

**Hamilton James & Bruce Group Limited  
(ABN 90 091 302 975)**

**Annual Report  
Year Ended 30 June 2010**

WE KNOW PEOPLE



**Hamilton James & Bruce Limited** ABN 90 091 302 975  
**Annual report – 30 June 2010**

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## Chairman's Address

This is the second annual general meeting of shareholders following the takeover of Hamilton James & Bruce Group Limited by Charterhouse late last year. However the report covers a period in which HJB has been under new management for only about 7 months. In that short period of time the Board has been pleased to witness the dramatic reduction in operating losses suffered by the Business.

The operating results for the year resulted in a loss of \$2.590 million, down from a loss of \$6.186 million for the same period last year. Gross revenue was \$48.570 million down 8.9% from last year. Expenses for the period were \$51.160 million, down from \$59.506 million for the corresponding period last year.

Your Board has systematically examined the legacy issues that were facing the company and developed strategies to overcome them. For example:

- a new and invigorated management was introduced under the leadership of Robin Jerome,
- costs have been contained,
- a rights issue in February significantly improved the balance sheet,
- a new commission structure was adopted enabling management to set stronger revenue targets for staff, and
- a senior employee share plan has come into effect aligning the interests of senior management with those of the company and its shareholders.

Making such fundamental changes in the early stewardship of the new board has not been without its challenges. But I am pleased that the new management and new board have forged a positive, open and determined relationship that augurs well for the future of HJB.

In the Board's view the two key issues facing the Company are restoration of profitability and increasing market share through growth. As you may well know, growth in itself can adversely impact profitability in the short term while providing benefits over a longer period of time. However, the Board decided to temper growth plans to ensure that profit could be restored and then maintained on a consistent quarterly basis. This decision has a number of benefits:

1. a return to profitability will restore confidence in the HJB Brand;
2. a profitable HJB will be more attractive to potential new recruiters;
3. the enhanced morale of existing staff since the takeover should continue.

I am pleased to announce that since June 2010, the Company has achieved profit on a monthly basis thanks to the hard work of Robin Jerome, his management team and all the staff of HJB and to the loyalty and support of HJB customers. It is your Board's objective to maintain and improve the level of profitability going forward. This is notwithstanding the difficult conditions created for our Brisbane and Canberra offices resulting from the uncertainty caused by the announcement of the Resources Super Profits Tax and the Federal Election and the prospect of some impact in New South Wales and Victoria with State elections to be held shortly.

The Board and management are monitoring scenarios for growth. For the time being it is expected growth will be achieved steadily by regular additions to the recruiter headcount initially with an emphasis on permanent placements. As trading conditions improve more recruiters for temporary placements may be added. Your board will keep an eye out for acquisition opportunities but they are likely to be an exception rather than the rule.

As a result of the takeover by Charterhouse there has been a lack of liquidity in the market for HJB shares. The board is continuing to examine ways of overcoming this issue. Once again a key to obtaining greater liquidity will be a track record of profitability and growth, resulting in a stronger company and enhanced share value. After a stable and reasonable period of profitable trading, the Board will examine the available alternatives for achieving greater liquidity in the market for the Company's shares.

After a fairly solid start under the new management team your Board is confident that the future prospects for HJB are improving. Thank you for your ongoing patience and support.



Jeffery Goss  
Non Executive Chairman

# Review of Operations

## Review of operations

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

HJB full year Results 2010	2010 \$000	2009 \$000	Change %
Revenue			
Permanent placement fees	4,147	6,180	(32.9)
Temporary invoicing	43,599	46,551	(6.3)
Others	824	589	39.9
<b>Total Revenue</b>	<b>48,570</b>	<b>53,320</b>	<b>(8.9)</b>
(Loss) / profit before tax from continuing operations	(2,601)	(6,050)	57.0
Income tax / benefit / (expenses) from continuing operations	11	-	-
(Loss) / profit after tax from continuing operations	(2,590)	(6,050)	57.2
(Loss) / profit after tax from discontinuing operations	-	(136)	100.0
(Loss) / profit after tax for financial year	(2,590)	(6,186)	58.1
Consolidated (Loss) / profit after tax attributable to members	(2,590)	(6,186)	58.1

Hamilton James & Bruce Group Limited (HJB) achieved total revenues of \$48.6 million. This represents an overall decrease of 8.9% on 2009. The revenue decrease comprises of a decline in permanent placement revenues of 32.9% and a decline in temporary revenues of 6.3%.

HJB recorded a loss after tax of \$2.590 million (or pre tax loss of \$2.601 million) for the full year to 30 June 2010 (2009: Loss after tax of \$6.186 or pre-tax loss of \$6.050 million). Loss from continuing operations after tax, representing ongoing Australian operations, decreased to \$2.590 million (2009: \$6.050 million loss), while there was no impact of the discontinued NZ based operations for the current financial year (2009: \$136k loss).

The two key issues affecting the business during the period under review are:

- I. the \$4.75 million decline in revenue caused almost exclusively by the Global Financial Crisis, which hit all participants in the recruitment industry severely. As a direct result of actions taken by management across the economy to reduce or only maintain headcount to offset the Global Financial Crisis, there was an unprecedented collapse in demand for the services of our industry as a whole,
- II. a decrease in staff costs (due to a reduction in consultant numbers, removal of a layer of non client-facing administrative positions in Head Office and a temporary hiring freeze) of \$4.705 million to cushion the impact of the Global Financial Crisis and refocus the business as a sales driven

organisation; and a reduction in general overheads of a further \$3.076 million, primarily in the areas of reduced occupancy costs (as a result of closing loss-making offices in the Gold Coast, Wacol and Chatswood), administration costs associated with the Head Office and related depreciation and other overheads.

As a consequence of these actions taken by management the result, while it remains a loss, is an improvement of \$3.6 million when compared to the prior year, even with unavoidably lower revenues.

## **Balance Sheet**

Net Assets have remained the same as 2009 at \$6.3 million. Cash, trade and other receivables have increased to \$7.5 million from \$6.0 million in 2009 mainly due to the increase in revenue during the last quarter of the current financial year ending in June 2010 as compared to the quarter ending June 2009.

Non-current assets have reduced to \$8.6 million from \$8.9 million in 2009. This decrease in noncurrent assets has come from the annual depreciation charge of the assets as well as the impairment of the software and database.

Current liabilities have increased to \$7.5 million from \$6.7 million in 2009, largely due to an increase in trade creditors and other payables from \$3.6 million in 2009 to \$4.9 million. Current borrowings have decreased due to the repayment of loans as well as a reduction in the drawdown at year end against the Invoice financing facility due to improved cash management.

Retained profits have decreased to negative \$17.9 million from negative \$15.3 million in 2009, due to the operating loss.

## **Ordinary Dividend**

Based on the Group's results in 2009 /10 no dividend will be paid this year.

## **Outlook**

The Global Financial Crisis had an unprecedented effect on all business in our field however trading has improved significantly in the last quarter of the 2009/10 financial year and management took a number of steps to ensure the company is well positioned to maximise this improvement in trading conditions.

In addition to strengthening our management team in almost all locations during the year we have also attracted a number of high-performing consultants to HJB, and the improved commission plan and the recently introduced Employee Share Plan have ensured that HJB has once again become a very attractive employer to very experienced consultants. We have also introduced fully-costed branch P/L to ensure state General Managers are aware of the final profit result of their business unit and that local purchasing decisions are directly reflected in local profit results. The financial impact of decisions regarding local branch spending is not spread over other branches or lost in an unassigned "Head Office allocation". The importance of these changes is critical.

In addition the company has made an investment in a major expansion of our Brisbane premises and we have also increased the number of specialisations which our consultants cover in most locations.

While we have lifted the hiring freeze to reflect the improved opportunity for our company, and we are actively working at all levels in the business to increase the number of skilled sales consultants, we have no intention of permitting a Head Office of significant cost to return and any non revenue-generating positions are scrutinised to ensure they are vital.

We believe that 2010/11 represents an exciting opportunity for the company, benefiting from a significantly expanded and experienced consulting team and a closely monitored cost base, to leverage our 30 year presence in the Australian marketplace and our strong client list, and we believe that HJB heads into the new financial year from a new position of strength.

# 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 principles and recommendations. We have recently updated some of our corporate governance practices which has included updating and/or publishing policies on the investor section of the Company's website.

The Directors are responsible for the performance of the Group and aim to enhance and protect the interests of stakeholders through these corporate governance guidelines and practices. The Board acts in accordance with the Board Charter, as published on the Company's website.

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 and Nomination Committee and Audit Committee;
- Performance assessment of Chief Executive Officer;
- Review and approval of major initiatives;
- Ensuring legal compliance;
- Ensuring adequate risk assessment, reporting and control procedures are established and reviewed regularly;
- Reporting and communications to stakeholders;
- Reviewing external auditor reports;
- Monitoring the financial performance of the Company; and
- Maintaining an independent view of management activities.

## Composition of the Board

Following the takeover by Charterhouse Pte Ltd., which was completed in September 2009, there have been a number of changes to the board.

On 24 September 2009 Timothy Burton-Taylor, Deborah Wilson, Steve Roberts and Mohit Prasad resigned from the Board, and Mohit Prasad also resigned as Company Secretary.

Robin Jerome was appointed CEO on 8 September 2009 and, in addition, was appointed an Executive Managing Director on 24 September 2009. On 24 September 2009 Lancelot Fernandes was appointed Non-Executive Director and Joint Company Secretary, and Adrian Belle was appointed Executive Director and Joint Company Secretary.

On 24 September 2009 Guy Erricker and Mark Taylor were appointed non-Executive Directors, both of whom resigned on 18 November 2009.

