

ANNUAL REPORT 2007

07
WE KNOW
THE RIGHT PEOPLE

WE KNOW PEOPLE



RECRUITMENT ADVICE & CONSULTING

Hamilton James & Bruce is an acknowledged leader in the Australian recruitment industry, providing recruitment, managed solutions and HR consulting services to leading clients in the financial, commercial, government and not for profit sectors.

We focus our business along the ten specialisation areas of Accounting; Banking, Finance & Insurance; Government; Human Resources; Legal; Operations & Engineering; Sales & Marketing; Technology; Business Support, and Hospitality.

Hamilton James & Bruce has a proven track record in finding the right executive, middle management and operational support people for permanent, temporary and contracting positions.

With offices in Sydney, Melbourne, Brisbane, Canberra, Parramatta, Chatswood and the Gold Coast, we can build an international, national or local solution to meet any recruitment need.

vision

To lead the market through reputation and results

purpose

Improving working lives

values

Do the right thing

We before me

Go the extra mile

Be courageous

Genuine care

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HJB

EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REVIEW

The financial year 2007 produced a net operating profit after tax of \$258,000, down 8.8% on the previous year's operating result. The operating profit before tax produced an increase on the prior year of 59.7% to \$428,000. Revenues were up by 3.5% to \$80.3 million, including an increase of 5.7% in temporary revenues.

Throughout the year we continued to rebuild the organisation and focused on our existing recruitment markets, whilst ensuring our future footprint provided a foundation for growth.

We acquired two businesses, IT Resources Group, an established technology recruitment company in Victoria, and Provincial Personnel, a well respected business/hospitality recruitment company on the Gold Coast.

We also invested in two new start-up offices, one in Canberra (ACT), which opened in March 2007, and another in Chatswood (NSW). The Canberra office allows us to leverage our already strong national government business and the Chatswood office compliments our existing Sydney and Parramatta businesses. The acquisitions have already been proven to generate a positive contribution and our investment in Canberra and Chatswood will return a positive contribution in 2008.

In a market that has exceptionally low unemployment, and therefore strong demand for talent, our continued focus remains on ensuring we have the right staff engaged and retained in order to deliver quality solutions and outcomes for our customers.

The appointment of senior managers from within the organisation, a heightened focus on implementing strategies that produce outcomes, and our market leading policies such as flexible working, paid maternity leave and retention club initiatives, will ensure that we attract and retain the right talent.

As of 30 June 2007 we also have an exceptionally strong and committed operational group leadership team who are focused on implementing the key business strategies, and rebuilding and growing our business, which will culminate in the delivery of an improved financial position.

During the year, we reviewed our key customer relationships and identified growth opportunities within a number of strategically chosen partners. To take advantage of these opportunities, we have introduced and invested in Account Executives in each office and believe that the evolution of tailored customer solutions will continue to differentiate us.

The cost of doing business within the recruitment industry has increased significantly over the past few years. Coupled with pressures from key suppliers and competitors to drive down margins, it has necessitated critical reviews of all our expenses. The review and subsequent actions have resulted in many cost savings and cost management will continue to be a focus across the whole business moving forward.

We appreciate and thank our shareholders for their continued support. The rebuilding phase has resulted in a stronger management team, increased temporary revenues, three new geographic locations, an improvement in cost controls, a stronger brand awareness and greater focus and accountability on our core activity – recruitment.

We are now in a much stronger position to deliver better outcomes to all stakeholders and I look forward to the next year of business at Hamilton James & Bruce.



Deborah Wilson
EXECUTIVE CHAIRMAN & CHIEF EXECUTIVE OFFICER

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REVIEW OF OPERATIONS

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

	2007 \$000	2006 \$000	Change
Revenue			
Permanent placement fees	16,675	17,436	-4.4%
Temporary invoicing	63,283	59,847	5.7%
Other	308	239	28.9%
Total revenue	80,266	77,522	3.5%
Operating profit before tax and equity profit	237	104	127.9%
Equity accounted profits	191	164	16.5%
Operating profit before tax	428	268	59.7%
Income tax (expense) / benefit	(170)	15	-1233.3%
Operating profit after tax	258	283	-8.8%
Profit after tax from OCG disposal	–	4,447	-100.0%
Consolidated profit after tax attributable to members	258	4,730	-94.5%

Hamilton James & Bruce Group Limited (HJB) earned a profit after tax of \$0.26 million for the full year to 30 June 2007 (2006:\$4.73 million profit after tax including \$4.45 million profit on the sale of 75% interest in OCG Consulting Limited (OCG)). HJB achieved a profit before tax from the Australian operations of \$0.24 million being a 128% increase on the 2006 year.

Senior Management

A number of senior management changes took place during the year:

Susanne Lyall was appointed as General Manager for HJB's Sydney office in December 2006.

In May 2007, Annie Houlton, who was General Manager of HJB's Parramatta office, accepted the position of General Manager in Melbourne following the resignation of Ian Hackett. Rob Esposito was appointed General Manager of the Parramatta office.

In June 2007, Ken Edmondson the Chief Financial Officer and Company Secretary announced his resignation due to health reasons. Neil Gordon was appointed as Acting Chief Financial Officer and Company Secretary, effective August 2007.

New Offices

During the year, HJB opened new offices in the Australian Capital Territory and New South Wales, being Canberra and Chatswood respectively.

Acquisitions

Effective 1 October 2006, HJB acquired the Melbourne based IT recruitment and contracting business, IT Resources Group (ITR). The acquisition price included an initial payment of \$0.5 million and the issue of 6 million HJB shares at 31 cents (the market price on the day of settlement). The balance of the consideration is performance based, calculated over the period 1 October 2006 to 30 June 2007. The total purchase consideration is \$3.89 million and the final instalment of \$1.1 million was paid on 31 August 2007.

On 19 March 2007, HJB also acquired the recruitment business of Provincial Personnel Pty Ltd, a Gold Coast based recruitment company. Provincial Personnel has a strong reputation in the business support, accounting and hospitality areas. The purchase price was \$0.31 million. HJB ensured continuation of business with service contracts for the previous owners, Carolyn Dalton and Peter Lyons.

Balance Sheet

Net assets have increased to \$21.5 million from \$20.0 million in 2006. Trade receivables have increased to \$8.9 million. Trade receivables stood at 34 days at 30 June 2007, which was a slight increase from 2006 due to acquisitions during the year; an increase in the volume of invoices issued over the final days of the financial year and an increase in the volume of work through preferred supplier agreements that have longer settlement terms. Of the total trade receivables balance, 82% was aged at less than 30 days.

The interest bearing and non-interest bearing loans to El Vacio and OCG Consulting Limited respectively have moved from non-current assets to current assets, increasing current assets to \$12.3 million in total from \$8.3 million in 2006.

Non-current assets have increased to \$23.4 million from \$22.2 million in 2006. The increase in non-current assets acquired has been offset by the reclassification of the New Zealand related loans to current assets.

The increase in current liabilities from \$7.4 million in 2006 to \$11.3 million includes deferred settlements for the acquisition of ITR (\$1.1 million) and Provincial Personnel (\$0.2 million), together with the interim borrowing to fund the instalments made to date (\$0.88 million).

Ordinary dividend

Based on the Group's performance, the continuing rebuild and geographic expansion of the Australian operations, the Group has declared that no ordinary dividend will be paid this year.

Special dividend

A special dividend of 2 cents fully franked was paid to shareholders in December 2006.

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, IT, Banking and Finance, Sales and Marketing, Human Resources, Operations and Engineering and Hospitality.

HJB continues to build strong partnerships with its clients and candidates.

Outlook

The Board and senior management have spent the financial year rebuilding the business and repositioning HJB both internally and in the market place. The Group is in a position where it will continue to increase its revenues whilst maintaining control of its costs.

A strengthened and refocused general management team, a strong focus on improving productivity from existing operations, the acquisition of ITR and Provincial Personnel plus the opening of Canberra and Chatswood offices, demonstrates implementation of the Group's vision to lead the market through reputation and results, thereby increasing profitability and shareholder wealth.

The Board is confident that a solid platform is evolving within the business to move the organisation forward during this strong economic and employment cycle.

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CORPORATE GOVERNANCE

Board of Directors

The Board is committed to achieving the highest standards of corporate governance and to this end continues to review the Group's Corporate Governance framework in light of the ASX Corporate Governance Council recommendations released in March 2003. The Board's practices are largely consistent with the recommendations.

The directors are responsible for the performance of the Group and aim to enhance and protect the interests of stakeholders through the establishment of corporate governance guidelines and practices.

Activities of the Board include:

- Review and approval of the Group's strategic direction and monitoring its progress against approved strategies;
- Monitoring Company and controlled entities performance on a regular basis;
- Receiving and considering reports from the Remuneration Committee and Audit Committee;
- Performance assessment of Chief Executive Officer;
- Review and approval of major initiatives;
- Ensuring adequate risk assessment, reporting and control procedures are established;
- Reporting to stakeholders;
- Maintaining an independent view of management activities.

Composition of the Board

The Board currently comprises one executive, two non-executive and one alternate director, and their details are set out on page 7 of the Annual Report. The Chairman is elected by the full Board.

Deborah Wilson was appointed Chief Executive Officer on 10 July 2006 and is also the Executive Chairman.

There are two non-executive directors being Anna Buduls and Nicholas Burton Taylor. Anna Buduls is deemed independent under the ASX Corporate Governance statement but Nicholas Burton Taylor is a substantial shareholder and is therefore not considered to be fully independent. Mr Tim Burton-Taylor was appointed as an alternate director to Nicholas Burton Taylor in August 2007.

All directors are required to declare any actual or known potential conflicts of interest and must not influence or be involved in any decision making process in respect of the conflict. Processes are in place to ensure that no conflict of interest occurs.

The composition of the Board is subject to regular review having regard to the size of the Group, and the need for appropriate skills and experience. The current Board brings together a combination of experience in the recruitment industry and knowledge of commerce and corporate governance gained in other industries.

Performance Assessment

The Board continues its process of annual self assessment of its collective performance.

Each non-executive director is required to acknowledge that they have, and will continue to have, the time available to discharge their responsibilities as a Board member.

Term of Office

The constitution of Hamilton James & Bruce Group Limited requires that at every Annual General Meeting (AGM) one third of the directors, excluding the Managing Director must retire from office. The director/directors who retire under this requirement must be the director/directors who have been longest in office since their last election. In addition, a retiring director may offer themselves for re-election under Article 6.1(f) of the company's constitution.

Executive Chairman and Chief Executive Officer

The Executive Chairman and Chief Executive Officer is responsible for implementing Group strategies and policies. She is also responsible for ensuring that directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Group's senior executives.

Corporate Reporting

The Chief Executive Officer and Acting Chief Financial Officer have made the following certification to the Board:

- That the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Group and are in accordance with all relevant accounting standards and that this statement is founded on sound internal financial compliance and control procedures.

Independent Professional Advice

Directors may seek independent professional advice, at the Company's expense, in connection with the discharge of their duties and responsibilities.

Board Committees

The Board has established two Board Committees to assist in fulfilling its responsibilities.

These include:

- A Remuneration Committee; and
- An Audit Committee

Attendance at Board and Board Committee meetings is detailed in the Directors' Report.

All directors are currently members of the Audit Committee, but only the non-executive directors are on the Remuneration Committee.

Remuneration Committee

The Remuneration Committee is chaired by Anna Buduls.

The Remuneration Committee advises the Board on remuneration policies and practices and makes recommendations in respect of remuneration packages, including employees' share and option schemes, and other terms of employment for executive and non-executive directors and senior management.

Remuneration is set so as to retain and attract people with the desired level of experience and management skills.

Reviews are undertaken at least annually and, where appropriate, involve independent external advice, consideration of achievement of predetermined performance criteria and market comparative information.

The Remuneration Committee also reviews and sets the remuneration of the Executive Chairman and Chief Executive Officer.

Remuneration of non-executive directors is fixed by shareholders in general meetings.

Audit Committee

The Audit Committee is chaired by Nicholas Burton Taylor. All directors have full access to the Company's independent external auditors.

The primary responsibilities of the Audit Committee to the Board are to:

- Review and make recommendations to the Board on the half-year end and annual financial reports;
- Advise the effectiveness of internal controls, reliability of financial reporting and compliance with applicable laws and regulations;
- Recommend the appointment/removal and remuneration of external auditors and review their terms of engagement, and the scope and quality of their audit;
- Review and monitor related party transactions;

The external auditors have clear and direct lines of communication with the Chairman of the Audit Committee and all directors.

