Expenses	<b>941</b>	518
	<b>3,124</b>	3,944
<b>Total current liabilities - trade and other payables</b>	<b>3,557</b>	4,627

**NOTE 14 CURRENT LIABILITIES - LEASE INCENTIVES**

	<b>2009</b>	2008
	<b>\$000</b>	\$000
Lease incentive	<b>203</b>	350
<b>Total current liabilities - lease incentive</b>	<b>203</b>	350

**NOTE 15 CURRENT LIABILITIES - TAX**

	<b>2009</b>	2008
	<b>\$000</b>	\$000
Current tax liability	<b>43</b>	186
<b>Total current liabilities - tax</b>	<b>43</b>	186

**NOTE 16 CURRENT LIABILITIES - PROVISIONS**

	<b>2009</b>	2008
	<b>\$000</b>	\$000
Employee benefits		
Annual leave	<b>225</b>	460
Long service leave	<b>57</b>	53
Onerous contract	<b>84</b>	-
Make good provision	<b>-</b>	71
<b>Total current liabilities provisions</b>	<b>366</b>	584

**Notes to the preliminary consolidated financial statements (continued)**

**NOTE 17 CURRENT LIABILITIES - DEFERRED SETTLEMENT**

	<b>2009</b>	2008
	<b>\$000</b>	\$000
Deferred settlement		
Provincial Personnel	-	100
<b>Total current liabilities - deferred settlement</b>	<b>-</b>	<b>100</b>

**NOTE 18 CURRENT LIABILITIES - BORROWINGS**

	<b>2009</b>	2008
	<b>\$000</b>	\$000
<b>Secured</b>		
Invoice financing facility	<b>2,056</b>	1,510
Convertible loan note	<b>1,165</b>	-
Bank overdraft	-	433
	<b>3,221</b>	<b>1,943</b>

The invoice financing facility is secured by a fixed charge against the trade receivable of the company. This facility is subject to various bank covenants including one related to interest coverage.

**NOTE 19 NON-CURRENT LIABILITIES - LEASE INCENTIVES**

	<b>2009</b>	2008
	<b>\$000</b>	\$000
Lease incentive	<b>652</b>	1,456
<b>Total non-current liabilities - lease incentive</b>	<b>652</b>	<b>1,456</b>

**NOTE 20 NON-CURRENT LIABILITIES - PROVISIONS**

	<b>2009</b>	2008
	<b>\$000</b>	\$000
Employee benefits		
Long service leave	<b>73</b>	66
Onerous contract	<b>46</b>	-
Make good provision	<b>327</b>	510
<b>Total current liabilities provisions</b>	<b>446</b>	<b>576</b>

## Notes to the preliminary consolidated financial statements (continued)

### NOTE 21 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2009 \$000	2008 \$000
Profit / (loss) for the year	(6,186)	(10,571)
Payroll tax payments against adjustment on retained earnings	-	(446)
Depreciation and amortisation	1,248	2,430
Impairment of plant & equipment	1,002	227
Impairment of goodwill	-	7,289
Non-cash employee benefits - share-based payments	-	-
Net foreign exchange (gain) / loss	-	(709)
Reversal of FCTR arising on disposal of discounting entities	-	1,109
(Profit)/loss on sale of business- OCG Consulting Limited	-	335
Loss on disposal of property, plant and equipment	251	132
Write back of lease incentives	(1,206)	-
Share of profits of associates not received as dividend / distributions	-	(141)
Dividend, interest and management fees	-	-
(Increase)/decrease in trade debtors and other debtors	4,470	(76)
(increase)/decrease in future income tax benefit	-	509
(Increase)/decrease in income tax refundable	-	261
(Increase)/decrease in other operating assets	19	24
Increase/(decrease) in provision for deferred income tax	-	(587)
Increase/(decrease) in trade and other creditors	(944)	845
Increase/(decrease) in provision for income tax payable	(143)	369
Increase/(decrease) in reserves	(53)	-
Increase/(decrease) in other provisions	(219)	(256)
Net cash inflow/(outflow) from operating activities	(1,761)	744

### NOTE 22 COMMITMENTS

<b>Operating Leases</b>	2009 \$000	2008 \$000
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The Group leases various offices under non-cancellable operating leases expiring within two to ten years. These leases have varying terms.

The Group also leases various office equipment under cancellable leases expiring within two to five years. These leases have varying terms.

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

Not later than one year	2,267	2,814
Later than one year but not later than 5 years	7,659	10,065
Later than 5 years	3,520	1,030
Commitments not recognised in the financial statements	13,446	13,909

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

<b>(a) NTA backing</b>	<b>2009</b>	2007
	<b>cents</b>	cents
Net tangible asset backing per ordinary security	<b>(0.8)</b>	2.0

<b>(b) Details of controlled entities</b>	
(i) Control gained over entities having material effect	N/A
(ii) Loss of control of entities having material effect	N/A

<b>(c) Dividends</b>	
(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
Special dividend: Current period	Nil	Nil	Nil
Previous period	Nil	Nil	Nil

Dividend Reinvestment Plan The Company does not have a dividend reinvestment plan

**(e) Franking credits available and prospects for paying or partly franked dividends for at least the next year**

Franking credits available at 30 June 2009 are \$1,508,000 based on the 30% tax rate.

**(f) Retained earnings reconciliation**

Movements in retained profits were as follows:

	<b>2008</b>	2008
	<b>\$000</b>	\$000
<b>Opening balance</b>	<b>(9,121)</b>	1,896
Adjustments to retained earnings	-	(446)
Net profit / (loss) for the year	<b>(6,186)</b>	(10,571)
Consolidation of HJ&B Employee Share Trust	-	-
Dividends	-	-
<b>Closing balance</b>	<b>(15,307)</b>	(9,121)

## Compliance statement

- 1 This report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), 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.



**Mohit Prasad**  
Chief Financial Officer

Sydney, 31 August 2009

## Directors' declaration

In the directors' opinion:

- (a) the financial reports and notes set out on pages 6 to 30 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 30 June 2009 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the 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**  
Chief Executive Officer

Sydney, 31 August 2008