On 18 November 2009 Jeffery Goss was appointed Independent Non-Executive Director and Miles Hedge was also appointed as an Independent Non-Executive Director.

Robin Jerome was appointed Acting Executive Chairman on an interim basis and served in that capacity from 17 November 2009 until 9 December 2009. Jeffery Goss was appointed Non-Executive Chairman on 9 December 2009.

The Board of Directors currently comprises:

Jeffery Goss (Non-Executive Chairman and Independent Non-Executive Director)

Robin Jerome (CEO and Executive Managing Director)

Miles Hedge (Independent Non-Executive Director)

Adrian Belle (Executive Director and Joint Company Secretary)

Lancelot Fernandes (Non-Executive Director and Joint Company Secretary)

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 finance and the law, and corporate governance gained in other industries.

### **Responsibility of individual Director**

Directors are expected to comply with their legal and statutory obligations when discharging their responsibilities as Directors. This includes acting in good faith and with due care and diligence. The Directors are also subject to the Company's Code of Conduct (as are all other employees including Senior Executives). A copy is available on the Company's website.

### **Directors' Independence**

When determining Directors' independence, a Director must be a Non Executive and the Board should consider whether the Director is free from any business or other relationship with the Company or any controlled entity which could, or could reasonably be perceived to, materially interfere with the Director's independent exercise of their judgement.

The Company also has in place the Dealing with Securities Policy and Guidelines (**Trading Policy**) which governs the trading in the Company's securities by the Directors and all employees. The Trading Policy is available on the Company's website.

### **The Board and Management**

Responsibility for the day-to-day management of the Company is delegated by the Board to the Chief Executive Officer and assisted by the Senior Management team.

## **Conflict of Interest**

All Directors are required to declare any actual or known potential conflict of interests and must not influence or be involved in any decision making process in respect of the conflict. Robin Jerome remains Managing Director of Charterhouse Partnership (Australia) and processes are in place to ensure that no conflict of interest occurs.

## **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 (I) of the Company's constitution.

## **Non-Executive Chairman and Chief Executive Officer**

The Chief Executive Officer is responsible for implementing Group strategies and policies and 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.

It should be noted that from August 2008 the roles of Non-Executive Chairman and Chief Executive Officer have been held separately. However for a brief period Robin Jerome performed the role of acting Executive Chairman from 17 November 2009 until 9 December 2009 while still holding the position of Chief Executive Officer.

## **Corporate Reporting**

The Chief Executive Officer and 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.

The Company's then auditor was in attendance at the Company's most recent Annual General Meeting, held on 18 November 2009 and was available to answer shareholder questions about the conduct of the audits and the preparation and content of the auditor's report.

## **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 and Nomination Committee; and

- An Audit and Risk Committee.

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

Non Executive Directors only are members of the Remuneration and Nomination Committee.

### **Remuneration and Nomination Committee**

The Remuneration and Nomination Committee was chaired by Timothy Burton-Taylor throughout the year until Steve Roberts was appointed Chairman of this committee on 2 September 2009. Steve Roberts resigned on 24 September 2009 and Jeffery Goss was appointed Chairman of the Committee on 8 December 2009. The Committee did not meet between 24 September 2009 and 8 December 2009. It did meet however on 23 February 2010 to determine the framework of the Employee Share Plan.

The Remuneration and Nomination Committee advises the Board on remuneration and nomination policies and practices and makes recommendations in respect of:

- Remuneration packages, including employee share and option schemes, and other terms of employment, for Executive and Non Executive Directors and Senior Management.
- Appointments to the Board, taking into account the size, composition and skills base of existing Directors.

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 and Nomination Committee also reviews and sets the remuneration of the Managing Director/Chief Executive Officer.

Remuneration of Non Executive Directors is fixed by shareholders in general meetings.

### **Audit Committee**

Until his resignation on 24 September 2009, the Audit Committee was chaired by Timothy Burton-Taylor. Miles Hedge was appointed Chairman of the Audit Committee on 8 December 2009. The Audit Committee did not meet between 24 September 2009 and 8 December 2009 but did meet on 23 February 2010. 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 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; and
- Review and monitor related party transactions.

The Audit Committee is responsible, under its Charter (which is available on the Company's website) for monitoring financial and other risks. It is the responsibility of the Audit Committee to understand and review the actions of the Company, and in particular, specified areas of greatest risk, to ensure that risks are minimised and mitigated to the extent possible.

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.

# Directors' Report

## Directors' Report

Your Directors present their report on the consolidated entity consisting of Hamilton James & Bruce Group Limited and the entities it controlled at the end of the financial year ended 30 June 2010.

## Directors

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

- Jeffery Goss (Independent Non-Executive Director – appointed on 18 November 2009 and as Non-Executive Chairman on 9 December 2009).
- Robin Jerome (CEO – appointed on 8 September 2009 and as Executive Managing Director on 24 September 2009, was also appointed as interim Acting Chairman between 17 November 2009 to 9 December 2009).
- Miles Hedge (Independent Non-Executive Director – appointed on 18 November 2009).
- Lancelot Fernandes (Non-Executive Director & Joint Company Secretary – appointed on 24 September 2009).
- Adrian William Belle (Executive Director & Joint Company Secretary – appointed on 24 September 2009).
- Mark Lindsay Taylor (Non-Executive Director – appointed on 24 September 2009 and resigned on 18 November 2009).
- Simon Guy Erricker (Non-Executive Director – appointed on 24 September 2009 and resigned on 18 November 2009).
- Timothy Burton Taylor (Non-Executive Chairman and Non-Executive Director - resigned on 24 September 2009)
- Deborah Wilson (CEO and Managing Director – resigned on 8 September 2009 and as a Director on 24 September 2009).
- Steve Roberts (Independent Non- Executive Director – resigned on 24 September 2009).
- Mohit Prasad (CFO, Executive Director & Company Secretary – resigned on 24 September 2009).

## Principal activities

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

## Dividends

No dividends are to be paid for the year ended 30 June 2010. No dividends were paid for the year ended 30 June 2009.

## Review of operations

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

	2010	2009
	\$000	\$000
<b>Revenues from continuing operations</b>		
Permanent placement fees	4,147	6,180
Temporary invoicing	43,599	46,551
Other	824	589
<b>Total revenue from continuing operations</b>	<b>48,570</b>	<b>53,320</b>
Depreciation and amortisation expenses	(440)	(1,248)
Impairments - other assets	(74)	(1,002)
Impairments - goodwill	-	-
Employment costs	(46,384)	(51,507)
Finance costs	(475)	(369)
Other costs	(3,798)	(5,244)
<b>Profit / (loss) before income tax from continuing operations</b>	<b>(2,601)</b>	<b>(6,050)</b>
Income tax benefit / (expense)	11	-
<b>Profit / (loss) after income tax from continuing operations</b>	<b>(2,590)</b>	<b>(6,050)</b>
<b>Add:</b>		
Profit / (loss) before income tax from discontinued operations	-	-
Income tax benefit / (expense)	-	(136)
<b>Profit / (loss) after income tax from discontinued operations</b>	<b>-</b>	<b>(136)</b>
<b>Net profit / (loss) for the period attributable to members</b>	<b>(2,590)</b>	<b>(6,186)</b>

Comments on the operations and the results of those operations are set out below and detailed in the Chairman's Address and Review of Operations on pages 3 to 6.

### **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.

### **Matters subsequent to the end of the financial year**

On 1 July 2010, the Company had an EGM and approved an employee share plan, which involved the issue of unconditional and conditional shares to senior executives, so as to align the interest of senior executives with those of the shareholders. The Company also approved the issue of shares to the independent directors for cash.

### **Information on Directors**

#### **Jeffery Goss, Age 57 (Independent Non-Executive Director and Non-Executive Chairman)**

##### ***Experience and expertise***

Jeffery has over 34 years experience in corporate Australia as a lawyer, in the areas of Banking and Finance Law and Corporate and Commercial Law, with an emphasis on work in the energy and infrastructure sectors, and as a company director.

Jeffery has twice held the position of Chairman of Partners of Middletons Moore & Bevins (Sydney) and he has also been a board member of Middletons Lawyers. From 2001 to March 2004, Jeffery was National Managing Partner of KPMG Legal, responsible for all aspects of that firm's business and operations.

Jeffery was previously Managing Director of Andelain Consulting, his own major projects consultancy responsible for advising on the Melbourne City Link Project, The Commonwealth Patrol Boat Replacement Programme and the acquisition of Delhi Petroleum. Until recently he was the Managing Director of Fox Legal Limited.

Jeffery was the first Non Executive Director of Carson Group, a Trans-Tasman project management consultancy. He is currently Non Executive Chairman of Century Asset Management Group, an aggregator of renewable energy projects focused on the European markets.

He is also managing director of Capture Capital Partners Pty Limited, a recently established corporate advisory business and a Consultant to Maddocks, Lawyers.

Jeffery Goss was appointed Non-Executive Director on 18 November 2009 and Non-Executive Chairman on 9 December 2009.

##### ***Other current Directorships***

Andelain Pty Limited  
Andelain Consulting Pty Limited Group  
Capture Capital Partners Pty Limited  
Century Asset Management Pty Limited Group

##### ***Former Directorships in the last three years***

Century Agricultural Lease Finance Pty Limited  
Fox Legal Limited

##### ***Special responsibilities***

Chairman of Remuneration and Nomination Committee

##### ***Interests in shares and options***

2,500,000 ordinary shares in the Company purchased after 1 July 2010

## **Robin Jerome – Age 36 (Chief Executive Officer and Executive Managing Director)**

### ***Experience and expertise***

Robin has a B.Sc. (Hons) Degree in Management; he ran finance contract-recruitment divisions in London during the mid to late 90's for Badenoch & Clark and subsequently grew the commerce division for Robert Walters in Australia.