Continuous Disclosure

The Company Secretary is responsible for communications with the Australian Stock Exchange (ASX) and for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules. The Board reviews matters which may be subject to disclosure.

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DIRECTORS' REPORT

The 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 year ended 30 June 2007.

Directors

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

Deborah Wilson (Chairman and Chief Executive Officer)
 Nicholas Burton Taylor
 Anna Buduls
 John Colvin
 Timothy Burton-Taylor (Alternate Director)

Deborah Wilson was appointed Chief Executive Officer on 10 July 2006.

John Colvin resigned from his role as a director on 17 July 2006.

Timothy Burton-Taylor was appointed Alternate Director for Nicholas Burton Taylor on 27 August 2007.

Principal activities

The consolidated entity's principal continuing activities during the year consisted of the provision of executive and office support recruitment services for permanent, temporary and contracting roles.

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

Dividends

A special dividend of two cents per share was paid on 20 December 2006. In the prior year, a special dividend was paid on 9 December 2005. No other dividends are to be paid for the year ended 30 June 2007.

Review of operations

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

	2007 \$000	2006 \$000
Revenues from continuing operations		
Permanent placement fees	16,675	17,436
Temporary invoicing	63,283	59,847
Other	308	239
Total revenue	80,266	77,522
Expenses from continuing operations	(79,373)	(77,269)
Finance costs	(471)	(346)
Share of net profits of associate accounted for using the equity method	191	164
Other income: Profit from sale of business – OCG Consulting Limited	–	4,447
Foreign exchange gain / (loss)	(185)	197
Profit before income tax	428	4,715
Income tax benefit / (expense)	(170)	15
Net profit for the period attributable to members	258	4,730

Comments on the operations and the results of those operations are set out below and detailed in the Executive Chairman and Chief Executive Officer's Review and Review of Operations on pages 1 to 3.

Significant changes in the state of affairs

Other than as discussed in the review of operations, there were no significant changes in the consolidated entity's state of affairs during the year.

Likely developments and expected results of operations

Further information about likely developments in the operations of the Group and the expected results of those operations in subsequent years has not been included in this report. The directors believe, on reasonable grounds, that to include such information would be likely to result in unreasonable prejudice to the Group.

Information on Directors

Anna Buduls B.A., M.Comm

Age 56 (Independent non-executive director)

Experience and expertise

Independent non-executive director for five years of which Ms Buduls has spent three years as Chairman. Ms Buduls has held senior positions within Westpac Banking Corporation and Macquarie Bank Limited and was Investment Editor for The Australian Financial Review.

Other current directorships

Macquarie Generation, SAI Global Limited, non-executive Chair of Beyond Empathy and Chair of Tramada Holdings Pty Limited.

Former directorships in the last three years

Mirvac Funds Limited from 1997 to July 2005, Mirvac Limited from 1999 to July 2005 and the Smith Family (up to November 2006).

Special responsibilities

Chairman of the Remuneration Committee.
Member of the Audit Committee.

Interests in shares and options

70,000 ordinary shares in the company.

Nicholas Burton Taylor AM BEc(Syd), F.Fin., FCA, FAICD

Age 57 (Non-executive director)

Experience and expertise

Mr Burton Taylor has been a non-executive director for three years. He was the founder and Managing Director of Hays Personnel from 1976 to 1991 and is a major shareholder in Hamilton James & Bruce Group Limited, having a beneficial interest in 25.99% of the company's shares.

Other current directorships

Mr Burton Taylor is Chairman of Australian Agricultural Company Limited and Chairman of Airservices Australia.

Former directorships in the last three years

Previously a director of Graincorp Limited from 1994 to 2005, and Rural Press from 2003 to 2005.

Special responsibilities

Member of the Remuneration Committee.
Chairman of the Audit Committee.

Interests in shares and options

17,450,402 ordinary shares in the company.

Deborah Wilson Company Director Diploma, FAICD,

Age 46 (Executive Chairman and Chief Executive Officer)

Experience and expertise

Ms Wilson was an independent non-executive director for two and a half years and was then appointed part-time Executive Chairman and subsequently Chief Executive Officer on 10 July 2007. Ms Wilson has 23 years experience gained from working within the recruitment industry. She has held senior positions within Accountancy Placements Pty Limited, Hays Personnel (Australia) Pty Limited and Manpower Services (Australia) Pty Limited.

Other current directorships

Director of Recruitment & Consulting Services Association Limited (RCSA)

Director of Wilson Staffing Pty Limited

Former directorships in the last three years

Previously a director of the Queensland Police – Citizens Youth Welfare Association

Special responsibilities

Executive Chairman.
Chief Executive Officer (from 10 July 2006).
Member of the Audit Committee.

Interests in shares and options

733,492 ordinary shares in the company.

Timothy Burton-Taylor

Age 53 (Alternate director, appointed 27 August 2007)

Experience and expertise

Mr Burton-Taylor was appointed as an Alternate Director to Nicholas Burton Taylor on 27 August 2007. Mr Burton-Taylor has over 25 years experience in the retail and service industry. Mr Burton-Taylor established Hoed Mystery Shopping in 1986 to facilitate service industry companies' improvement in customer service.

Other current directorships

Hoed Holdings Pty Limited
Mystery Shopping Providers Association – Asia Pacific

Former directorships in the last three years

Nil

Special responsibilities

Alternate Director to Nicholas Burton Taylor

Interests in shares and options

532,141 ordinary shares in the company

John Colvin BEc

Age 59 (Managing director, resigned 17 July 2006)

Experience and expertise

Mr Colvin was Chief Executive Officer for two years and subsequently resigned from his role as Managing Director on 17 July 2006.

Other current directorships

Chairman of MFV Pty Ltd

Former directorships in the last three years

None.

Special responsibilities

Managing Director (resigned effective 17 July 2006)

Interests in shares and options

51,000 ordinary shares in the company.

DIRECTORS' REPORT (CONTINUED)

Company secretary

The Company Secretary at year end was Mr Ken Edmondson. Mr Edmondson was appointed Company Secretary and Chief Financial Officer on 10 July 2006. He had 25 years experience in finance and accounting. In June, Mr Edmondson announced his resignation as Company Secretary and Chief Financial Officer with effect from 3 August 2007.

Mr Neil Gordon was appointed Acting Company Secretary and Chief Financial Officer effective on 3 August 2007. Mr Gordon, an experienced Finance Director has worked in the professional services sector for over 10 years. Prior to this, he held various senior finance positions.

Meetings of Directors

The number of meetings of the Company's Board of Directors and each Board Committee held during the year ended 30 June 2007, and the number of meetings attended by each director was:

Number of Meetings Attended by:	Meetings of Directors		Meetings of Committees – Audit		Meetings of Committees – Remuneration	
	A	B	A	B	A	B
Deborah Wilson	10	10	2	2	*	*
Nicholas Burton Taylor	9	10	2	2	1	1
Anna Buduls	10	10	2	2	1	1

A = Number of Meetings Attended

B = Number of Meetings Held while in Office

* = Not a Member of the relevant committee

Remuneration Report

The remuneration report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Service agreements
- D. Share-based compensation disclosure
- E. Additional information

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited. The disclosures in Section E are additional disclosures required by the Corporations Act 2001 and the Corporations Regulations 2001 which have not been audited.

A. Principles used to determine the nature and amount of remuneration (audited)

To successfully achieve its financial and operating objectives, Hamilton James & Bruce Group Limited needs to ensure its reward for performance is competitive and appropriate for the results delivered. The Group has a framework that aligns executive rewards with the achievement of Group strategic objectives which in turn are aligned to shareholders' interests. The Board ensures that executive reward practices satisfy the following key criteria:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage; and
- transparency.

The remuneration framework for senior executives is based on the attainment of both financial and non-financial hurdles. Both the financial and non financial hurdles are set annually, and are both:

Aligned to shareholders' interests:

- economic profit is at the core of the plan;
- focuses on growth in total shareholder return through dividends and increasing earnings per share; and
- attracts and retains high calibre executives.

Aligned to participants:

- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth; and
- provides a clear structure for earning rewards.

The framework provides a mix of fixed and variable components, and a blend of short, medium and long term incentives. The overall level of executive reward takes into account both the segmented business units and the consolidated Group's performance, maintaining a link between shareholder wealth and participant performance. The senior management team forfeit a percentage of their bonuses if the Group as a whole does not achieve forecast results.

B. Details of remuneration (audited)

Non-Executive Directors

Remuneration of non-executive directors reflects the demands on, and responsibilities of, these directors.

The base remuneration of each director is inclusive of committee fees. The Executive Chairman receives no fees for carrying out the duties of Chairman. She is remunerated as per the disclosures for the CEO. Non-executive directors are paid \$50,000 per annum (plus superannuation). The current base remuneration has not changed since the Company was floated in September 2000. Non-executive director fees are determined within an aggregate directors' fee pool limit, which since November 2002 has stood at \$350,000 p.a. in aggregate.

Executive pay

The executive pay and reward framework has four components:

- base pay and benefits (including superannuation);
- short term performance incentive;
- medium term incentive, and
- long term incentive.

Base pay

Each executive is offered a competitive fixed base pay. The fixed amount can be utilised as a combination of cash and prescribed non-cash benefits to be chosen at the executive's discretion.

Remuneration for consultants consists of base pay (plus superannuation) and commissions based on net revenue billings.

External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for executives is reviewed annually.

Short term incentive (STI)

Should business units achieve pre-determined financial targets then a short term incentive (STI) becomes available for distribution to certain senior staff. Cash bonuses are payable by 15 August each year. Using a profit target ensures variable reward is only available when value has been created for shareholders and when profit is consistent with the business plan. The STI is leveraged for performance above the threshold to provide additional incentive for executives to out-perform.

STI targets vary among executives depending on the level of responsibility, accountability, and the impact on the organisation. To ensure alignment with shareholders needs, consideration of appropriate targets and key performance indicators (KPIs) are linked to the STI plan on an annual basis. This assessment includes setting maximum payouts and minimum levels of performance to meet the STI threshold.

Medium term incentive (MTI) – cash bonus scheme

A potential cash component is made available to senior executives if certain shareholder objectives are met. The criteria for the year ended 30 June 2007 were:

- Earnings per share (EPS) growth is 15% per annum or greater, and
- Total shareholder return (TSR) is greater than the 25th percentile index ranking.

The potential bonus amount to executives will be \$60,000. The \$60,000 is paid over three years at \$20,000 per annum and is paid in September provided the executive is still employed by HJB. This bonus was not earned for the years ended 30 June 2007 or 30 June 2006.

The criteria for future years are to be determined at the discretion of the Board.

Long term incentive**Employee Performance Rights Plan**

At the AGM on 19 November 2004 an Employee Performance Rights Plan was approved. This incentive plan was designed to increase the motivation of key staff and create a stronger link between increasing shareholder value and key employee reward.

The plan enables the Board to offer rights to acquire shares in the Company to selected "eligible persons" who, in the opinion of the Board, are able by virtue of their skill and their application in performing their allocated tasks, to influence the generation of shareholder wealth. The granting of rights will be subject to the performance hurdles determined by the Board. These must be achieved before the Rights become vested. The Board will prescribe the date when performance under the hurdle is measured.

Rights to acquire shares will not be exercisable until the end of the final measurement period and until those rights have satisfied all vesting conditions. A right lapses if it is not exercised by the expiry date, being the fifth anniversary of the date of grant or such other date as prescribed by the Board.

No Performance Rights have been granted during the year to 30 June 2007 or during the year to 30 June 2006.

Employee Share Acquisition Plan

At the Annual General Meeting on 19 November 2004 an Employee Share Acquisition Plan (ESAP) was approved. The ESAP is intended to offer employees and directors greater flexibility to structure their remuneration packages and to benefit from growth in the value of the Company's shares.

HJB Share Plan Pty Ltd has been established to facilitate the administration of the ESAP by the Board. At the present time the salary sacrifice program for employees and directors has not yet been implemented and no shares have been issued to HJB Share Plan Pty Ltd nor, have any been acquired by HJB Share Plan Pty Ltd.

Employee Share Trust

HJB Employee Pty Ltd acts as trustee for the HJB Employee Share Trust. The Share Trust holds shares in Hamilton James & Bruce Group Limited for the benefit of employees who may be rewarded with shares for no consideration at the discretion of the Board. The vesting conditions of shares granted in this way are at the discretion of the Board.

Key Management Personnel

The key management personnel (as defined in AASB 124 Related Party Disclosures) of the Group and of Hamilton James & Bruce Group Limited are the directors as above and the Chief Financial Officer, Ken Edmondson.

Mr Edmondson was appointed as Chief Financial Officer and Company Secretary on 10 July 2006. He resigned from both positions with effect from 3 August 2007.

Five executives with the highest remuneration

In addition to the key management personnel, the following senior executives' remuneration must be disclosed as they are among the five highest remunerated executives in the Group:

Name	Position
S Tuckwell	Project Director/ General Manager Chatswood
M Phillips	General Manager QLD
I Hackett	General Manager VIC (from 1 July 2006 – 31 May 2007)
A Houlton	General Manager Parramatta / VIC
K Edmondson	Chief Financial Officer

Amounts of remuneration (audited)

Details of the remuneration of the directors and the key management personnel of Hamilton James & Bruce Group Limited and the Group, and each of the five executives of the Group who received the highest remuneration for the year ended 30 June 2007 are set out below. Cash bonuses are dependent on the satisfaction of the performance conditions set out in the STI section of the Remuneration Report.

DIRECTORS' REPORT (CONTINUED)

Key Management Personnel of Hamilton James & Bruce Group Limited and the Group

2007 & 2006	Short-term employee benefits			Post-employment benefit		Share-based payment		Other	Total
	Cash salary and fees	Cash Bonus	Non-monetary benefits*	Super-annuation	Retirement benefits	Shares	Performance rights	Termination Benefits	
Directors									
A Buduls									
2007	33,333	–	533	21,167	–	–	–	–	55,033
2006	70,833	–	372	6,375	–	–	–	–	77,580
N Burton Taylor									
2007	50,000	–	326	4,500	–	–	–	–	54,826
2006	50,000	–	372	4,500	–	–	–	–	54,872
J Colvin (resigned 17 July 2006)^									
2007	101,828	–	4,954	3,172	–	38,283	–	6,996	155,233
2006	407,861	–	14,684	12,139	–	(9,960)	(53,896)	–	370,828
D Wilson									
2007	284,093	–	54,385	12,686	–	–	–	–	351,164
2006	62,500	–	372	5,625	–	–	–	–	68,497
Other key management personnel									
K Edmondson (commenced 10 July 2006)									
2007	205,701	–	14,995	12,686	–	–	–	–	233,382
Total – 2007	674,955	–	75,192	54,211	–	38,283	–	6,996	849,637
Total – 2006	591,194	–	15,800	28,639	–	(9,960)	(53,896)	–	571,777

* Non-monetary benefits relate to Salary Packaged items, living away from home rental allowance, car parking provided and income protection insurance provided by HJB.

^ J Colvin resigned as CEO on 22 June 2006 and as a director on 17 July 2006, however in line with his service agreement he was paid until 30 September 2006.

Note: The shares and performance rights granted to Mr Colvin during the year ended 30 June 2005 have been valued by Hay Group using a binomial model to determine a value pursuant to the requirements of AASB2. These have been reversed in 2006 due to Mr Colvin's resignation and the performance hurdles relating to the shares not having been met. In 2007 it was determined that Mr Colvin's shares were not forfeited on his resignation and therefore the expense has been reinstated in the year ended 30 June 2007.

Other executives of the Group

2007 & 2006	Short-term employee benefits			Post-employment benefit		Share-based payment	Other	Total
	Cash salary and fees	Cash Bonus	Non monetary benefits*	Super-annuation	Retirement benefits	Shares	Termination Benefits	
I Hackett (resigned 31 May 2007)								
2007	202,221	19,905	10,742	11,629	–	–	41,215	285,712
2006	218,415	34,539	10,053	12,139	–	1,062	–	276,208
S Tuckwell								
2007	193,570	–	38,518	12,686	–	1,490	–	246,264
2006	203,782	5,849	30,311	12,139	–	5,484	–	257,565
A Houlton								
2007	135,393	69,189	27,700	12,686	–	–	–	244,968
2006	95,559	32,768	18,448	9,410	–	–	–	156,185
M Phillips								
2007 [^]	212,754	(2,657)	10,807	12,686	–	–	–	233,590
2006	171,262	105,921	8,292	12,139	–	573	–	298,187
R Hope (no longer amongst the 5 highest paid executives)								
2007	–	–	–	–	–	–	–	–
2006	169,446	–	1,244	12,139	–	–	–	182,829
Total – 2007	743,938	86,437	87,767	49,687	–	1,490	41,215	1,010,534
Total – 2006	858,464	179,077	68,348	57,966	–	7,119	–	1,170,974

*Non-monetary benefits relate to Salary Packaged items, car parking provided and income protection insurance provided by HJB.

[^]The negative value in cash bonuses for M Phillips represents an overaccrual of bonuses in the year to 30 June 2006.

C. Service agreements (audited)

Remuneration and other terms of employment for the key management personnel are formalised in service agreements. From 1 July 2006 the agreements for the key management personnel provide for the STI scheme and the cash bonus scheme as disclosed. The other major provisions of the agreements relating to remuneration are set out below.

D Wilson, Chief Executive Officer

- Agreement commenced 10 July 2006 with no fixed term.
- Base salary, inclusive of superannuation, for the period ended 30 June 2007 of \$296,779, is to be reviewed annually by the remuneration committee.
- Due to Ms Wilson's need to relocate to Sydney, the costs of rental accommodation in Sydney are borne by Hamilton James & Bruce.
- Employment may be terminated by either party on three months notice.

K Edmondson, Chief Financial Officer & Company Secretary

- Agreement commenced 10 July 2006 with no fixed term.
- Base salary, inclusive of superannuation, for the period ended 30 June 2007 was \$233,382.
- Mr Edmondson resigned effective 3 August 2007.

DIRECTORS' REPORT (CONTINUED)

D. Share based compensation disclosure (audited)

Share-based compensation – employee share scheme

Details of ordinary shares in the Company provided as remuneration to each director and each of the five executives of the Group who received the highest remuneration for the year ended 30 June 2007 of Hamilton James & Bruce Group Limited and the Group are set out below:

Name	Date granted	Number of shares granted	Value per share at grant date
Directors of Hamilton James & Bruce Group Limited			
J Colvin	16 August 2004	100,000	\$0.4000
Executives of the Group			
S Tuckwell	17 December 2003	75,000	\$0.3900

The value of the shares granted has been based upon the market value as at the date of granting.

The shares granted to Mr Colvin vest three years after the date of granting.

The shares granted to the other executives vest as follows:

1/3 of the number granted	One year after the date of granting
1/3 of the number granted	Two years after the date of granting
1/3 of the number granted	Three years after the date of granting

The value of the grant is allocated to reporting periods between grant date and vesting date based on the probability at each balance sheet date that the total number will vest.

Name	Number of shares granted during the year		Number of shares vested during the year	
	2007	2006	2007	2006
Executives of the Group				
I Hackett	–	–	–	21,668
M Phillips	–	–	–	33,334
S Tuckwell	–	–	25,000	25,000

Share-based compensation – options

No options were granted during the current financial year.

E. Additional information (unaudited)

Vesting proportions

The overall level of executive reward takes into account the performance of the Group.

For each cash bonus and grant of shares included in the tables above for 2007, the percentage of the available bonus or grant that was paid, or that vested, in the financial year; and the percentage that was forfeited because the person did not meet the performance criteria, or because the Group did not achieve its forecasts is set out below. No part of the bonuses is payable in future years. No shares will vest if the service conditions are not met, hence the minimum value of the shares yet to vest is nil. The maximum value of the shares yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

No performance share rights were due to vest in the financial year:

	Cash Bonus		Year granted	Vested %	Shares		Financial year in which shares may vest	Minimum total value of grant yet to vest \$	Maximum total value of grant yet to vest \$
	Paid %	Forfeited %			Forfeited %				
J Colvin	–	100	2004	–	–	30/06/2008	nil	1,717	
I Hackett	25	75	–	–	–	–	–	–	
S Tuckwell	–	100	2003	100%	–	–	–	–	
A Houlton	50	50	–	–	–	–	–	–	
K Edmondson	–	100	–	–	–	–	–	–	
M Phillips	–	100	–	–	–	–	–	–	

Executive salaries are in line with market conditions in order to retain key personnel. The incentive schemes, which have been initiated over the past 5 years, have been designed to drive performance. Management participating in the medium and long term incentives have not been entitled to the rewards as the performance criteria for entitlement have not been attained during this period.

Environmental regulation

The Group is not subject to any significant environmental regulation.

Insurance of officers

During the financial year the consolidated entity paid a premium of \$37,014.95 to insure the directors and officers of the Company and controlled entities.

The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity.

Non-audit services

From time to time the Company may decide to employ the auditor for services additional to their statutory audit duties. Details of amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services are set out below.

The Board of Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed to ensure they do not impact on the impartiality and objectivity of the auditor;
- of the services provided none were deemed to have eroded the principles relating to general auditor independence as set out in APES 110 code of Ethics for Professional Accountants.

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 14.

	2007	Consolidated 2006
	\$	\$
During the year, the auditors of the parent entity and their related practices earned the following remuneration:		
(a) Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports	141,990	120,134
AIFRS accounting services	–	10,200
PricewaterhouseCoopers New Zealand firm:		
Audit and review of financial reports	13,083	–
Total remuneration for audit services	155,073	130,334
(b) Non-audit services		
<i>Taxation services</i>		
PricewaterhouseCoopers Australian firm:		
Income tax	24,100	63,865
FBT return	15,800	16,500
Other tax advisory services	36,400	46,500
PricewaterhouseCoopers New Zealand firm:		
Income tax	16,623	13,790
Total remuneration for taxation services	92,923	140,655
<i>Other services</i>		
PricewaterhouseCoopers Australian firm:		
Structure simplification	–	10,000
Tax software licensing	4,900	4,700
OCG sale of business	–	35,735
Total remuneration for other services	4,900	50,435
Total remuneration for non-audit services	252,896	321,424

Rounding of Amounts

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Directors' Report and the Financial Statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

Auditors

PricewaterhouseCoopers continues in office in accordance with Section 327 of the Corporations Act 2001.

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



Deborah Wilson
EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER



Anna Buduls
DIRECTOR

Sydney
28 September 2007

PricewaterhouseCoopers
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AUDITORS' INDEPENDENCE DECLARATION

As lead auditor for the audit of Hamilton James & Bruce Group Limited for the year ended 30 June 2007, 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



Marc Upcroft
PARTNER
PRICEWATERHOUSECOOPERS

Sydney
28 September 2007

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This financial report covers both Hamilton James & Bruce Group Limited as an individual entity and the consolidated entity consisting of Hamilton James & Bruce Group Limited and its subsidiaries. The financial report is presented in the Australian currency.

Hamilton James & Bruce Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Hamilton James & Bruce Group Limited
Exchange Centre
Level 12, 20 Bridge Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on pages 2 to 3 and in the Directors' report on pages 6 to 13, both of which are not part of this financial report.

The financial report was authorised for issue by the directors on 28 September 2007. The company has the power to amend and reissue the financial report.

Through use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. All press releases, financial reports and other information are available through the Investors' link on our website: www.hjb.com.au.