Robin has worked in the recruitment industry for over 14 years and has managed recruitment divisions in London, Hong Kong and Australia. Working in senior management positions since the inception of Charterhouse, Mr. Jerome was a one of the Directors who set up the Charterhouse Sydney operation in 2003; he was then the Managing Director of Charterhouse Hong Kong during 2008.

Robin Jerome was appointed CEO on 8 September 2009 and Executive Director on 24 September 2009

### ***Other current Directorships***

Robertson & Smart Pty Ltd  
Charterhouse Resources Pty Ltd  
Charterhouse Medical Pty Ltd

### ***Former Directorships in the last three years***

Nil

### ***Special responsibilities***

Chief Executive Officer

### ***Interests in shares and options***

1,500,000 unconditional ordinary shares issued as per the Employee Share Plan on 1 July 2010

## **Adrian Belle, Age 32 (Executive Director and Joint Company Secretary)**

### ***Experience and expertise***

Adrian has 10 years recruitment experience and currently manages HJB in New South Wales.

Prior to joining HJB, Adrian worked for Charterhouse and formed an integral part of the foundation team which established the business in Sydney in 2003. In his last role at Charterhouse, Adrian was the Managing Director of Charterhouse Victoria; a business which he has managed from inception in 2006.

Prior to Charterhouse, Mr. Belle worked in the UK for Badenoch & Clark, a division of a Fortune 1000 recruitment company. He then subsequently returned to Australia and joined Robert Walters, a major UK listed finance Recruitment Company. Adrian holds a B.Sc from Curtin University of Technology.

Adrian Belle was appointed Executive Director and Joint Company Secretary on 24 September 2009

### ***Former Directorships in the last three years***

Nil

### ***Special responsibilities***

General Manager NSW

### ***Interests in shares and options***

250,000 unconditional ordinary shares issued as per the Employee Share Plan on 1 July 2010

## **Lancelot Fernandes, Chartered Accountant, Age 43 (Non Executive Director and Joint Company Secretary)**

### ***Experience and expertise***

Lancelot Fernandes is a Chartered Accountant, and has been Group Finance Director of the Charterhouse Group for the past 13 years.

Prior to this Lancelot worked for Siemens as the MIS Manager where he was responsible for the Country reporting/consolidation of the accounts for the Head Office in Germany and then for an international trading company.

Lancelot Fernandes was appointed Non Executive Director and Joint Company Secretary on 24 September 2009

### ***Other current Directorships***

Robertson & Smart Pty Ltd  
Charterhouse Resources Pty Ltd  
Charterhouse Medical Pty Ltd  
Charterhouse Pte Ltd (Singapore)  
Charterhouse Ltd (Hong Kong)

### ***Special responsibilities***

Chief Financial Officer  
Member, Audit Committee  
Member, Remuneration and Nomination Committee

### ***Interests in shares and options***

1,000,000 unconditional ordinary shares issued as per the Employee Share Plan on 1 July 2010

## **Miles Hedge, 64 (Independent Non-Executive Director)**

### ***Experience and expertise***

Miles Hedge has over 35 years of commercial experience gained through appointments to a number of international businesses. Mr. Hedge has a Bachelor of Economics degree from Sydney University and is a Fellow of the Institute of Chartered Accountants in Australia.

Mr. Hedge was with Prime Television Limited as finance director for some years and then as GM Finance with Dyno Nobel Asia Pacific Limited, which was involved internationally in marketing mining explosives. Subsequent to that he became managing director of the Australasian operations of Ascom, a Swiss listed telecommunications group.

Prior to these appointments Mr. Hedge gained international experience with Pricewaterhouse Coopers in Sydney, London and Jakarta. He was also an associate director of the investment bank Gresham Partners Limited for some years.

In addition to Hamilton James & Bruce Group Limited (where he also chairs the Audit Committee) Mr. Hedge is also chairman of SPAR Australia Limited and a non executive director of Stellar Group Pty Limited.

Miles Hedge was appointed Independent Non-Executive Director on 18 November 2009

### ***Other Current Directorships***

SPAR Australia Limited  
Stellar Group Pty Ltd

### ***Former Directorships in the last three years***

Fox Legal Limited

### ***Special responsibilities***

Chairman, Audit Committee

### ***Interests in shares and options***

2,500,000 ordinary shares in the Company purchased after 1 July 2010

**Mark Taylor, Age 39 (Non-Executive Director)**

*(Resigned 18 November 2009)*

***Experience and expertise***

Mark started his career as a financial derivatives trader in Sydney. He spent 9 years working with HSBC, Ord Westpac and Merrill Lynch before moving to Hong Kong in 2000 and embarking on a career in high-end executive search (in a company associated with Charterhouse). He spent 3 years there, recruiting across front-office banking and global markets, before joining a boutique, Sydney based, executive search firm where he covered the Asian and Australian markets.

In 2004 Mark moved to Singapore to be a Director for an international recruitment business recruiting in front-office banking across ex-Japan Asia. He then joined a UK listed recruitment company as the Managing Director Singapore to open and build their Singapore office. Mr. Taylor re-joined the Charterhouse Group in 2008 as Managing Director Singapore and he has 9 years experience in recruiting and in running international recruitment businesses in the Asia Pacific region.

Mark Taylor was appointed Non-Executive Director appointed on 24 September 2009 and retired in accordance with clause 6.1(e) of the Company's constitution on 18 November 2009

***Former Directorships in the last three years***

Imprint Search & Selection (S) Pte Ltd 2005-2008

***Special responsibilities***

N/A

***Interests in shares and options***

N/A

**Guy Erricker, Age 35 (Non-Executive Director)**

*(Resigned 18 November 2009)*

***Experience and expertise***

Guy is the Managing Director of Charterhouse's Hong Kong business and is a graduate of the University of Newcastle-upon-Tyne.

Mr. Erricker is an experienced recruiter and manager having worked in both the Australian and Hong Kong markets, where he has focused on financial services for the last 6 years. Prior to this, Guy had 5 years in London in a specialized sales and consulting role. On moving to Australia Guy joined a major Australian listed recruitment company, who in time promoted him to Hong Kong to build and expand their financial services division. Guy has been in Hong Kong for the last 4 years and joined Charterhouse in January 2009.

Guy Erricker was appointed Non-Executive Director on 24 September 2009 and retired in accordance with clause 6.1(e) of the Company's constitution on 18 November 2009

***Former Directorships in the last three years***

N/A

***Special responsibilities***

N/A

***Interests in shares and options***

N/A

**Timothy Burton-Taylor, Age 56 (Non Executive Director and Non-Executive Chairman)**

*(Resigned 24 September 2009)*

***Experience and expertise***

Mr Burton-Taylor was appointed as Non Executive Chairman on 29 August 2008. Mr Burton-Taylor has held Director and Alternate Director positions with HJB since 27 August 2007. Mr Burton-Taylor has over 26 years experience in the retail and service industries. Mr Burton-Taylor established Hoed Mystery Shopping in 1986 to facilitate improvement in customer service for the Service Industry.

**Other current Directorships**

Lin & Barrett Lingerie Pty Ltd  
Service Integrity Pty Ltd  
Janvin Pty Ltd

**Former Directorships in the last three years**

Hoed Holdings Pty Limited from 1986 to 2008; and Mystery Shopping Providers Association – Asia Pacific from 2004 to 2008

**Special responsibilities**

Chairman of the Audit Committee (commencing 29 August 2008, resigned 24 September 2009)  
Chairman of the Remuneration and Nomination Committee (commencing 29 August 2008, resigned 24 September 2009)  
Effective August 2008, Non Executive Chairman resigned 24 September 2009

**Interests in shares and options**

11,456,088 ordinary shares in the Company

**Deborah Wilson Company Director, Diploma, FAICD, Age 49** (Managing Director and Chief Executive Officer until 8 September 2009, resigned as Director on 24 September 2009)

**Experience and expertise**

Ms Wilson was an independent Non Executive Director for 2 ½ years and was then appointed part-time Executive Chairman and subsequently Chief Executive Officer and Managing Director on 10 July 2006. Ms Wilson has 26 years experience 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 Wilson Staffing Solutions Pty Limited  
Council Member of Brisbane North Institute of TAFE  
Director of Australia's CEO Challenge

**Former Directorships in the last three years**

Previously a Director of the Queensland Police – Citizens Youth Welfare Association and Director of Recruitment & Consulting Services Association Limited (RCSA)

**Special responsibilities**

Executive Chairman (Retired 29 August 2008)  
Chief Executive Officer (from 10 July 2006, then stepped down on 8 September 2009 after successful takeover of the company by Charterhouse)

**Interests in shares and options**

Nil (2009: 1,039,697)

**Mohit Prasad BSc (Hons), FCCA, Age 45 (Director, Company Secretary and Chief Financial Officer)**  
(Resigned on 24 September 2009)

**Experience and expertise**

Mr Prasad was appointed as a Director on 29 September 2008. Mr Prasad an experienced Finance Director had worked in the professional services sector for over 11 years. Prior to this, he has held various senior finance positions.

**Former Directorships in the last three years**

Adecco Australia Pty Ltd from 2004 to 2007; Adecco Holdings Pty Ltd from 2004 to 2007; Ajilon Australia Pty Ltd from 2005 to 2007; Icon Recruitment Pty Ltd from 2005 to 2007; Jonathan Wren Australia Pty Limited from 2005 to 2007; Lee Hecht Harrison Pty Limited from 2005 to 2007; and Tad Pty Ltd from 2005 to 2007.