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	Consolidated		Parent entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Revenue from continuing operations	5	80,266	77,522	4,355	964
Other income					
Profit from sale of business – OCG Consulting Limited	6	–	4,447	–	–
Foreign exchange gain	6	–	197	–	197
Depreciation and amortisation expense	7	(1,528)	(1,149)	(1,141)	(813)
Employment costs	7	(72,197)	(70,183)	(105)	624
Finance costs	7	(471)	(346)	(280)	(68)
Foreign exchange loss		(185)	–	(185)	–
Other expenses		(5,648)	(5,937)	227	254
Share of net profits of associate accounted for using the equity method	38	191	164	–	–
Profit before income tax		428	4,715	2,871	1,158
Income tax (expense) / benefit	8	(170)	15	(1,532)	316
Net profit attributable to the members of the company		258	4,730	1,339	1,474
		Cents	Cents		
Basic earnings per share	40	0.4	7.7		
Diluted earnings per share	40	0.4	7.7		

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

BALANCE SHEETS

AS AT 30 JUNE 2007

	Notes	Consolidated		Parent entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Current assets					
Cash and cash equivalents	11	78	969	28	30
Trade and other receivables	12	12,268	7,370	1,288	485
Total current assets		12,346	8,339	1,316	515
Non-current assets					
Investments accounted for using the equity method	13	2,406	2,001	–	–
Available-for-sale financial assets	14	1	2	–	–
Other financial assets	15	–	–	16,325	16,325
Property, plant and equipment	16	3,602	4,209	2,991	3,484
Deferred tax assets	17	509	833	74	66
Intangible assets	18	16,876	13,043	1,906	2,357
Receivables	19	–	2,094	–	–
Total non-current assets		23,394	22,182	21,296	22,232
Total assets		35,740	30,521	22,612	22,747
Current liabilities					
Trade and other payables	20	4,028	4,376	30	30
Borrowings	21	5,022	1,936	–	1,576
Lease incentives	22	320	320	320	320
Current tax liabilities	23	23	31	–	–
Provisions	24	628	716	–	–
Deferred settlement	25	1,252	–	–	–
Total current liabilities		11,273	7,379	350	1,926
Non-current liabilities					
Lease incentives	26	1,666	1,986	1,666	1,986
Deferred tax liabilities	27	587	493	391	486
Provisions	28	608	683	470	470
Deferred settlement	29	100	–	–	–
Total non-current liabilities		2,961	3,162	2,527	2,942
Total liabilities		14,234	10,541	2,877	4,868
Net assets		21,506	19,980	19,735	17,879
Equity					
Contributed equity	30	19,665	17,805	19,665	17,805
Reserves	31	(55)	(766)	–	–
Retained profits	31	1,896	2,941	70	74
Total equity		21,506	19,980	19,735	17,879

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	Consolidated		Parent entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Total equity at the beginning of the financial year		19,980	17,895	17,879	18,239
Consolidation of HJ&B Employee Share Trust	31(b)	34	–	–	–
Exchange differences on translation of foreign operations	31(a)	670	(759)	–	–
Net income recognised directly in equity		704	(759)		–
Profit for the year		258	4,730	1,339	1,474
Total recognised income and expense for the year		962	3,971	1,339	1,474
Transactions with equity holders in their capacity as equity holders:					
Share payment reserve	31(a)	41	(52)	–	–
Issue of equity	36	1,860	–	1,860	–
Dividends paid	9	(1,337)	(1,834)	(1,343)	(1,834)
		564	(1,886)	517	(1,834)
Total equity at the end of the financial year		21,506	19,980	19,735	17,879

The above statements changes in equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	Consolidated		Parent entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		85,865	88,466	–	–
Payments to suppliers and employees (inclusive of goods and services tax)		(86,863)	(84,956)	(8)	(65)
		(998)	3,510	(8)	(65)
Interest paid		(484)	(346)	–	(68)
Interest received		55	82	2	9
Income taxes paid / (refund)		51	(616)	–	(216)
Net cash (outflow) / inflow from operating activities	39	(1,376)	2,630	(6)	(340)
Cash flows from investing activities					
Payment for purchase of business	36	(998)	–	–	–
Proceeds from sale of business	10	–	6,877	–	–
Payments for software	18	(190)	(1,241)	–	–
Payments for property, plant and equipment	16	(132)	(403)	–	–
Net cash inflow/(outflow) from investing activities		(1,320)	5,233	–	–
Cash flows from financing activities					
Proceeds from borrowings		2,942	1,936	–	–
Proceeds from lease incentive/fitout		–	170	–	–
Dividends paid	9	(1,337)	(1,834)	(1,343)	(1,834)
Loans advanced from controlled entities		–	–	1,347	4,743
Repayment of borrowings		–	(5,678)	–	(2,548)
Net cash inflow/(outflow) from financing activities		1,605	(5,406)	4	361
Net increase/(decrease) in cash held		(1,091)	2,457	(2)	21
Cash at the beginning of the financial year		969	(954)	30	9
Effects of exchange rate changes on cash		56	(534)	–	–
Cash at the end of the financial year	11	(66)	969	28	30

The above cash flow statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

NOTE I 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. The financial report includes separate financial statements for Hamilton James and Bruce Group Limited as an individual entity and the consolidated entity consisting of Hamilton James and Bruce Group Limited and its subsidiaries.

(A) BASIS OF PREPARATION

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 and the Corporations Act 2001.

Tax consolidation legislation

Australian Accounting Standards include 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). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 Financial Instruments: Disclosure and Presentation.

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. The areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(B) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Hamilton James & Bruce Group Limited, the parent entity, as at 30 June 2007 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.

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.

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 investor entity's 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 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.

(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 borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

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 recognised at fair value of the consideration received or receivable. 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 when appointment is accepted by both the client and the candidate;
- Interest income: Interest income is recognised on a time proportion basis using the effective interest method.
- HR consulting: Sales of consulting services are recognised in the accounting period in which the services are rendered.
- Advertising rebates: Rebates are recognised in the accounting period in which the expense has incurred.

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

(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 losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time

of the transaction did not affect either accounting profit or taxable profit or loss.

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. Details about the tax funding agreement are disclosed in note 8.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

NOTE I Summary of significant accounting policies (continued)

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 long term payments. 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 (note 34).

Incentives (in the form of free office fitouts) received on entering into operating leases are recognised as property, plant and equipment and liabilities are amortised over the period of the lease. Lease incentives at the reporting date are being written off over periods of up to 10 years (notes 22 and 26).

(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 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 reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(J) 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

All trade debtors are recognised when the risks and rewards of ownership of the underlying sales transactions have passed to customers.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. 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. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement in other expenses.

(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 write off the net cost or revalued amount of each item of plant and equipment over its expected useful life to the consolidated entity.

Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives vary from 3-5 years.

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 (not I (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 Group is required to restore the leased premises of its office premises to their original condition at the end of the respective terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

(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. Amortisation is calculated on straight lines bases over a five year period.

(iii) Databases

Databases acquired as part of a business combination are recognised separately from goodwill. They are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated on a straight line basis over 5 years.

(iv) Customer contracts

Customer contracts acquired as part of a business combination are recognised separately from goodwill. They are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which vary from 3 to 9 months.

(v) Brandnames

Brandnames acquired as part of a business combination are recognised separately from goodwill. They are not considered to have a finite useful life and are therefore not being amortised. Brandnames are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and are carried at fair value at date of acquisition less accumulated impairment losses.

(O) TRADE AND OTHER PAYABLES

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 balance sheet 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 more likely than not 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1 Summary of significant accounting policies (continued)

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, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in current provisions 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) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and 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.

(iii) 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.

(iv) Superannuation

The consolidated entity participates in an accumulation 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.

The Group does not participate in a defined benefit superannuation plan.

(v) Share-based payments

Share-based compensation benefits are provided to employees via the Hamilton James & Bruce Share Plan and the Employee Performance Rights Plan of Hamilton James & Bruce Group Limited. Information relating to these schemes is set out in note 41.

Hamilton James & Bruce Share Plan

Shares transferred to employees from the HJ&B Share Trust for no cash consideration under the Hamilton James & Bruce Share Plan are valued at market value on the date of granting. This value is allocated to reporting periods between the grant date and the vesting date based on estimates of probability at each balance sheet date of the total number that will vest. The allocated value is recognised as an employee benefit expense with a corresponding increase in equity.

Employee Performance Rights Plan

Performance rights granted under the Employee Performance Rights Plan are also recognised as an employee benefit expense with a corresponding increase in equity. The fair value at grant date is independently determined using a Binomial model, which takes into account the exercise price, the life of the instrument, share price at grant date, expected volatility of the underlying share, expected dividend yield and the risk free interest rate for the term of the option.

Vesting conditions, other than market conditions, are taken into account by adjusting the number of rights that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of rights that are expected to become exercisable. The employee benefit recognised each period takes into account the most recent estimate.

(vi) Termination benefits

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

(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 no 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 (notes 12 and 19).

(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 98/0100, 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 UIG interpretations have been published that are not mandatory for 30 June 2007 reporting periods and have not been adopted early by the Group. The Group's and the parent entity's assessment of the impact of the applicable new standards and interpretation is set out below:

(i) Revised AASB 101 Presentation of Financial Statements

A revised AASB 101 was issued in October 2006 and is applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standard early. Application of the revised standard will not have any impact on the Group's financial statements.

(ii) AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's and the parent entity's financial instruments.

(iii) AASB-I 10 Interim Financial Reporting and Impairment

AASB-I 10 is applicable to reporting periods beginning on or after 1 November 2006 and relates to goodwill impairment losses recognised for goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed in the annual report. As the Group and Parent Entity has not recognised an impairment loss, application of the interpretation will have no impact on the Group's or the parent entity's financial statements.

(iv) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a "management approach" to reporting on the 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 has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different type of information being reported in the segment note of the financial report. However, it will not affect any of the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1 Summary of significant accounting policies (continued)

(v) AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments and AASB 2007-7 Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]

The Group will adopt the amendments arising from AASB 2007-4 and AASB 2007-7 for the financial year ending 30 June 2008. However, it does not intend to apply any of the new options now available. As a consequence, application of the revised standards will not affect any of the amounts recognised in the financial statements, but it may remove some of the disclosures that are currently required. In relation to the discount rates used in the measurement of employee benefit obligations, the Group has not yet reached a conclusion as to whether there is a deep market in corporate bonds in Australia and hence has not yet determined the financial effect, if any, on the obligations from the adoption of AASB 2007-4.

(vi) AASB-I 11 AASB 2 – Group and Treasury Share Transactions and AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11 AASB-I 11 and AASB 2007-1 are effective for annual reporting periods commencing on or after 1 March 2007. AASB-I 11 addresses whether certain types of share-based payment transactions should be accounted for as equity-settled or as cash settled transactions and specifies the accounting in a subsidiary's financial statements for share-based payment arrangements involving equity instruments of the parent. The Group will apply AASB-I 11 from 1 July 2007, but it is not expected to have any impact on the Group's financial statements.

(vii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. This will be a change to the Group's current accounting policy which is to expense all borrowing costs as incurred. The Group will apply the revised AASB 123 from 1 July 2007 and capitalise its borrowing costs relating to all qualifying assets for which the commencement date for capitalisation is on or after this date. The impact on the financial statements will depend on the amount of qualifying assets and related borrowing costs in the first year of application. The Group has not acquired any qualifying assets in the financial year.

NOTE 2 Financial risk management

The Group's activities expose it to a range of different financial risks; credit risk, liquidity risk, foreign exchange risk and cash flow interest rate risk. The Group's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Group.

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group also operates in New Zealand and is exposed to foreign exchange risk arising from currency exposures to the New Zealand dollar. The Group regularly monitors its exposure to this risk and does not believe the current risk will impact significantly on the results.

(b) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of services are made to customers with an appropriate credit history.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. The Group aims at maintaining flexibility in funding by keeping committed credit lines available.

(d) Cash flow and fair value interest rate risk

The Group granted an interest-bearing loan to El Vacio Limited as part of the sale of 75% of the New Zealand business (note 12(b)). Other than this loan, the Group has no other significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from current borrowings subject to variable rates. The Group manages its cash flow interest-rate risk by evaluating the amounts utilised and assesses other alternatives of funding.

NOTE 3 Critical accounting estimates

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 tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1 (i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 18 for details of these assumptions and the potential impact of changes to the assumptions.

NOTE 4 Segment reporting**(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 24.2% interest in OCG Consulting Limited (note 38).

(c) Equity-accounted investments

The Group owns 24.2% 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.