**Special responsibilities**

Chief Financial Officer (from 5 December 2007 resigned on 24 September 2009)  
Company Secretary (from 5 December 2007, resigned on 24 September 2009)

**Interests in shares and options**

Nil

**Stephen Murray Roberts, Age 54 (Non Executive Director - Independent)**

(Appointed 8 July 2009, resigned on 24 September 2009)

**Experience and expertise**

Mr Roberts was appointed as a Director on 8 July 2009. Mr Roberts joined the recruitment industry over 26 years ago and has held roles from Recruitment Consultant to co-founder of his own business, LINK Recruitment; he sold his remaining shares in the Company in 2007. Throughout this time Mr. Roberts has amassed extensive industry experience in both contract and permanent recruitment services. Mr Roberts works closely with recruitment companies both in Australia and abroad to overcome market challenges.

**Other current Directorships**

Ashworth Business and Consulting Pty Ltd  
Tidewater Investments Limited  
Veritas Recruitment Pty Ltd (Chairman)  
Hadleigh Castle Pty Ltd  
Rolin Holdings Pty Ltd

**Former Directorships in the last three years**

LINK Recruitment April 1986 to Feb 2007  
Equities and Freeholds Limited

**Special responsibilities**

Member of the Remuneration and Nomination Committee (commencing 8 July 2009, appointed Chairman of this committee on 2 September 2009, resigned on 24 September 2009)

Member of the Audit Committee (commencing 8 July 2009, resigned on 24 September 2009)

**Interests in shares and options**

NIL

**Company secretary**

The Company Secretary position is jointly held by Adrian Belle and Lancelot Fernandes.

**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 2010, and the number of meetings attended by each Director was:

	Meetings of Directors		Meetings of Committees - Audit		Meetings of Committees - Remuneration	
	A	B	A	B	A	B
<i>Number of Meetings Attended by:</i>						
Deborah Wilson	3	3	1	1	1	1
Timothy Burton-Taylor	4	4	1	1	1	1
Mohit Prasad	4	4	1	1	1	1
Jeffery Goss	6	6	1	1	1	1
Robin Jerome	11	10				
Miles Hedge	7	7	1	1	1	1
Lancelot Fernandes	10	10	1	1	1	1
Adrian William Belle	8	8				
Mark Lindsay Taylor	1	1				
Simon Guy Erricker	1	1				
Steve Roberts	3	3	1	1	1	1
<b>A = Number of Meetings Attended</b>						
<b>B = Number of Meetings Held while in Office</b>						
<b>* = Not a Member of the relevant committee</b>						

## Additional 'Special' Meetings

In addition to the scheduled meetings the Board has held 'Special' Board meetings to discuss issues. Each of these meetings were greater than 1 hour in duration and were documented.

Reason for 'Special' Meeting	Date	Timothy Burton Taylor	Deborah Wilson	Mohit Prasad	Jeffery Goss	Robin Jerome	Miles Hedge	Lancelot Fernandes	Adrian Belle	Mark Taylor	Simon Guy Erricker	Steve Roberts
August Sales / Sept Forecast and Going Concern / Solvency	02/09/09	1	1	1								1
Appointing Adrian Belle as Director of HJB Pty Ltd	29/03/10					1		1				

## 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 in this Remuneration Report has been audited as required by Section 308 (3C) of the Corporations Act 2001.

### A. Principles used to determine the nature and amount of remuneration

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:

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. 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**

### **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 Non Executive Chairman, Jeffery Goss received \$80,000 per annum (including superannuation) from 18 November 2009. Non Executive Director, Miles Hedge, was paid \$50,000 per annum (including superannuation), starting from 18 November 2009.

### **Executive pay**

The Executive pay and reward framework has two components:

- base pay and benefits (including superannuation); and
- short term performance 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.

#### **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 as authorised in the ESP. Cash bonuses are payable quarterly. Using a profit target ensures variable reward is only available when value has been created for shareholders. 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.

#### **Employee Share Plan (ESP)**

On 1 July 2010, the Company held an EGM held and approved an employee share plan, which involved the issue of unconditional and conditional shares to senior executives, so as to align the interest of senior executives with those of the shareholders. The Company also approved the issue of shares to the independent directors for cash.

The employee share plan has a number of layers. Firstly, a certain number of shares were issued immediately and unconditionally, to the most senior executives in the Company. There is also a provision for shares to be issued as "sign on" for new senior executives. Secondly, the plan contains cascading performance hurdles tied to the overall performance of the Company as whole as well as to areas of responsibility for the senior executive concerned. These hurdles are considered to be a good balance between incentivising the senior executives and returning the Company to profitability. The plan also has a requirement that the senior executive remain with the Company until pre-agreed dates for the shares to vest.

## Key Management Personnel

The key management personnel (as defined in AASB 124 Related Party Disclosures) of Hamilton James & Bruce Group Limited are the Directors as above.

## Top 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 top highest remunerated Executives in the Group:

<b>Name</b>	<b>Position</b>
M Horne	General Manager ACT
S Brown	General Manager VIC
M Gray	General Manager QLD
B Green	General Manager Corporate Services
J Adcock	Financial Controller

## Amounts of remuneration

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 and company who received the highest remuneration for the year ended 30 June 2010 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.

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

Name	Short term employee benefits			Post employment benefit	Long term benefits	Share based payment		Other	Total
	Cash salary and fees	Cash Bonus	Non-monetary benefits *	Super-annuation	Long Service Leave	Shares	Performance rights	Termination Payments	
Directors									
J Goss (commenced 18 November 2009)									
2010	45,435	-	-	4,089	-	-	-	-	49,524
2009	-	-	-	-	-	-	-	-	-
R Jerome ** (commenced 24 September 2009)									
2010	190,082	306,214	-	-	-	-	-	-	496,296
2009	-	-	-	-	-	-	-	-	-
M Hedge (commenced 18 November 2009)									
2010	29,419	-	-	1,533	-	-	-	-	30,952
2009	-	-	-	-	-	-	-	-	-
L Fernandes *** (commenced 24 September 2009)									
2010	-	-	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-	-	-
A Belle (commenced 24 September 2009)									
2010	142,768	20,000	-	9,299	10,920	-	-	-	182,988
2009	-	-	-	-	-	-	-	-	-
S Roberts (resigned 24 September 2009)									
2010	10,203	-	-	918	-	-	-	-	11,121
2009	-	-	-	-	-	-	-	-	-
D Wilson (resigned 24 September 2009)									
2010	52,361	-	-	14,143	(3,971)	-	-	75,000	137,533
2009	251,851	-	1,687	13,745	1,774	-	-	-	269,057
T Burton-Taylor (resigned 24 September 2009)									
2010	20,183	-	-	1,817	-	-	-	-	22,000
2009	78,364	-	525	7,053	-	-	-	-	85,942
M Prasad (resigned 24 September 2009)									
2010	64,229	-	-	-	-	-	-	-	64,229
2009	294,700	-	-	-	-	-	-	-	294,700
A Buduls (resigned 29 September 2008)									
2010	-	-	-	-	-	-	-	-	-
2009	12,500	-	84	1,125	-	-	-	-	13,709
<b>Total 2010</b>	<b>554,681</b>	<b>326,214</b>	<b>-</b>	<b>31,800</b>	<b>6,949</b>	<b>-</b>	<b>-</b>	<b>75,000</b>	<b>994,643</b>
<b>Total 2009</b>	<b>637,415</b>	<b>-</b>	<b>2,296</b>	<b>21,923</b>	<b>1,774</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>663,408</b>

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

\*\* R. Jerome was paid a Guaranteed bonus of \$234,214 during the year

\*\*\* L Fernandes was not paid any remuneration during the year Refer to Note E (ii)

## Other Executives of the Group

Name	Short term employee benefits			Post employment benefit	Long term benefits	Share based payment	Other	Total
	Cash salary and fees	Cash Bonus	Nonmonetary benefits *	Super-annuation	Long Service Leave	Shares	Termination Payments	
M Horne								
2010	106,375	25,263	18,537	13,433	870	-	-	164,478
2009	77,601	43,202	21,252	12,577	262	-	-	154,894
S Brown (Employment commenced 2 December 2009)								
2010	107,559	9,174	-	9,767	50	-	-	126,550
2009	-	-	-	-	-	-	-	-
M Gray (Employment commenced 22 February 2010)								
2010	38,991	-	-	3,509	15	-	-	42,515
2009	-	-	-	-	-	-	-	-
S Tuckwell (Employment Ceased 9 November 2009)								
2010	58,232	-	15,012	5,482	10,530	-	37,500	126,756
2009	178,066	-	28,859	13,745	1,693	-	-	222,363
J Adcock (Employment commenced 4 January 2010)								
2010	63,809	-	-	5,743	34	-	-	69,586
2009	-	-	-	-	-	-	-	-
B Green (Employment Ceased 19 March 2010)								
2010	148,387	-	-	14,461	(13,920)	-	-	148,928
2009	163,422	-	1,095	13,745	5,299	-	-	183,561
D Unkles (Employment Ceased 16 June 2010)								
2010	176,028	-	-	15,103	(374)	-	-	190,757
2009	176,771	4,678	1,184	13,745	292	-	-	196,670
A Houlton (Employment Ceased 30 November 2007)								
2010	-	-	-	-	-	-	-	-
2009	1,694	-	-	-	-	-	-	1,694
N Littlewood (Employment Ceased 2 July 2008)								
2010	-	-	-	-	-	-	-	-
2009	13,921	-	11	154	(98)	-	39,479	53,467
R Esposito (Employment Ceased 15 December 2008)								
2010	-	-	-	-	-	-	-	-
2009	84,029	-	1,715	6,872	(4,517)	-	27,763	115,862
L Kleist (Employment Ceased 2 March 2009)								
2010	-	-	-	-	-	-	-	-
2009	122,875	-	823	9,375	(25)	-	48,116	181,164
Total 2010	699,381	34,437	33,549	67,497	(2,795)	-	37,500	869,569
Total 2009	818,379	47,880	54,939	70,213	2,906	-	115,358	1,109,675

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

## **C. Service agreements**

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. Please refer below Remuneration Report Clause *E. Additional Information: Related Parties* for Service Agreements.