Secondary reporting format – geographical segments

	Segment revenues from sales to external customers		Segment Assets		Acquisitions of property plant and equipment, intangibles and other non-current assets	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Australia	80,089	77,358	30,877	25,664	321	1,645
New Zealand	–	–	4,865	4,857	–	3,945
	80,089	77,358	35,742	30,521	321	5,590

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 5 Revenue

	Consolidated		Parent entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
From continuing operations				
Sales revenue				
Permanent placements	16,675	17,436	–	–
Temporary placements ⁽¹⁾	63,283	59,847	–	(1,045)
Other revenue				
Interest	179	164	9	9
Dividends and management fees	–	–	4,346	2,000
Advertising	–	75	–	–
Advertising rebates	57	–	–	–
HR consulting	54	–	–	–
Rents and sub-lease rentals	18	–	–	–
Total revenue	80,266	77,522	4,355	964

(1) Revenue of \$1,045,000 of temporary revenue was accrued June 2005. Invoices were subsequently raised in other wholly-owned subsidiaries in 2006.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

NOTE 6 Other income

	Notes	Consolidated		Parent entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Profit from sale of business – OCG Consulting Limited	10	–	4,447	–	–
Foreign exchange gain		–	197	–	197
Total other income		–	4,644	–	197

NOTE 7 Expenses

	Notes	Consolidated		Parent entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Profit before income tax includes the following specific expenses:					
<i>Depreciation</i>					
Plant and equipment	16	380	443	116	97
<i>Amortisation</i>					
Lease incentive	16	320	326	320	337
Contracts	18	68	–	–	–
Software and database	18	696	316	641	315
Make good	16	64	64	64	64
		1,148	706	1,025	704
Depreciation and amortisation expense		1,528	1,149	1,141	813
Employment costs					
Temporary placements ⁽¹⁾		48,689	46,294	–	(848)
Permanent personnel		18,955	19,565	100	209
Termination payments		198	110	–	–
Accumulation superannuation plan		4,355	4,214	5	15
		72,197	70,183	105	(624)
Financing costs		471	346	280	68
Occupancy costs		2,315	2,185	–	–
Net loss on disposal of property, plant and equipment		10	146	–	–

(1) Expenses of \$848,000 of temporary placement wages were accrued June 2005. Wages were subsequently paid in other wholly-owned subsidiaries in 2006.

NOTE 8 Income tax

	Consolidated		Parent entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
(a) Income tax expense				
Current tax	(95)	(2)	975	(342)
Deferred tax	206	20	(102)	33
Under (over) provided in prior years	59	(33)	659	(7)
	170	(15)	1,532	(316)
Income tax is attributable to:				
Profit from continuing operations	170	(15)	1,532	(316)
Deferred income tax (revenue) expense included in income tax expense comprises;				
Decrease (increase) in deferred tax assets (note 17)	352	(186)	11	(166)
(Decrease) increase in deferred tax liabilities (note 27)	(148)	206	(114)	199
	204	20	(103)	33

NOTE 8 Income tax (continued)

	Consolidated		Parent entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax expense	428	4,715	2,871	1,158
Tax at the Australian rate at 30% (2006: 30%)	128	1,415	861	348
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Profit from sale of subsidiary	–	(1,334)	–	–
Write off leasehold improvements	–	–	–	–
Amortisation of intangibles	102	–	65	–
Rebateable dividends	–	–	–	(600)
Share-based payments	12	(16)	–	–
Foreign exchange differences	11	(57)	11	(57)
Share of net profit of associates	(58)	(49)	–	–
Sundry items	(69)	57	(64)	–
	126	16	873	(309)
Under (over) provision in previous year	59	(33)	659	(7)
Previously unrecognised tax losses now recouped to reduce current tax expense	(30)	–	–	–
Effects of overseas tax rates – New PDH & HJBC at 33%	15	2	–	–
Income tax expense	170	(15)	1,532	(316)
c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	567	567	567	567
Potential tax benefit @ 30%	170	170	170	170

All unused tax losses were incurred by Australian entities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

NOTE 8 Income tax (continued)

(d) Tax Consolidation Legislation

Hamilton James & Bruce Group Limited and its wholly owned Australian controlled entities have decided to implement the tax consolidation legislation as of 1 July 2003. The accounting policy on implementation of the legislation is set out in note 1(f).

On adoption of the tax consolidation legislation, the entities on the tax consolidated group entered into a tax sharing agreement. This agreement, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Hamilton James & Bruce Group Limited.

The entities have also entered into a tax funding agreement. Under the terms of this agreement, the wholly-owned entities fully compensate Hamilton James & Bruce Group Limited for any current income tax payable assumed and are compensated by Hamilton James & Bruce Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Hamilton James & Bruce Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable / payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of the financial year. The head entity may also require payment of interim funding amounts to assist with the obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables by Hamilton James & Bruce Group Limited (see note 35).

NOTE 9 Dividends

	Consolidated		Parent entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Ordinary shares				
Special dividend for the year ended 30 June 2007 of 2 cents (2006: 2 cents) per fully paid share paid on 20 December 2006 (2006: 9 December 2005)				
Fully franked based on tax paid @ 30%			1,343	1,223
Final dividend of 1 cent per fully paid share paid on 18 December 2005 for the year ended 30 June 2005				
Fully franked based on tax paid @ 30%			–	611
			1,343	1,834
Franked Dividends				
Franking credits available for subsequent financial years based on a tax rate of 30% (2006: 30%)	1,811	2,466	1,811	2,466

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of the current tax liability; and
- (b) franking debits that will arise from the payment of dividends declared at the date of this report.

NOTE 10 Disposal group classified as held for sale**(a) Description**

During the year ended 30 June 2006, the Group sold 75% of its New Zealand business of OCG Consulting Limited. The business disposed had assets and liabilities which were identified as assets and liabilities of a disposal group classified as held for sale in this financial report.

(b) Financial performance and cash flow information

The financial performance and cash flow information relate to the three month period ended 30 September 2005 (2006 column).

	Consolidated		Parent entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Revenue	-	-	-	-
Expenses	-	-	-	-
Profit before income tax	-	-	-	-
Income tax expense	-	-	-	-
Profit after income tax of disposal net assets	-	-	-	-
Gain on sale of business before income tax	-	4,447	-	-
Income tax expense	-	-	-	-
Gain on sale of business after income tax	-	4,447	-	-
Profit from disposed net assets	-	4,447	-	-
Net cash inflow from operating activities	-	-	-	-
Net cash inflow / (outflow) from investing activities	-	6,877	-	-
Net cash inflow / (outflow) from financing activities	-	(3,103)	-	-
Net increase in cash generated by the net assets	-	3,774	-	-

(c) Carrying amounts of assets and liabilities

The carrying amounts of assets and liabilities as at 30 September 2005 (2006 column) were:

Cash and cash equivalents	-	453	-	-
Trade and other receivables	-	1,336	-	-
Plant and equipment	-	208	-	-
Deferred tax assets	-	92	-	-
Intangibles	-	4,815	-	-
Total assets held for sale	-	6,904	-	-
Trade and other payables	-	1,286	-	-
Current borrowings	-	9	-	-
Current provisions	-	312	-	-
Total liabilities held for sale	-	1,607	-	-
Net assets held for sale	-	5,297	-	-

(d) Details of the sale of disposal group of net assets

Consideration	-	9,744	-	-
Carrying amount of net assets sold	-	(5,297)	-	-
Gain on sale before income tax	-	4,447	-	-
Income tax expense	-	-	-	-
Gain on sale after income tax	-	4,447	-	-

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FOR THE YEAR ENDED 30 JUNE 2007

NOTE 11 Current assets – Cash and cash equivalents

	Notes	Consolidated		Parent entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Cash at bank and on hand		78	969	28	30

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		78	969	28	30
Less: Bank overdrafts	21	(144)	–	–	–
Balance per statement of cash flows		(66)	969	28	30

The weighted average interest rate on cash accounts for 2007 was 2.52% (2006: 4.92 %)

NOTE 12 Current assets – Trade and other receivables

Trade receivables		8,952	6,713	–	–
Amounts receivable from controlled entities	35	–	–	810	–
Income tax refund		477	485	470	485
Prepayments		127	112	–	–
Other receivables		272	60	8	–
Loan to related party – interest bearing		1,849	–	–	–
Loan to related party – non-interest bearing		591	–	–	–
Total trade and other receivables		12,268	7,370	1,288	485

(a) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group.

(b) Loan to related party

An interest bearing and non-interest bearing loan was granted to El Vacio Limited and OCG Consulting Limited. The loans including interest are repayable on 7 October 2007, being two years from the day of grant.

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.

(c) Effective interest rates and credit risk

Information concerning the effective interest rates of both current and non-current receivables is set out in note 19.

NOTE 13 Non-current assets – Investment accounted for using the equity method

	Notes	Consolidated		Parent entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Shares in associates	38	2,406	2,001	–	–

Shares in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting.

NOTE 14 Non-current assets – Available-for-sale financial assets

Listed securities

Equity securities		1	2	–	–
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These financial asset are carried at fair value.

NOTE 15 Non-current assets – Other financial assets

	Notes	Consolidated		Parent entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Shares in subsidiaries		–	–	16,325	16,325

These financial assets are carried at cost.

NOTE 16 Non-current assets – Property, plant and equipment

Consolidated	Notes	Office furniture and computer equipment \$000	Leasehold rectification \$000	Office fitout incentive \$000	Total \$000
At 1 July 2005					
Cost		4,402	470	3,067	7,939
Accumulated depreciation		(2,648)	(71)	(435)	(3,154)
Net exchange differences		(1)	–	–	(1)
Net book amount		1,753	399	2,632	4,784
Year ended 30 June 2006					
Opening net book amount		1,753	399	2,632	4,784
Additions		403	–	–	403
Disposals		(145)	–	–	(145)
Depreciation charge	7	(443)	(64)	(326)	(833)
Closing net book amount		1,568	335	2,306	4,209
At 30 June 2006					
Cost		2,797	470	3,069	6,336
Accumulated depreciation		(1,229)	(135)	(763)	(2,127)
Net book amount		1,568	335	2,306	4,209
Year ended 30 June 2007					
Opening net book amount		1,568	335	2,306	4,209
Additions		86	–	46	132
Additions through business combination	36	35	–	–	35
Disposals		(10)	–	–	(10)
Depreciation charge	7	(380)	(64)	(320)	(764)
Closing net book amount		1,299	271	2,032	3,602
At 30 June 2007					
Cost		2,536	470	3,115	6,121
Accumulated depreciation		(1,237)	(199)	(1,083)	(2,519)
Net book amount		1,299	271	2,032	3,602

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

NOTE 16 Non-current assets – Property, plant and equipment (continued)

Parent	Notes	Office furniture and computer equipment \$000	Leasehold rectification \$000	Office fitout incentive \$000	Total \$000
At 1 July 2005					
Cost		1,223	470	3,067	4,760
Accumulated depreciation		(283)	(71)	(435)	(789)
Net book amount		940	399	2,632	3,971
Year ended 30 June 2006					
Opening net book amount		940	399	2,632	3,971
Additions		–	–	11	11
Depreciation charge	7	(97)	(64)	(337)	(498)
Closing net book amount		843	335	2,306	3,484
At 30 June 2006					
Cost		1,234	470	3,069	4,773
Accumulated depreciation		(391)	(135)	(763)	(1,289)
Net book amount		843	335	2,306	3,484
Year ended 30 June 2007					
Opening net book amount		843	335	2,306	3,484
Additions		7	–	–	7
Depreciation charge	7	(116)	(64)	(320)	(500)
Closing net book amount		734	271	1,986	2,991
At 30 June 2007					
Cost		1,083	470	3,069	4,622
Accumulated depreciation		(349)	(199)	(1,083)	(1,631)
Net book amount		734	271	1,986	2,991

NOTE 17 Non-current assets – Deferred tax assets

	Consolidated		Parent entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
The balance comprises temporary differences attributable to:				
Superannuation accruals	134	288	–	–
Employee benefits	230	279	–	–
Employee bonuses	20	138	–	–
Provision for lease rectification	141	141	141	141
Doubtful debts	–	18	–	–
Depreciation	10	12	3	6
Accrued expenses	47	42	6	9
Borrowing costs	8	15	5	10
Total deferred tax assets	590	933	155	166
Set-off of deferred tax liabilities of parent entity pursuant to set-off provisions	(81)	(100)	(81)	(100)
Net deferred tax assets	509	833	74	66
Deferred tax assets to be recovered after more than 12 months	203	216	144	146
Deferred tax assets to be recovered within 12 months	387	717	11	20
	590	933	155	166

Movements – Consolidated	Retirement benefit obligations \$000	Employee benefits \$000	Employee bonuses \$000	Provision for lease rectification \$000	Other \$000	Total \$000
At 1 July 2005	159	316	56	141	75	747
(Charged)/credited to the income statement	129	(37)	82	–	12	186
At 30 June 2006	288	279	138	141	87	933
Charged to the income statement	(154)	(58)	(118)	–	(23)	(352)
Acquisition of subsidiary	–	9	–	–	–	9
At 30 June 2007	134	230	20	141	64	590

Movements – Parent	Retirement benefit obligations \$000	Employee benefits \$000	Employee bonuses \$000	Provision for lease rectification \$000	Other \$000	Total \$000
At 1 July 2005	–	–	–	–	–	–
Charged to the income statement	–	–	–	141	25	166
At 30 June 2006	–	–	–	141	25	166
Charged to the income statement	–	–	–	–	(11)	(11)
At 30 June 2007	–	–	–	141	14	155

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

NOTE 18 Non-current assets – Intangible assets

Consolidated	Notes	Goodwill \$000	Software and database \$000	Brandnames \$000	Customer contracts \$000	Total \$000
At 1 July 2005						
Cost		10,661	1,923	–	–	12,584
Accumulated amortisation and impairment		–	(466)	–	–	(466)
Net book amount		10,661	1,457	–	–	12,118
Year ended 30 June 2006						
Opening net book amount		10,661	1,457	–	–	12,118
Additions		–	1,241	–	–	1,241
Amortisation charge	7	–	(316)	–	–	(316)
Closing net book amount		10,661	2,382	–	–	13,043
At 30 June 2006						
Cost		10,661	3,164	–	–	13,825
Accumulated amortisation and impairment		–	(782)	–	–	(782)
Net book amount		10,661	2,382	–	–	13,043
Year ended 30 June 2007						
Opening net book amount		10,661	2,382	–	–	13,043
Additions		–	190	–	–	190
Additions through business combination	36	3,658	436	243	70	4,407
Amortisation charge	7	–	(696)	–	(68)	(764)
Closing net book amount		14,319	2,312	243	2	16,876
At 30 June 2007						
Cost		14,319	3,790	243	70	18,422
Accumulated amortisation and impairment		–	(1,478)	–	(68)	(1,546)
Net book amount		14,319	2,312	243	2	16,876

NOTE 18 Non-current assets – Intangible assets (continued)

Parent	Notes	Software \$'000	Total \$'000
At 1 July 2005			
Cost		1,922	1,922
Accumulated amortisation and impairment		(466)	(466)
Net book amount		1,456	1,456
Year ended 30 June 2006			
Opening net book amount		1,456	1,456
Additions		1,216	1,216
Amortisation charge	7	(315)	(315)
Closing net book amount		2,357	2,357
At 30 June 2006			
Cost		3,139	3,139
Accumulated amortisation and impairment		(782)	(782)
Net book amount		2,357	2,357
Year ended 30 June 2007			
Opening net book amount		2,357	2,357
Additions		190	190
Amortisation charge	7	(641)	(641)
Closing net book amount		1,906	1,906
At 30 June 2007			
Cost		3,329	3,329
Accumulated amortisation and impairment		(1,423)	(1,423)
Net book amount		1,906	1,906

(a) Impairment tests for goodwill and indefinite life intangible assets

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to each brand.

A brand-level summary of the goodwill allocation is presented below.

	Bowden \$'000	HJB & HJB Priority \$'000	IT Resources \$'000	Provincial Personnel \$'000	Total \$'000
2007	1,150	9,511	3,468	190	14,319
2006	1,150	9,511	–	–	10,661

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period which incorporates the growth rates below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

(b) Key assumptions used for value-in-use calculations

CGU	Growth rate ⁽¹⁾		Discount rate ⁽²⁾	
	2007 %	2006 %	2007 %	2006 %
Bowden	2.5	2.5	18.2	19.2
HJB & HJB Priority	2.5	2.5	15.9	16.1
IT Resources	2.5	–	17.0	–
Provincial Personnel ⁽³⁾	–	–	–	–

(1) Weighted average growth rate used to extrapolate cash flows beyond the budget period.

(2) In performing the value-in-use calculations for each CGU, the company has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rates are disclosed above. The same post-tax discount rates were applied in 2006 and 2007. The movements in the equivalent pre-tax discount rates between 2006 and 2007 reflect changes in the anticipated timing of future cash flows.

(3) Provincial Personnel was acquired on 19 March 2007. It is unlikely that the goodwill associated with the acquisition is impaired at 30 June 2007. The goodwill associated with the acquisition of Provincial Personnel will be tested for impairment at least annually (note 1(n)).

These assumptions have been used for the analysis of each CGU within the Group. The weighted average growth rates used are consistent with forecasts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

NOTE 19 Non-current assets – Receivables

	Consolidated		Parent entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Loans to related parties				
Interest bearing	–	1,480	–	–
Non-interest bearing	–	614	–	–
Total non-current assets – receivables	–	2,094	–	–

Further information relating to loans to related parties is set out in note 12(b).

(a) Interest rate risk

The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity period is set out in the following tables.

2007	Floating interest rate \$000	Fixed interest rate						Non-interest bearing \$000	Total \$000
		1 year or less \$000	Over 1 to 2 years \$000	Over 2 to 3 years \$000	Over 3 to 4 years \$000	Over 4 to 5 years \$000	Over 5 years \$000		
Trade receivables	–	–	–	–	–	–	–	8,952	8,952
Other receivables	–	–	–	–	–	–	–	272	272
Loans to related parties	1,849	–	–	–	–	–	–	591	2,440
	1,849	–	–	–	–	–	–	9,815	11,664
Weighted average interest rate	7.37%	–	–	–	–	–	–		

2006	Floating interest rate \$000	Fixed interest rate						Non-interest bearing \$000	Total \$000
		1 year or less \$000	Over 1 to 2 years \$000	Over 2 to 3 years \$000	Over 3 to 4 years \$000	Over 4 to 5 years \$000	Over 5 years \$000		
Trade receivables	–	–	–	–	–	–	–	6,713	6,713
Other receivables	–	–	–	–	–	–	–	60	60
Loans to related parties	1,480	–	–	–	–	–	–	614	2,094
	1,480	–	–	–	–	–	–	7,387	8,867
Weighted average interest rate	7.25%	–	–	–	–	–	–		

(b) Credit risk

There is no concentration of credit risk with respect to current receivables, as the Group has a large number of customers.

(c) Fair value

The carrying value is the fair value. The fair value of assets is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rate for liabilities with similar risk profiles.

NOTE 20 Current liabilities – Trade and other payables

	Consolidated		Parent entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Trade payables	197	155	–	–
Other payables				
Employment costs	2,321	2,915	–	–
Tax	707	718	–	–
Expenses	459	423	30	30
Credit notes	344	165	–	–
	3,831	4,221	30	30
Total current liabilities – trade and other payables	4,028	4,376	30	30

NOTE 21 Current liabilities – Borrowings

	Consolidated		Parent entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Secured				
Invoice financing facility	3,998	1,936	–	–
Bank overdraft	144	–	–	–
Commercial bill	880	–	–	–
Unsecured				
Loans from controlled entities	–	–	–	1,576
Total current borrowings	5,022	1,936	–	1,576

(a) Security

The parent and all controlled entities have entered into a Mortgage Debenture with the Australia and New Zealand Banking Group Limited securing all their assets, both present and future, against their financing arrangements. In addition, the facilities available are subject to financial covenants being met:

- (i) Consolidated debt service cover: the consolidated service cover for each financial half year will not be less than 2.50:1.
- (ii) Consolidated liquidity ratio: the consolidated liquidity ratio for each financial half year will not be less than 1.00:1.

Funding from the invoice financing facility is based on 80% of the aggregate face value of approved debts (as approved by Australian and New Zealand Banking Group Limited).

(b) Commercial bills

Commercial bills have been drawn as a source of short-term financing for the Group's acquisitions. They mature on 10 October 2007 and bear interest at 6.75%.

(c) Financing arrangements

The Group has access to the following lines of credit:

	Consolidated		Parent entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Total facilities				
Bank overdraft	1,000	–	–	–
ANZ invoice financing	9,000	9,000	–	–
ANZ Online facility	700	700	100	100
Commercial bill	880	–	–	–
Indemnity guarantee facilities	2,374	2,351	2,180	2,180
Encashment facility	4	2	–	–
	13,958	12,053	2,280	2,280
Used at balance date				
Bank overdraft	144	–	–	–
ANZ invoice financing	3,998	1,936	–	–
ANZ Online facility	–	–	–	–
Commercial bill	880	–	–	–
Indemnity guarantee facilities	2,246	2,246	2,076	2,076
Encashment facility	–	–	–	–
	7,268	4,182	2,076	2,076
Unused at balance date				
Bank overdraft	856	–	–	–
ANZ invoice financing	5,002	7,064	–	–
ANZ Online facility	700	700	100	100
Commercial bill	–	–	–	–
Indemnity guarantee facilities	128	105	104	104
Encashment facility	4	2	–	–
	6,690	7,871	204	204

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

NOTE 21 Current liabilities – Borrowings (continued)

(d) Interest rate risk exposures

The following table sets out the Group's exposure to interest rate risk.

2007 Consolidated	Floating interest rate \$000	Fixed interest rate						Non- interest bearing \$000	Total \$000
		1 year or less \$000	Over 1 to 2 years \$000	Over 2 to 3 years \$000	Over 3 to 4 years \$000	Over 4 to 5 years \$000	Over 5 years \$000		
Invoice financing facility	3,998	–	–	–	–	–	–	–	3,998
Commercial bill	880	–	–	–	–	–	–	–	880
Bank overdraft	144	–	–	–	–	–	–	–	144
	5,022	–	–	–	–	–	–	–	5,022
Weighted average interest rate	9.73%	–	–	–	–	–	–	–	

2006 Consolidated	Floating interest rate \$000	Fixed interest rate						Non- interest bearing \$000	Total \$000
		1 year or less \$000	Over 1 to 2 years \$000	Over 2 to 3 years \$000	Over 3 to 4 years \$000	Over 4 to 5 years \$000	Over 5 years \$000		
Invoice financing facility	1,936	–	–	–	–	–	–	–	1,936
Weighted average interest rate	7.41%	–	–	–	–	–	–	–	

NOTE 22 Current liabilities – Lease incentives

Note	Consolidated		Parent entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Lease Incentives	320	320	320	320

NOTE 23 Current liabilities – Tax liabilities

Current tax liability	23	31	–	–
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NOTE 24 Current liabilities – Provisions

Employee benefits

Annual leave	592	574	–	–
Long service leave	36	142	–	–
Total current liabilities – provisions	628	716	–	–

NOTE 25 Current liabilities – Deferred settlement

Deferred settlement

IT Resources Group	36	1,152	–	–
Provincial Personnel	36	100	–	–
Total current liabilities – deferred settlement	1,252	–	–	–

Deferred settlement payments are payable on 31 August 2007 and 19 March 2008 for IT Resources Group and Provincial Personnel acquisitions respectively.

NOTE 26 Non-current liabilities – lease incentives

Lease incentive	1,666	1,986	1,666	1,986
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(a) Amortisation

Lease incentives are amortised over the duration of the term of the lease.

NOTE 27 Non-current liabilities – deferred tax liabilities

	Consolidated		Parent entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
The balance comprises temporary differences attributable to:				
Intangibles	566	407	370	400
Property, plant and equipment	6	26	6	26
Lease rectification asset	81	100	81	100
Foreign exchange balances	15	60	15	60
Total deferred tax liabilities	668	593	472	586
Set-off of deferred tax liabilities of parent entity pursuant to set-off provisions	(81)	(100)	(81)	(100)
Net deferred tax liabilities	587	493	391	486
Deferred tax liabilities to be recovered after more than 12 months	652	533	457	526
Deferred tax liabilities to be recovered within 12 months	16	60	15	60
	668	593	472	586

Movements – Consolidated	Intangibles \$000	Property, plant and equipment \$000	Lease rectification asset \$000	Foreign exchange balances \$000	Total \$000
At 1 July 2005	222	45	120	–	387
Charged / (credited) to the income statement	185	(19)	(20)	60	206
At 30 June 2006	407	26	100	60	593
Credited to the income statement	(64)	(20)	(19)	(45)	(148)
Acquisition of subsidiary	223	–	–	–	223
At 30 June 2007	566	6	81	15	668

Movements – Parent	Intangibles \$000	Property, plant and equipment \$000	Lease rectification asset \$000	Foreign exchange balances \$000	Total \$000
At 1 July 2005	222	45	120	–	387
Charged / (credited) to the income statement	178	(19)	(20)	60	199
At 30 June 2006	400	26	100	60	586
Credited to the income statement	(30)	(20)	(19)	(45)	(114)
At 30 June 2007	370	6	81	15	472

NOTE 28 Non-current liabilities – provisions

	Consolidated		Parent entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Employee benefits – long service leave	138	213	–	–
Make good provision	470	470	470	470
Total provisions	608	683	470	470

The Group is required to restore the leased office premises to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the term of the lease. There has been no movement in make good provision for the year.

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NOTE 29 Non-current liabilities – deferred settlement

	Note	Consolidated		Parent entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Deferred settlement					
Provincial Personnel	36	100	–	–	–

The final deferred settlement for the Provincial Personnel acquisition is payable on 20 September 2008.