## **D. Share based compensation disclosure (audited)**

There are no ordinary shares in the Company provided as remuneration to any Director nor of five Executives of the Group who received the highest remuneration for the year ended 30 June 2010 or for the year ended 30 June 2009 of Hamilton James & Bruce Group Limited and the Group other than as disclosed in the ESP authorised by the Shareholders..

### ***Share based compensation – options***

No options were granted during the current or previous financial year.

## **E. Additional Information : Related Parties**

The board have approved the following Service Agreements between Related Parties.

- i) A Service Agreement exists between the Company and Charterhouse Partnership (Australia), an Associated Company, for the provision to HJB of the services of their staff on the following basis:-
  - (a) The provision of a shared tender-writing employee. The fee is calculated at cost based on salary and payroll on-costs and on the basis of time worked and is managed by signed time-sheets. The fee charged for this service during the year was \$2,767.
  - (b) The provision of a shared CEO (Mr. Robin Jerome). The fee is calculated at cost based on salary, bonus and payroll on-costs and on the basis of time worked and is managed by signed time-sheets. The fee charged for this service during the year was \$528,668.
  
- ii) A Service Agreement exists between the Company and Charterhouse Pte. Ltd (a Singaporean company) for the provision to HJB of a shared centralised finance function in order to reduce costs through economies of scale by virtue of job-sharing among offices and the off-shoring of certain tasks to a lower-cost business centre. The tasks performed centrally are sales management reports, Management Information Systems, cash flow reports, commission calculations, weekly contractor and staff payroll calculations, employment agreement production and staff HR functions. The fee is calculated at cost and recharged on the basis of an equal fee per office. The fee charged to HJB for this service during the year was \$45,000.

There is no further information to be disclosed in relation to the remuneration report.

## **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 \$33,575 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 the amount paid or payable to the Ex-auditor (PricewaterhouseCoopers) and the current auditors (Page Harrison) for audit and non audit services are set out below.

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	\$	\$
During the year, the auditors of the parent entity and their related earned the following remuneration:		
<b>(a) Audit services</b>		
Page Harrison & Co		
Audit and review of financial reports	<b>40,000</b>	-
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports	-	177,255
PricewaterhouseCoopers New Zealand firm:		
Audit and review of financial reports	-	-
<b>Total remuneration for audit services</b>	<b>40,000</b>	<b>177,255</b>
<b>(b) Non-audit services</b>		
<b>Taxation services</b>		
Page Harrison & Co		
Income tax	<b>16,978</b>	-
FBT return	<b>883</b>	-
Other tax advisory services	<b>2,139</b>	-
PricewaterhouseCoopers Australian firm:		
Income tax	-	25,000
FBT return	-	12,500
Other tax advisory services	<b>4,100</b>	-
PricewaterhouseCoopers New Zealand firm:		
Income tax	<b>577</b>	44,481
<b>Total remuneration for taxation services</b>	<b>24,677</b>	<b>81,981</b>
<b>Advisory services</b>		
Page Harrison & Co		
Employee Share Plan	<b>2,079</b>	-
PricewaterhouseCoopers Australian firm:		
Structure simplification	-	24,591
Consulting services	<b>47,400</b>	55,388
PricewaterhouseCoopers New Zealand firm:		
Structure simplification	<b>1,891</b>	23,089
<b>Total remuneration for advisory services</b>	<b>51,369</b>	<b>103,067</b>
<b>Total remuneration</b>	<b>116,046</b>	<b>362,303</b>

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; and
- None of the services undermine the general principles relating to auditors independence as set out in APES 10 Code of Ethics for Professional Accountants.

#### **Auditor's Independence declaration**

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 27.

#### **Rounding of Amounts**

The Company is of a kind referred to in ASIC Class Order 98/100, issued by Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

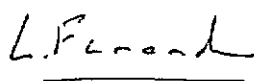
#### **Auditors**

Page Harrison 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.



Robin Jerome  
Chief Executive Officer and Executive Director



Lancelot Fernandes  
Chief Financial Officer and Non-Executive Director

Sydney, 28 September 2010



# Page, Harrison & Co

CHAPTERED • ACCOUNTANTS

## Auditors Independence Declaration

As lead auditor for the audit of Hamilton James and Bruce Group Limited for the year ended 30 June 2010, 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 the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'A Johnstone'.

Jake Johnstone  
Partner  
Page Harrison & Co

Sydney  
28 September 2010

15-17 NORTHCLIFF STREET, MILSONS POINT, (SYDNEY) 2061, AUSTRALIA ABN 87 220 762 178  
TEL: (61) (02) 9922-7144 [page@pageharrison.com.au](mailto:page@pageharrison.com.au) FAX: (61) (02) 9929-0977  
Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)

# Hamilton James & Bruce Limited ABN 90 091 302 975

## Annual financial report – 30 June 2010

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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 5 to 6 and in the Directors' report on pages 12 to 26, both of which are not part of this financial report.

The financial report was authorised for issue by the Directors on 28 September 2010. 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 is available at our Investors' link on our website: [www.hjb.com.au](http://www.hjb.com.au).

## Statement of Comprehensive Income

for the year ended 30 June 2010

	Notes	Consolidated		Parent entity	
		2010	2009	2010	2009
		\$000	\$000	\$000	\$000
<b>Revenue from continuing operations</b>	5	<b>48,570</b>	53,320	<b>35</b>	1,338
Depreciation and amortisation expense	6	(440)	(1,248)	(298)	(1,073)
Impairment - other assets	6	(74)	(1,002)	-	(669)
Impairment - goodwill	6	-	-	-	-
Impairment - investment	6	-	-	-	-
Impairment - receivables	6	-	-	-	(3,095)
Employment costs	6	(46,384)	(51,507)	(83)	(106)
Interest expense	6	(475)	(369)	(87)	-
Other expenses		(3,798)	(5,244)	(55)	(5,628)
Profit / (loss) before income tax from continuing operations		(2,601)	(6,050)	(488)	(9,233)
Income tax benefit / (expense) from continuing operations	7	11	-	11	(8)
<b>Profit / (loss) after income tax from continuing operations</b>		<b>(2,590)</b>	<b>(6,050)</b>	<b>(477)</b>	<b>(9,241)</b>
<b>Add:</b>					
Profit / (loss) before income tax from discontinued operations	9	-	-	-	(459)
Income tax benefit / (expense) from discontinued operations	7	-	(136)	-	-
<b>Profit / (loss) after income tax from discontinued operations</b>		<b>-</b>	<b>(136)</b>	<b>-</b>	<b>(459)</b>
<b>Net profit / (loss) attributable to the members of the Company</b>		<b>(2,590)</b>	<b>(6,186)</b>	<b>(477)</b>	<b>(9,700)</b>
		<b>Cents</b>	<b>Cents</b>		
Basic earnings per share	36	(1.0)	(6.1)		
Diluted earnings per share	36	(1.0)	(6.1)		

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

## Statement of Financial Position

as at 30 June 2010

	Notes	Consolidated		Parent entity	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>Current assets</b>					
Cash and cash equivalents	10	1,101	1,464	965	1,000
Trade and other receivables	11	6,402	4,509	5,414	3,075
<b>Total current assets</b>		<b>7,503</b>	<b>5,973</b>	<b>6,379</b>	<b>4,075</b>
<b>Non-current assets</b>					
Available-for-sale financial assets	12	1	1	-	-
Other financial assets	13	-	-	-	-
Receivables	14	71	71	71	71
Property, office fit out, plant and equipment	15	1,230	1,368	1,014	989
Deferred tax assets	16	-	-	-	-
Intangible assets	17	7,294	7,424	-	4
<b>Total non current assets</b>		<b>8,596</b>	<b>8,864</b>	<b>1,085</b>	<b>1,064</b>
<b>Total assets</b>		<b>16,099</b>	<b>14,837</b>	<b>7,464</b>	<b>5,139</b>
<b>Current liabilities</b>					
Trade and other payables	18	4,916	3,557	-	47
Borrowings	19	2,237	2,521	350	465
Lease incentives	20	97	203	97	203
Current tax liabilities	21	-	43	-	44
Provisions	22	251	366	-	-
<b>Total current liabilities</b>		<b>7,501</b>	<b>6,690</b>	<b>447</b>	<b>759</b>
<b>Non current liabilities</b>					
Borrowings	25	1,100	700	1,100	700
Lease incentives	23	813	652	813	652
Deferred tax liabilities	24	-	-	-	-
Provisions	26	342	446	296	327
<b>Total non current liabilities</b>		<b>2,255</b>	<b>1,798</b>	<b>2,209</b>	<b>1,679</b>
<b>Total liabilities</b>		<b>9,756</b>	<b>8,488</b>	<b>2,656</b>	<b>2,438</b>
<b>Net assets</b>		<b>6,343</b>	<b>6,349</b>	<b>4,808</b>	<b>2,701</b>
<b>Equity</b>					
Contributed equity	27	24,199	21,615	24,199	21,615
Reserves	28	41	41	-	-
Retained profits	28	(17,897)	(15,307)	(19,391)	(18,914)
<b>Total equity</b>		<b>6,343</b>	<b>6,349</b>	<b>4,808</b>	<b>2,701</b>

The above statements of financial position should be read in conjunction with the accompanying notes.

## Statements of Changes in Equity

for the year ended 30 June 2010

	Notes	Consolidated		Parent entity	
		2010	2009	2010	2009
		\$000	\$000	\$000	\$000
<b>Total equity at the beginning of the financial year</b>		<b>6,349</b>	10,638	<b>2,701</b>	10,451
Exchange differences on foreign currency translation	28	-	-	-	-
<b>Net income recognized directly in equity</b>		<b>-</b>	-	<b>-</b>	-
<b>Profit / (loss) for the year</b>	28	<b>(2,590)</b>	(6,186)	<b>(477)</b>	(9,700)
<b>Total recognized income and expense for the year</b>		<b>(2,590)</b>	(6,186)	<b>(477)</b>	(9,700)
Transactions with equity holders in their capacity as equity holders:					
Share based payment	28	-	(53)	-	-
Issue of equity	27	<b>2,584</b>	1,950	<b>2,584</b>	1,950
		<b>2,584</b>	1,897	<b>2,584</b>	1,950
<b>Total equity at the end of the financial year</b>		<b>6,343</b>	6,349	<b>4,808</b>	2,701

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

**Statement of Cash Flows**  
for the year ended 30 June 2010

	Notes	Consolidated 2010 \$000	2009 \$000	Parent entity 2010 \$000	2009 \$000
<b>Cash flows from operating activities</b>					
Receipts from customers (inclusive of goods and services tax)		55,716	63,023	-	-
Payments to suppliers and employees (inclusive of goods and services tax)		(58,220)	(64,084)	-	-
		(2,504)	(1,061)	-	-
Interest paid		(475)	(369)	-	-
Interest received		45	45	35	30
Income taxes (paid) / refund		-	(376)	-	-
<b>Net cash inflow / (outflow) from operating activities</b>	35	<b>(2,934)</b>	<b>(1,761)</b>	<b>35</b>	<b>30</b>
<b>Cash flows from investing activities</b>					
Settlement of prior year purchase of subsidiary		-	(100)	-	-
Payments for property, office fit out, plant and equipment	15	(319)	(63)	(319)	-
<b>Net cash inflow / (outflow) from investing activities</b>		<b>(319)</b>	<b>(163)</b>	<b>(319)</b>	<b>-</b>
<b>Cash flows from financing activities</b>					
Proceeds of borrowings		-	3,221	-	1,165
Proceeds of borrowings from associates		3,050	-	3,050	-
Proceeds from lease incentive/fit out		190	-	190	-
Proceeds from rights issue, net of costs		2,584	1,950	2,584	1,950
Repayment of borrowings		(634)	-	(3,275)	(2,220)
Repayment of borrowings to financial institutions		-	(1,510)	-	-
Repayment of borrowings from associates		(2,300)	-	(2,300)	-
<b>Net cash inflow / (outflow) from financing activities</b>		<b>2,890</b>	<b>3,661</b>	<b>249</b>	<b>895</b>
<b>Net increase/(decrease) in cash held</b>		<b>(363)</b>	<b>1,737</b>	<b>(35)</b>	<b>925</b>
Cash at the beginning of the financial year		1,464	(273)	1,000	75
Effects of exchange rate changes on cash		-	-	-	-
<b>Cash at the end of the financial year</b>	10	<b>1,101</b>	<b>1,464</b>	<b>965</b>	<b>1,000</b>

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# Notes to the financial statements

for the year ended 30 June 2010

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Hamilton James & Bruce Group Limited as an individual entity and the consolidated entity consisting of Hamilton James & Bruce Group Limited and its subsidiaries.

### **New, revised or amending Standards and Interpretations**

The consolidated entity has adopted all of the new, revised or amending Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant and effective for the current reporting period.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these accounting standards and interpretations are disclosed in the relevant accounting policy.

The adoption of these Standards and Interpretations did not have any impact on the financial performance or position of the consolidated entity. The following Standards and Interpretations are most relevant to the consolidated entity:

#### *AASB 101 Presentation of Financial Statements ('AASB 101')*

The consolidated entity has applied the revised AASB 101 from 1 July 2009 and now presents a statement of comprehensive income, which incorporates the income statement and all non-owner changes in equity. As a result, the consolidated entity now presents all owner changes in the statement of changes in equity. The balance sheet is now referred to as the statement of financial position. There is a requirement to present a third statement of financial position if there is restatement of comparatives through either a correction of error, change in accounting policy or a reclassification. The cash flow statement is now referred to as the statement of cash flows.

#### *AASB 3 Business Combinations ('AASB 3')*

The consolidated entity has applied the revised AASB 3 for all new business combinations acquired on or after 1 July 2009. As well as the expensing of transaction costs and minority interest now being referred to as non-controlling interest, there are a number of significant changes - refer to the 'business combinations' accounting policy for further details.

#### *AASB 127 Consolidated and Separate Financial Statements ('AASB 127')*

The consolidated entity has applied the revised AASB 127 from 1 July 2009. The revised standard requires changes in ownership interest of a subsidiary without a change in control to be accounted for as a transaction with owners in their capacity as owners. It also changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary - refer to the 'principles of consolidation' accounting policy for further details.

#### *AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

This amendment is applicable from 1 July 2009 and removes references to the cost method. The distinction between pre and post acquisition profits is no longer relevant as all dividends are now recognised in profit or loss - refer to the 'principles of consolidation' accounting policy for further details.

#### *AASB 7 Financial Instruments: Disclosure ('AASB 7')*

This amended standard is applicable from 1 July 2009 and requires additional disclosure about fair value measurement of financial instruments, using a three level fair value hierarchy. The amendments also clarify the disclosure requirements about liquidity risks for derivative transactions and assets used for liquidity management.

## *AASB 8 Operating Segments ('AASB 8')*

The consolidated entity has applied AASB 8, which replaces AASB 114 'Segment Reporting', from 1 July 2009. AASB 8 requires a management approach to segment reporting based on the information reported internally. Refer to note 4.

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

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

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

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

#### **Going Concern**

Although the company has breached financial loan covenants during the period, with Affiniti Business Finance Pty Ltd's approval to waive the breaches, the directors believe that continued financial support by Affiniti Business Finance Pty Ltd will be uninterrupted and continuing.

The Directors, having made appropriate enquiries, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### **Compliance with IFRS**

The financial report of Hamilton James & Bruce Group Limited also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board

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

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

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

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

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Hamilton James & Bruce Group Limited, and the parent entity, as at 30 June 2010 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 over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Special purpose entities ('SPEs') are those entities where the consolidated entity, in substance, controls the SPE so as to obtain the majority of benefits without having any ownership interest.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries and special purpose entities have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

## Change in accounting policy from 1 July 2009

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of comprehensive income and statement of financial position of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity. Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

The change in accounting policy has been applied prospectively.

## Accounting policy up to 30 June 2009

The acquisition of subsidiaries is accounted for using the purchase method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for using the parent entity extension method, where the difference between the consideration paid and the book value of the share of net assets acquired is recognised in goodwill.

Minority interest in the results and equity of subsidiaries are shown separately in the income statement and balance sheet of the consolidated entity. Losses incurred by the consolidated entity are attributed to the minority interest until the balance is nil with the excess of losses attributable to the parent, unless there is a binding obligation for the minority interest to cover these costs.

Where the consolidated entity loses control over a subsidiary, the consolidated entity recognises a gain or loss directly to the income statement, being the difference between the consideration received and the share of the net assets disposed of. Any investment retained is accounted for at its proportionate share of net asset value at the date control is lost.

Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity. Pre-acquisition dividends received from subsidiaries are accounted for as a reduction in the investment in subsidiary and post-acquisition dividends are recognised as other income by the parent entity.

### **(ii) Employee Share Trust**

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

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

### **(iii) Associates**

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

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

### (c) Segment reporting

Change in accounting policy from 1 July 2009

The Group has applied AASB8 Operating Segments from 1 July 2009. AASB8 requires 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The consolidated entity operates in one industry segment being the recruitment industry. As a result no additional business segment information has been provided.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the board of directors.

Accounting policy up to 30 June 2009

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

### (d) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Hamilton James & Bruce Group Limited's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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

#### (iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

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

#### **(e) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the billings have been resolved.

Revenue for the major business activities is recognised as follows:

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

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

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

#### **(f) Income tax**

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

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

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

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

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

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

## *Tax Consolidation Legislation*

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

The head entity, Hamilton James & Bruce Group Limited, and the controlled entities in the tax consolidated Group 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 standalone taxpayer in its own right.

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned consolidated entities.

### **(g) Discontinued Operations**

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

### **(h) Leases**

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

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

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

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

### **(i) Business combinations**

Change in accounting policy from 1 July 2009

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic

conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

The change in accounting policy has been applied prospectively.

Accounting policy up to 30 June 2009

The purchase method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

All identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially recognised at their fair values at the acquisition-date, irrespective of the extent of any minority interest. The excess of the cost of the acquisition over the fair value of the consolidated entity's share of the identifiable net assets acquired is recognised as goodwill. If the cost of the acquisition is less than the consolidated entity's share of the fair value of the identifiable net assets acquired, the difference is recognised as a gain 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 exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. The unwinding of the discount on deferred cash consideration is expensed to profit or loss as a finance cost. Contingent consideration is recognised when probable. Subsequent changes to contingent consideration are recognised as goodwill.

Business combinations are initially accounted for on a provisional basis until either the earlier of (i) 12 months from the date of the acquisition or (ii) the finalisation of fair values.

## **(j) Impairment of assets**

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an

asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or group of assets (cash generating units). Non financial assets other than goodwill, which suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date.

#### **(k) 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.

#### **(l) Trade receivables**

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

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables is impaired. The amount of the impairment provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

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

#### **(m) Plant and equipment**

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

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

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

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

#### **(n) Leasehold improvements**

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

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

#### **(o) 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 their implementations are treated as intangible assets. The Group capitalises certain direct labour costs of those persons directly involved with the development and implementation of systems where the systems contribute to future period financial benefits through revenue generation and/or cost reduction. These capitalised costs are amortised over the period of 2.5 years in which the benefits will be received.