NOTE 30 Contributed equity

	Consolidated and Parent entity		Consolidated and Parent entity	
	2007 Shares	2006 Shares	2007 \$000	2006 \$000
(a) Share capital				
Fully paid	67,141,685	61,141,685	19,665	17,805
(b) Other equity securities				
Total contributed equity – parent entity	67,141,685	61,141,685	19,665	17,805
Treasury shares	(354,715)	(454,715)	–	–
Total consolidated contributed equity	66,786,970	60,686,970	19,665	17,805

(c) Movements in share capital

Date	Details	Number of shares	\$000
1 July 2005	Opening balance	61,141,685	17,805
30 June 2006	Closing balance	61,141,685	17,805
1 October 2006	Issue of shares on acquisition of ITR (d)	6,000,000	1,860
30 June 2007	Closing balance	67,141,685	19,665

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands, every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(e) Share issue

6,000,000 ordinary shares were issued as part of the IT Resources Group acquisition. Details of the acquisition are set out in note 36.

(f) Employee share plan

Information relating to the employee share plan is set out in note 41.

(g) Options

Information relating to the employee option plan is set out in note 41.

(h) Treasury shares

Treasury shares are shares in Hamilton James & Bruce Group Limited that are held by the HJ&B Employee Share Trust for the purpose of issuing shares under the Hamilton James & Bruce Group employee share scheme (see note 41).

Date	Details	Number of shares	\$000
1 July 2005	Opening balance	411,382	–
30 September 2005	Shares forfeited and transferred to Share Trust	33,333	–
17 December 2005	Shares forfeited and transferred to Share Trust	3,334	–
27 March 2006	Shares forfeited and transferred to Share Trust	6,666	–
30 June 2006	Closing balance	454,715	–
27 March 2007	Employee share scheme issue	(100,000)	–
30 June 2007	Closing balance	354,715	–

NOTE 31 Reserves and retained profits

	Notes	Consolidated		Parent entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
(a) Reserves					
Share-based payments reserve		93	52	–	–
Foreign currency translation reserve		(148)	(818)	–	–
Balance 30 June 2007		(55)	(766)	–	–
Movements:					
Share-based payments reserve					
Opening balance		52	104	–	–
Allocation of shares from Employee Share Trust	41	41	2	–	–
Performance rights (reversal) expense	41	–	(54)	–	–
Balance 30 June		93	52	–	–
Foreign currency reserve					
Opening balance		(818)	(59)	–	–
Currency translation differences		670	(759)	–	–
Balance 30 June		(148)	(818)	–	–
(b) Retained profits					
Movements in retained profits were as follows:					
Balance 1 July		2,941	45	74	434
Net profit for the year		258	4,730	1,339	1,474
Consolidation of HJ&B Employee Share Trust		34	–	–	–
Dividends	9	(1,337)	(1,834)	(1,343)	(1,834)
Balance 30 June		1,896	2,941	70	74

(b) Nature and purpose of reserves*(i) Share based payments reserve*

The share-based payments reserve is used to recognise the fair value of shares transferred from the Employee Share Trust and the fair value of performance rights granted but not yet vested.

(ii) Foreign currency translation reserve

Exchange differences arising on translation of New PDH Limited and Hamilton James & Bruce Consulting Limited are taken to the foreign currency translation reserve, as described in note 1(d).

NOTE 32 Key management personnel disclosures**Directors**

The following persons were directors of Hamilton James & Bruce Group Limited during the financial year:

Anna Buduls

Deborah Wilson (Executive Chairman and Chief Executive Officer)

Nicholas Burton Taylor

John Colvin

Deborah Wilson has also assumed the role of Chief Executive Officer since 10 July 2006.

John Colvin resigned from the position of director on 17 July 2006, and he ceased employment with the Group on 30 September 2006.

Other key management personnel

The other person who also had authority and responsibility for planning, directing and controlling the activities of the parent entity and the Group, directly or indirectly, during the financial year was Ken Edmondson. Mr Edmondson held the position of Chief Financial Officer and Company Secretary from 10 July 2006. He was employed by Hamilton James & Bruce Pty Limited. Mr Edmondson resigned from his position, effective 3 August 2007.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

NOTE 32 Key management personnel disclosures (continued)

Key management personnel compensation

	Consolidated		Parent entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Short-term employee benefits	750,147	606,994	750,147	606,994
Post-employment benefits	54,211	28,639	54,211	28,639
Termination benefits	6,996	–	6,996	–
Share-based payments	38,283	(63,856)	38,283	(63,856)
	849,637	571,777	849,637	571,777

The company has taken advantage of the relief provided by Corporations Regulations and has transferred the detailed remuneration disclosures to the Directors' report. The relevant information can be found in the remuneration report on pages 8 to 12.

Equity instrument disclosures relating to key management personnel

Shareholdings

The number of shares in the company held during the year by each director of Hamilton James & Bruce Group Limited and other key management personnel of the Group, including their personally-related entities, are set out below. There were no shares granted during the year as compensation and no shares forfeited

2007

Name	Balance at start of year	Granted during the year as remuneration	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors					
N Burton Taylor	15,376,901	–	–	2,073,501	17,450,402
A Buduls	70,000	–	–	–	70,000
D Wilson	–	–	–	733,492	733,492
J Colvin	136,000	–	–	100,000	236,000

2006

Name	Balance at start of year	Granted during the year as remuneration	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors					
N Burton Taylor	15,285,402	–	–	91,499	15,376,901
A Buduls	70,000	–	–	–	70,000
J Colvin	117,000	–	–	19,000	136,000

Employee Performance Share Rights

The number of performance share rights in the company held during the year by each director of Hamilton James & Bruce Group Limited and other key management personnel of the Group, including their personally-related entities, are set out below. There were no performance rights granted during the year.

2007

Name	Balance at start of year	Granted as compensation	Exercised	Other changes	Balance at the end of the year	Vested and exercisable	Unvested
Directors							
J Colvin	950,000	–	–	(950,000)	–	–	–

2006

Name	Balance at start of year	Granted as compensation	Exercised	Other changes	Balance at the end of the year	Vested and exercisable	Unvested
Directors							
J Colvin	950,000	–	–	–	950,000	–	950,000

NOTE 33 Remuneration of auditors

	Consolidated	
	2007	2006
	\$	\$
During the year, the auditors of the parent entity and their related practices earned the following remuneration:		
(a) Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports	141,990	120,134
AIFRS accounting services	–	10,200
PricewaterhouseCoopers New Zealand firm:		
Audit and review of financial reports	13,083	–
Total remuneration for audit services	155,073	130,334
(b) Non-audit services		
Taxation services		
PricewaterhouseCoopers Australian firm:		
Income tax	24,100	63,865
FBT return	15,800	16,500
Other tax advisory services	36,400	46,500
PricewaterhouseCoopers New Zealand firm:		
Income tax	16,623	13,790
Total remuneration for taxation services	92,923	140,655
Other services		
PricewaterhouseCoopers Australian firm:		
Structure simplification	–	10,000
Tax software licensing	4,900	4,700
OCG sale of business	–	35,735
Total remuneration for other services	4,900	50,435
Total remuneration for non-audit services	252,896	321,424

The fee for the audit of the consolidated entity is paid by the controlled entities. No cost has been borne by the parent entity in 2007.

It is the consolidated entity's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the consolidated entity are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where PricewaterhouseCoopers are awarded assignments on a competitive basis. It is the consolidated entity's policy to seek competitive tenders for all major consulting projects.

The Audit Committee monitors the independence of the auditors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

NOTE 34 Commitments

(a) Operating Leases

The Group leases various offices under non-cancellable operating leases expiring within two to eight years. These leases have varying terms.

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

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

	Consolidated		Parent entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Not later than one year	2,435	2,229	2,210	2,229
Later than one year but not later than 5 years	9,161	9,080	8,884	9,080
Later than 5 years	3,436	5,725	3,436	5,725
Commitments not recognised in the financial statements	15,032	17,034	14,530	17,034

(b) Remuneration Commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:

Within one year	–	210	–	–
Later than one year but not later 5 years	–	–	–	–
	–	210	–	–

The amounts disclosed as remuneration commitments for the year ended 30 June 2006 included commitments arising from the service contracts of directors that were not recognised as liabilities nor included in the directors' or executives' remuneration for the year. The payments were subsequently paid during the year ended 30 June 2007.

NOTE 35 Related parties

(a) Parent entity

The parent entity within the Group is Hamilton James & Bruce Group Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 37.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 32.

(d) Transactions with related parties

The following transactions occurred with related parties:

	Parent Entity	
	2007 \$	2006 \$
Management fee from subsidiaries	45,800	–
Dividend revenue from subsidiaries	3,700,000	4,300,000
Interest expense to subsidiary	(279,707)	–
Tax related amounts receivable / (payable) from / (to) controlled entities	(943,312)	418,084

NOTE 35 Related parties (continued)**(e) Loans to/(from) related parties**

	Consolidated		Parent entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Loans to / (from) subsidiaries				
Beginning of the year	–	–	(1,576,075)	2,181,017
Loans advanced	–	–	3,454,189	985,908
Loan repayments received	–	–	(1,347,000)	(4,743,000)
Interest charged	–	–	279,707	–
End of year	–	–	810,821	(1,576,075)
Loans to associate				
Beginning of the year	2,094,652	–	–	–
Loans advanced	–	2,009,214	–	–
Loan repayments received	–	–	–	–
Interest charged	124,749	85,438	–	–
Foreign currency translation	220,453	–	–	–
End of year (note 12)	2,439,854	2,094,652	–	–

The interest charge of \$124,749 (2006: \$85,438) relates to interest on the loan granted to El Vacio Limited (note 12(b)).

NOTE 36 Business combinations**I (a) Summary of acquisition of IT Resources Group**

On 11 September 2006, Hamilton James & Bruce Pty Limited acquired the business of a Melbourne based IT recruitment and contracting company, IT Resources Group Pty Ltd (ITR).

The acquired business contributed revenues of \$4,552,000 and net profit before tax of \$541,000 to the Group for the period from 1 October 2006 to 30 June 2007.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	\$000
Purchase consideration (refer to (b) below)	
Cash paid	880
HJB shares issued	1,860
Deferred settlement	1,152
Total purchase consideration	3,892
Fair value of net identifiable assets acquired (refer to c) below)	424
Goodwill	3,468

(b) Purchase consideration

	\$000
Cash	880
Issue of 6,000,000 ordinary shares at market price	1,860
Deferred settlement	1,152
	3,892

The deferred settlement amount has been paid on 31 August 2007 and therefore has been brought to account as a component of goodwill.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

NOTE 36 Business combinations (continued)

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount \$000	Fair value \$000
Plant and equipment	11	11
Deferred tax asset	–	9
Intangible assets: database	–	323
Intangible assets: brandnames	–	232
Intangible assets: customer contracts	–	65
Provision for employee benefits	(29)	(29)
Deferred tax liability	–	(187)
Net identifiable assets acquired	(18)	424

The goodwill is attributable to the workforce and the profitability of the business. The fair value of the assets and liabilities acquired are based on discounted cash flow models, apart from the value of brandnames, which are based on the capitalisation of notional relief royalty and the value of the database, which is based on the capitalisation of historic profits.

2(a) Summary of acquisition of Provincial Personnel

On 19 March 2007, Hamilton James & Bruce Pty Limited acquired the business of a Gold Coast based recruitment and contracting company, Provincial Personnel Pty Ltd.

The acquired business contributed revenues of \$311,000 and net profit before tax of \$58,000 to the Group for the period from 19 March 2007 to 30 June 2007.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	\$000
Purchase consideration (refer to (b) below)	
Cash paid	313
Fair value of net identifiable assets acquired (refer to c) below))	123
Goodwill	190

(b) Purchase consideration

	\$000
Cash paid	113
Deferred settlement – payable 19 March 2008	100
Deferred settlement – payable 30 September 2008	100
	313

NOTE 36 Business combinations (continued)**(c) Assets and liabilities acquired**

The assets and liabilities arising from the acquisition are as follows;

	Acquiree's carrying amount \$000	Fair value \$000
Prepayments	13	13
Plant and equipment	24	24
Deferred tax asset	–	1
Intangible assets: database	–	113
Intangible assets: brandnames	–	6
Intangible assets: customer contracts	–	5
Provision for employee benefits	(2)	(2)
Deferred tax liability	–	(37)
Net identifiable assets acquired	35	123

The goodwill is attributable to the workforce and the profitability of the business. The fair value of the assets and liabilities acquired are based on discounted cash flow models, apart from the value of brandnames, which are based on the capitalisation of notional relief royalty and the value of the database, which is based on the capitalisation of historic profits.