**(p) Trade and other creditors**

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

**(q) Borrowings**

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

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

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

**(r) 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.

**(s) Provisions**

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

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

## (t) Employee benefits

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

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

### (ii) Annual leave

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

### (iii) Long service leave

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

### (iv) Profit share and bonus plans

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

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

### (v) Superannuation

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

### (vi) Termination benefits

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

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

### (vii) Employee benefit on costs

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

#### **(u) 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.

#### **(v) 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.

#### **(w) 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.

#### **(x) 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 hold investments in listed equity that meet the recognition and measurement requirements under AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement and these are classified as Available for sale financial assets.

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with non intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet note (note 11).

#### **(y) 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.

## **(z) Rounding of amounts**

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

## **(aa) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The consolidated entity's assessment of the impact of these new standards and interpretations, most relevant to and not early adopted by the consolidated entity, are set out below.

### **AASB 2009-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project**

These amendments are applicable to annual reporting periods beginning on or after 1 January 2010. These amendments result in some accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main change is the removal of specific guidance on classifying land as a lease in AASB 117 'Leases', which may result in more land leases being classified as finance leases. The adoption of these amendments from 1 July 2010 will not have a material impact on the consolidated entity.

### **AASB 2009-8 Amendments to AASB 2 - Group Cash-settled Share-based Payment Transactions**

These amendments are applicable to annual reporting periods beginning on or after 1 January 2010. These amendments clarify the scope of AASB 2 'Share-Based Payment' by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the consolidated entity settles the transaction, and no matter whether the transaction is settled in shares or cash. These amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence these two Interpretations are superseded by these amendments. The adoption of these amendments from 1 July 2010 will not have a material impact on the consolidated entity.

### **AASB 2009-10 Amendments to AASB 132 – Classification of Rights Issues**

These amendments are applicable to annual reporting periods beginning on or after 1 February 2010. These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The adoption of these amendments from 1 July 2010 will not have a material impact on the consolidated entity.

### **AASB 2009-12 Amendments to Australian Accounting Standards**

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which have no major impact on the requirements of the amended pronouncements. The main amendment is to AASB 8 'Operating Segments' and requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

### **AASB 9 Financial Instruments and 2009-11 Amendments Australian Accounting Standards arising from AASB9**

This standard and consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. This standard introduces new classification and measurement models for financial assets as part of phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). It uses a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. The standard also removes the impairment requirements for financial assets held at fair value. The accounting for financial liabilities has not been amended by the IASB and continues to be classified and measured in accordance with AASB 139. The consolidated entity will adopt this standard from 1 July 2011 but the impact of its adoption is yet to be assessed by the consolidated entity.

## Note 2 Financial risk management

The Group's activities expose it to a range of different financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risk and ageing analysis for credit risk.

Risk management is carried out by Senior Management under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and investment of excess liquidity.

### (a) Market risk

#### (i) 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 risk is measured using sensitivity analysis and cash flow forecasting.

The Group was not exposed to foreign exchange risk during the financial year.

#### (ii) Cash flow and fair value interest rate risk

As at 30 June 2010, the Group has no significant interest bearing assets, and the Group's main interest rate risk arises from the current borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk and borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2010 and 2009, the Group's borrowings were at variable rates and were denominated in Australian dollars.

The Group manages its cash flow interest rate risk by evaluating the amounts utilised and assesses other alternatives of funding.

As at the reporting date, the Group had the following variable rate of borrowings:

Group	30/Jun/2010 Balance \$000	30/Jun/2009 Balance \$000
Invoice financing facility	1,887	2,056
Bank Overdraft	-	-

The Group manages its cash flow interest rate risk by evaluating the amounts utilised and assesses other alternatives of funding.

At 30 June 2010, if interest rates had changed by - / + 100 basis points from the year end rates with all other variables held constant, post tax profit and equity for the year would have been \$25,000 higher / lower (2009: \$39,000 higher / lower), mainly as a result of lower / higher interest expense on bank loans.

As at the reporting date, the parent entity had the following variable rate borrowings:

Parent entity	30/Jun/2010 Balance \$000	30/Jun/2009 Balance \$000
Amount receivable from controlled entity	5,396	3,068

At 30 June 2010 all intercompany loans were non interest bearing as a result a change in interest rate would not impact the post tax profit (2009: Nil).

#### (b) Credit risk

The Group has no significant concentrations of credit risk. Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Customers are independently rated which are used together with risk controls to assess the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual customer risk limits are set based on internal and external ratings in accordance with limits set by management and our financier. The compliance with credit limits by customers is regularly monitored by line management. Details of trade and other receivables are set out in note 11.

Credit risk further arises in relation to financial guarantees given to certain parties (see note 19(b) and 31 for details), this risk is mitigated by the bank deposit held to cover this facility in full.

#### (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 manages liquidity risk by continuously monitoring forecast and actual cash flows. Due to the dynamic nature of the underlying businesses, management aims at maintaining flexibility in funding by keeping committed credit lines available.

##### *Financing arrangement*

The Group and the parent entity had access to the following undrawn borrowing facilities at the reporting date:

	Consolidated		Parent Entity	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Affiniti Invoice financing facility	1,113	1,944	-	-
ANZ online facility	-	-	-	-
Commercial bill	1	1	-	-
Indemnity guarantee facilities	51	-	51	-
	1,165	1,945	51	-

### Maturity of financial liabilities

The tables below analyse the Group's and the parent entity's financial liabilities grouped based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed are contractual undiscounted cash flows.

Group at 30 June 2010	Less than 6 Months	6 - 12 Months	Between 1 and 2 Years	Over 2 Years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives						
Non-interest bearing	4,916	-	-	-	4,916	4,916
Variable rate	1,887	-	-	-	1,887	1,887
Fixed rate	-	561	1,207	-	1,768	1,450
<b>Total non-derivatives</b>	<b>6,803</b>	<b>561</b>	<b>1,207</b>	<b>-</b>	<b>8,571</b>	<b>8,253</b>

Group at 30 June 2009	Less than 6 Months	6 - 12 Months	Between 1 and 2 Years	Over 2 Years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives						
Non-interest bearing	3,557	-	-	-	3,557	3,557
Variable rate	2,056	-	-	-	2,056	2,056
Fixed rate	484	-	478	382	1,344	1,165
<b>Total non-derivatives</b>	<b>6,097</b>	<b>-</b>	<b>478</b>	<b>382</b>	<b>6,957</b>	<b>6,778</b>

Parent at 30 June 2010	Less than 6 Months	6 - 12 Months	Between 1 and 2 Years	Over 2 Years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives						
Fixed rate	-	561	1,207	-	1,768	1,450
Non-interest bearing	-	-	-	-	-	-
Variable rate	-	-	-	-	-	-
<b>Total non-derivatives</b>	<b>-</b>	<b>561</b>	<b>1,207</b>	<b>-</b>	<b>1,768</b>	<b>1,450</b>

Parent at 30 June 2009	Less than 6 Months	6 - 12 Months	Between 1 and 2 Years	Over 2 Years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives						
Fixed rate	484	-	478	382	1,344	1,165
Non-interest bearing	47	-	-	-	47	47
Variable rate	-	-	-	-	-	-
Total non-derivatives	531	-	478	382	1,391	1,212

### 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 1o(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 17 for details of these assumptions and the potential impact of changes to the assumptions.

#### Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting both the expense or asset, if applicable, and provision.

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

## Note 5 Revenue

	Consolidated		Parent entity	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
<b>From continuing operations</b>				
Sales revenue				
Permanent placements	4,147	6,180	-	-
Temporary placements	43,599	46,551	-	-
Other revenue				
Interest	45	45	35	30
Dividends and management fees	-	-	-	1,308
Advertising rebates	-	-	-	-
HR consulting	12	10	-	-
Other	196	10	-	-
Rents and sub-lease rentals	571	524	-	-
<b>Total revenue from continued operations</b>	<b>48,570</b>	<b>53,320</b>	<b>35</b>	<b>1,338</b>
<b>From discontinued operations</b>				
Other revenue				
Interest	-	-	-	-
Dividend	-	-	-	-
<b>Total revenue from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total revenue</b>	<b>48,570</b>	<b>53,320</b>	<b>35</b>	<b>1,338</b>

## Note 6 Expenses

		Consolidated		Parent entity	
	Notes	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>Profit before income tax includes the following specific expenses:</b>					
<i>Depreciation</i>					
Property, Office fitout, plant and equipment	15	336	656	246	568
<i>Amortisation</i>					
Software and database	17	56	532	4	445
Leasehold rectification	15	48	60	48	60
		104	592	52	505
Depreciation and amortisation expense		440	1,248	298	1,073
<i>Impairment</i>					
Software and Database	15	74	-	-	-
Property, Office fitout, plant and equipment	15	-	1,002	-	669
		74	1,002	-	669
Employment costs					
Temporary placements		36,490	36,609	-	-
Permanent personnel		7,223	11,270	76	98
Termination payments		112	399	-	-
Accumulation of superannuation plan		2,559	3,229	7	8
		46,384	51,507	83	106
Financing costs		475	369	87	-
Occupancy costs		1,823	2,836	-	-
Net loss on disposal of property, plant and equipment	15	73	251	-	107
Net loss on disposal of investments	15	-	-	-	4,862
Impairment of goodwill and Brandnames	17	-	-	-	-
Impairment of investment	17	-	-	-	-
Impairment of amounts receivable from controlled entities		-	-	-	3,095
<b>Discontinued operations</b>					
Net loss on disposal of investment	9	-	-	-	-
Reversal of FCTR arising on disposal of discontinued entities		-	-	-	-

### Impairment of Software and Database

During the year ended 30 June 2010 the company closed its provincial personnel business and therefore the remaining useful lives of the software and database was fully impaired.