Both businesses acquired during the year were privately owned prior to their acquisition and did not supply financial statements for that period. It is therefore impractical to disclose the revenue or profit or loss of the combined entity as though the acquisition date for these business combinations had been the beginning of the period.

NOTE 37 Subsidiaries

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

Name of entity	Country of incorporation	Class of shares/units	Equity holding	
			2007	2006
HJ&B Pty Limited	Australia	Ordinary	100%	100%
HJB Unit Trust	Australia	Ordinary	100%	100%
Hamilton James and Bruce Pty Limited	Australia	Ordinary	100%	100%
ACN 003 158 852 Pty Limited (formerly Hamilton James & Bruce Business Support Pty Limited)	Australia	Ordinary	100%	100%
HJ&B Employee Pty Limited	Australia	Ordinary	100%	100%
HJ&B Employee Share Trust	Australia	Ordinary	100%	100%
HJB Share Plan Pty Limited	Australia	Ordinary	100%	100%
HJ&B Industrial Pty Limited	Australia	Ordinary	100%	100%
HJB Priority Pty Limited	Australia	Ordinary	100%	100%
ACN 078 584 595 (formerly The People Partnership Pty Limited)	Australia	Ordinary	100%	100%
Bowden Computer Placements (Queensland) Pty Limited	Australia	Ordinary	100%	100%
CHMC Consulting Limited (formerly Hamilton James & Bruce Consulting Limited)	New Zealand	Ordinary	100%	100%
New PDH Limited	New Zealand	Ordinary	100%	100%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

NOTE 38 Investment in associates

(a) Carrying amounts

Information relating to associates is set out below.

Name of company	Principal activity	Ownership Interest		Consolidated		Parent entity	
		2007 %	2006 %	2007 \$000	2006 \$000	2007 \$000	2006 \$000
OCG Consulting Limited	Recruitment	24.2	25.0	2,406	2,001	–	–

The investor in OCG Consulting Limited (a New Zealand incorporated company) is CHMC Consulting Limited (formerly Hamilton James & Bruce Consulting Limited), a wholly owned subsidiary of Hamilton James & Bruce Group Limited. The investment in OCG Consulting Limited is accounted for at cost in Hamilton James & Bruce Group Limited accounts as set out below.

Name of company	Principal activity	Ownership Interest		CHMC Consulting Limited		Consolidated	
		2007 %	2006 %	2007 \$000	2006 \$000	2007 \$	2006 \$
OCG Consulting Limited	Recruitment	24.2	25.0	2,041	1,850		

(b) Movements in carrying amounts

Carrying amount upon investment	2,001	1,850
Share of profits after tax	191	164
Foreign currency translation	214	(13)
Dividends received	–	–
Carrying amount at the end of the financial year	2,406	2,001

(c) Share of associates' profits or losses

Profit before income tax	303	245
Income tax expense	(112)	(81)
Profit after income tax	191	164

(d) Summarised financial information of associates

	Assets \$000	Liabilities \$000	Group's share of Revenues \$000	Profit \$000
2007				
OCG Consulting Limited	4,244	2,058	2,427	191
2006				
OCG Consulting Limited (1 Oct 2005 to 30 June 2006)	3,082	1,287	3,853	164

(e) Share of associates' expenditure commitments

Capital commitments	43	29
Lease commitments	22	25

NOTE 39 Reconciliation of profit after income tax to net cash outflow from operating activities

	Notes	Consolidated		Parent entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Profit for the year		258	4,730	1,339	1,474
Depreciation and amortisation	7	1,528	1,149	1,141	813
Non-cash employee benefits expense – share-based payments	41	41	(52)	–	–
Net foreign exchange (gain) / loss	6	185	(197)	185	(197)
Profit on sale of business – OCG Consulting Limited	10	–	(4,447)	–	–
Loss on disposal of property, plant and equipment	7	10	146	–	–
Share of profits of associates not received as dividends/distributions	38	(191)	(164)	–	–
Dividend, interest and management fees		(125)	(79)	(4,066)	(2,000)
Change in operating assets and liabilities					
(Increase)/decrease in trade debtors and other debtors		(2,462)	3,466	1,803	1,045
(Increase)/decrease in future income tax benefit		333	(206)	(8)	(45)
(Increase)/decrease in income taxes refundable		15	(485)	15	(485)
(Increase)/decrease in other operating assets		(278)	(333)	(320)	(55)
Increase/(decrease) in provision for deferred income tax		(129)	226	(95)	198
Increase/(decrease) in trade and other creditors		(348)	(816)	–	(872)
Increase/(decrease) in provision for income taxes payable		(17)	(170)	–	(200)
Increase/(decrease) in other provisions		(196)	(138)	–	(16)
Net cash inflow/(outflow) from operating activities		(1,376)	2,630	(6)	(340)

NOTE 40 Earnings per share

	Consolidated 2007	Consolidated 2006
Basic earnings per share	0.4 cents	7.7 cents
Diluted earnings per share	0.4 cents	7.7 cents
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	67,141,685	61,141,685

The amount used as the numerator in calculating basic and diluted Earnings Per Share is profit after tax.

(a) Information concerning securities

In September 2006, 6 million ordinary shares were issued as part of the ITR acquisition (note 36).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

NOTE 4I Share based payments

(a) Employee Share Scheme

A scheme under which shares may be transferred from the Employee Share Trust to employees for no cash consideration on the direction of the parent entity was established in 2001. Offers under the scheme are at the discretion of the company. Shares transferred under this scheme vest over a period of three years from the date of granting, with one third of the amount granted vesting on the anniversary of granting each year. If an employee ceases employment with the Group the unvested shares are forfeited and returned to the Trust at the discretion of the Board. The value of the shares at grant date is based on the market price on that date and this value is allocated to each year in the three year period based on the probabilities of the shares vesting.

The number of shares granted under the scheme, which have vested in the year to 30 June 2007 have been as follows:

	Vested		Forfeited	
	2007	2006	2007	2006
Shares granted 13 September 2002	–	41,668	–	–
Shares granted 27 February 2003	–	13,334	–	–
Shares granted 10 March 2003	–	–	–	3,334
Shares granted 27 March 2003	–	–	–	6,666
Shares granted 25 September 2003	–	–	–	33,333
Shares granted 17 December 2003	50,000	50,000	–	–
Shares granted 16 August 2004	–	–	–	–

These include shares granted to other employees as well as key management personnel.

On 16 August 2004, 100,000 shares were granted to Mr Colvin as CEO. These were released from escrow on 16 August 2007, being the third anniversary of his commencement, in accordance with his service agreement.

No shares have been granted under this scheme during the year to 30 June 2007 or during the year to 30 June 2006

(b) Employee Performance Rights Plan

An Employee Performance Rights Plan was approved at the AGM in November 2004. The fair value at grant date is independently determined using the binomial model, taking into account the exercise price, life of the instrument, share price at grant date, expected volatility of the underlying share, expected dividend yield and the risk free interest rate for the term of the right.

Vesting conditions, other than market conditions, are taken into account by adjusting the number of rights that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of rights that are expected to become exercisable.

No performance rights have been granted in the year to 30 June 2007. During the year to 30 June 2006 all expenses relating to performance rights granted to Mr Colvin in the year to 30 June 2005 were reversed due to the resignation of Mr Colvin as CEO.

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payments recognised during the year as part of employee benefit expenses were as follows:

	Consolidated		Parent entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Shares issued from Employee Share Trust	41	2	–	–
Employee performance rights granted	–	(54)	–	–
	41	(52)	–	–

The expense in the year ended 30 June 2007 includes \$38,000 relating to the issue of 100,000 shares to John Colvin. At 30 June 2006 these shares were shown as having been forfeited, however this was not the case and the expense has been reinstated.

(d) Employee Share Options

All options under the Hamilton James & Bruce Group Employee option plan expired on 17 December 2005.

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 15 to 52 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 company's and consolidated entity's financial position as at 30 June 2007 and of their performance, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and
- (c) the audited remuneration disclosures set out on page 13 of the Directors' report comply with Accounting Standard AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

The directors have been given the declarations by the Chief Executive Officer and Acting Chief Financial Officer required by section 295A of the Corporations Act 2001.

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



Deborah Wilson
EXECUTIVE CHAIRMAN & CHIEF EXECUTIVE OFFICER



Anna Buduls
DIRECTOR
Sydney
28 September 2007

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HAMILTON JAMES & BRUCE GROUP LIMITED

Report on the financial report and the AASB 124 Remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Hamilton James & Bruce Group Limited (the company) and the HJB Group (the consolidated entity), which comprise the balance sheets as at 30 June 2007, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Hamilton James Bruce Group Limited and the HJB Group. The consolidated entity comprises both the company and the entities it controlled at the year's end.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 Related Party Disclosures, under the heading "remuneration report" in pages 8 to 12 of the directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 Remunerations disclosures contained in the directors' report

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

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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

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

Independence

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

**Auditor's opinion on the financial report**

In our opinion:

- (a) the financial report of Hamilton James & Bruce Group Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the consolidated financial statements notes and parent entity financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Auditor's opinion on the AASB 124 Remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in pages 8 to 12 of the directors' report comply with Accounting Standard AASB 124.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers

A handwritten signature in cursive script that reads "Marc Upcroft".

Marc Upcroft
PARTNER

Sydney
28 September 2007

SHAREHOLDER INFORMATION

(A) DISTRIBUTION OF EQUITY SECURITY BY SIZE OF HOLDING:

	Class of Equity Security Ordinary Shares
1-1,000	16
1,001-5,000	147
5,001-10,000	107
10,001-100,000	147
100,001 and over	45
Total	462

The number of security investors holding less than a marketable parcel of 2,000 securities is 28 and they hold 28,237 securities.

(B) EQUITY SECURITY HOLDERS

Twenty Largest Holders including beneficial interests of Quoted Equity Securities	Number of Shares	Percentage of Total Capital
Nicholas Burton Taylor	17,450,402	25.99%
Victor John Plummer	13,408,424	19.97%
GJP Investments Pty Limited	4,507,620	6.71%
Loftus Lane Investments Pty Limited	2,738,331	4.08%
National Nominees Limited	2,645,100	3.94%
Bond Street Custodians Limited	2,450,000	3.65%
Jon Leighton	2,260,306	3.37%
Islington Manor Pty Limited	2,203,312	3.28%
Sandra Tuckwell	1,958,147	2.92%
RPG Management Pty Limited	1,764,076	2.63%
JP Morgan Nominees Australia Limited	1,473,200	2.19%
Common Sense Investments	1,137,741	1.69%
Gabrielle Riddington	858,947	1.28%
Austrom Pty Limited	800,000	1.19%
Deborah Wilson	733,492	1.09%
Tim Burton-Taylor	532,141	0.79%
Peter Falk & Suzanne Falk	500,000	0.74%
Brides Pty Limited	400,000	0.60%
HJ&B Employee Pty Limited	354,716	0.53%
Cameron Williams Pty Limited	330,000	0.49%

(C) SUBSTANTIAL SHAREHOLDERS

Substantial shareholder notices have been received from the following shareholders. As at 4 September 2007 the number of shares held were as follows:

Shareholder	Number Held	%
Nicholas Burton Taylor	17,450,402	25.99%
Victor John Plummer	13,408,424	19.97%
GJP Investments Pty Limited	4,507,620	6.71%

(D) VOTING RIGHTS

The voting rights attaching to each class of equity securities are:

(i) Ordinary Shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and on a poll shall have one vote for each share.

“ At Hamilton James & Bruce, knowing people has been at the core of our business since 1979. We know our client’s industry sectors, businesses and individual needs. We know our candidate’s desires and career goals. And we know our people are experienced in their chosen area of specialisation. By knowing people, we can then deliver the highest levels of recruitment service.”

Deborah Wilson, Executive Chairman & CEO

CORPORATE DIRECTORY

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Company Directors
Deborah Wilson – Executive Chairman & CEO
Anna Buduls
Nicholas Burton Taylor
Tim Burton-Taylor (Alternate Director)

Acting Company Secretary
Neil Gordon

Auditors
PricewaterhouseCoopers
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Share Registry
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WE KNOW PEOPLE