## Note 7 Income tax

Consolidated		Parent entity	
2010	2009	2010	2009
\$000	\$000	\$000	\$000

### (a) Income tax expense

Current tax	-	136	-	8
Deferred tax	-	-	-	-
Under (over) provided in prior years	(11)	-	(11)	-
	(11)	136	(11)	8

Income tax is attributable to;

Profit / (loss) from continuing operations	(11)	-	(11)	8
Profit / (loss) from discontinued operations	-	136	-	-
	(11)	136	(11)	8

Deferred income tax (revenue) expense included in income tax expense comprises;

Decrease (increase) in deferred tax assets (note 16)	-	-	-	-
(Decrease) increase in deferred tax liabilities (note 24)	-	-	-	-
	-	-	-	-

<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>	<b>Consolidated</b>		<b>Parent entity</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Profit from continuing operations before income tax expense	<b>(2,601)</b>	(6,050)	<b>(488)</b>	(9,233)
Profit from discontinuing operations before income tax expense	-	-	-	(459)
<b>Tax at the Australian rate at 30% (2009:30%)</b>	<b>(780)</b>	(1,815)	<b>(146)</b>	(2,908)
<b>Tax effect of amounts which are not deductible (taxable) in calculating taxable income;</b>				
Loss from sale of investment	-	-	-	1,459
Loss on disposal of property, plant & equipment	-	-	-	-
Amortisation of intangibles	-	-	-	-
Impairment of goodwill	-	-	-	-
Impairment of other assets	-	-	-	-
Impairment of investment	-	-	-	929
Impairment of trade receivables	<b>(30)</b>	36	-	-
Amortisation leasehold improvement	-	-	-	-
Exit payment - Sydney premises	-	135	-	-
Employee Entitlements	<b>22</b>	-	-	-
Accruals	<b>(80)</b>	-	<b>(14)</b>	-
Adjustment on depreciation of plant & equipment	<b>131</b>	-	<b>89</b>	-
Reversal of FCTR arising on disposal of discontinued operations	-	-	-	-
Foreign exchange differences	-	16	-	138
Permanent differences	<b>13</b>	-	-	-
Share of net profit of associates	-	-	-	-
Inter-Company dividend	-	-	-	(392)
Sundry items	-	25	-	14
	<b>(724)</b>	(1,603)	<b>(71)</b>	(760)
<b>De-recognize net deferred tax asset relating to temporary differences and tax losses not considered probable of recovery</b>	<b>713</b>	1,739	<b>60</b>	768
Under (over) provision in previous year	-	-	-	-
Effects of overseas tax rates	-	-	-	-
<b>Income tax expense/ (benefit)</b>	<b>(11)</b>	136	<b>(11)</b>	8

<b>(c) Tax losses</b>	<b>Consolidated</b>		<b>Parent entity</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Unused tax losses for which no deferred tax asset has been recognized	<b>7,944</b>	5,531	<b>5,577</b>	5,531
Potential tax benefit @ 30%	<b>2,383</b>	1,659	<b>1,673</b>	1,659

All unused tax losses were incurred by Australian entities.

#### (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 32).

#### Note 8 Dividends

No dividends are to be paid for the year ended 30 June 2010. No dividends were paid for the year ended 30 June 2009.

	Consolidated		Parent entity	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
<b>Franked Dividends</b>				
Franking credits available for subsequent financial years based on a tax rate of 30% (2009: 30%)	<b>1,508</b>	1,508	<b>1,508</b>	1,508

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 9 Discontinued operations

##### (a) Description

On 18 December 2009 the wholly owned subsidiary New PDH Ltd was struck off after the successful completion of voluntary liquidation process. On 31 October 2008 CHMC Consulting Limited was amalgamated into New PDH Limited. On amalgamation CHMC Consulting Limited was struck off.

The Company also closed its offices in Wacol, Gold Coast and Chatswood during the year.

**(b) Financial performance and cash flow information**

The financial performance and cash flow information relate to the period ended 30 June 2010 are as follows:

	<b>Consolidated</b>		<b>Parent entity</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Revenue	-	-	-	-
Share of net profit of associates using the equity accounting method (note 34)	-	-	-	-
Foreign exchange gain	-	-	-	-
Reversal of FCTR arising on disposal of discontinued entities	-	-	-	-
Foreign exchange loss	-	-	-	-
Interest expense	-	-	-	(459)
Other expense	-	-	-	-
<b>Profit / (loss) before income tax of discontinued operations</b>	-	-	-	(459)
Loss from sale of business - OCG Consulting Limited	-	-	-	-
<b>Profit / (loss) before income tax from discontinued operations</b>	-	-	-	(459)
Income tax (benefit) / expense	-	(136)	-	-
<b>Profit / (loss) from disposal of net assets</b>	-	(136)	-	(459)
Net cash inflow / (outflow) from operating activities	-	(376)	-	-
Net cash inflow / (outflow) from investing activities	-	-	-	-
Net cash inflow / (outflow) from financing activities	-	-	-	-
<b>Net increase / (decrease) in cash generated by the net assets</b>	-	(376)	-	-

**Note 10 Current assets – Cash and cash equivalents**

	Notes	<b>Consolidated</b>		<b>Parent entity</b>	
		<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Cash at bank and on hand		1,101	1,464	965	1,000

**Reconciliation of cash at the end of the year**

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

Balance as above	1,101	1,464	965	1,000
Balance per Statement of Cash Flows	1,101	1,464	965	1,000

The weighted average interest rate on cash accounts for 2010 was 3.18% (2009: 3.50%)

## Note 11 Current assets – Trade and other receivables

	Consolidated		Parent entity	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Trade receivables	6,151	4,334	-	-
Provision for impairment of receivables	(21)	(120)	-	-
Net trade receivables	6,130	4,214	-	-
Amount receivable from controlled entities	-	-	5,396	3,068
Income tax refund	18	7	18	7
Prepayments	172	206	-	-
Other receivables	82	82	-	-
Total trade and other receivables	6,402	4,509	5,414	3,075

### (a) Impaired trade receivables

As of 30 June 2010, current trade receivables of the Group with a nominal value of \$23,495 (2009: \$132,592) were impaired. The amount of the provision was \$21,359 (2009: \$120,539). It was assessed that a portion of the receivables is expected to be recovered. There were no impaired trade receivables for the parent in 2010 or 2009.

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2010	2009
	\$000	\$000
At 1 July	120	193
Provision for impairment recognized during the year	21	(9)
Receivables written off during the year as uncollectable	(120)	(64)
At 30 June	21	120

### (b) Past due but not impaired

As of 30 June 2010, current trade receivables of \$3,120,092 (2009: \$1,830,416) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated		Parent entity	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
1 to 2 months	2,979	1,728	-	-
2 to 3 months	99	66	-	-
Over 3 months	42	36	-	-
At 30 June	3,120	1,830	-	-

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

### (c) Other receivables

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

#### (d) Fair value and risk exposure

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of receivables mentioned above. Information about the Group's and the parent entity's exposure to foreign currency risk, interest rate risk and credit risk is provided in note 2.

#### Note 12 Non-current assets – Available-for-sale financial assets

	Consolidated		Parent entity	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Listed Securities				
Equity Securities	1	1	-	-

These financial assets are carried at fair value.

#### Note 13 Non-current assets – Other financial assets

	Consolidated		Parent entity	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Shares in subsidiaries	-	-	-	-

These financial assets are carried at cost less impairment (refer note 6)

#### Note 14 Non-current assets – Receivables

	Consolidated		Parent entity	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Rental Bonds	71	71	71	71
	71	71	71	71

## Note 15 Non-current assets – Property, office fit out, plant and equipment

Consolidated	Notes	Plant and Equipment \$000	Leasehold rectification \$000	Office fit out \$000	Total \$000
<b>Year ended 30 June 2009</b>					
Opening net book amount		409	230	2,635	3,274
Additions		16	-	47	63
Disposals	6	(144)	(107)	-	(251)
Depreciation / amortisation charge	6	(156)	(60)	(500)	(716)
Impairment loss*	6	-	-	(1,002)	(1,002)
<b>Closing net book amount</b>		<b>125</b>	<b>63</b>	<b>1,180</b>	<b>1,368</b>
<b>At 30 June 2009</b>					
Cost		500	344	4,262	5,106
Accumulated depreciation		(375)	(281)	(3,082)	(3,738)
<b>Net book amount</b>		<b>125</b>	<b>63</b>	<b>1,180</b>	<b>1,368</b>
<b>Year ended 30 June 2010</b>					
Opening net book amount		125	63	1,180	1,368
Additions		1	-	318	319
Disposals	6	(25)	-	(48)	(73)
Depreciation / amortisation charge	6	(19)	(48)	(317)	(384)
Impairment loss*	6	-	-	-	-
<b>Closing net book amount</b>		<b>82</b>	<b>15</b>	<b>1,133</b>	<b>1,230</b>
<b>At 30 June 2010</b>					
Cost		459	309	4,454	5,222
Accumulated depreciation		(377)	(294)	(3,321)	(3,992)
<b>Net book amount</b>		<b>82</b>	<b>15</b>	<b>1,133</b>	<b>1,230</b>

\* The impairment loss relates to assets written down as a result of the termination of operating leases for premises previously occupied by the Group.

Parent	Notes	Plant and Equipment \$000	Leasehold rectification \$000	Office fit out \$000	Total \$000
<b>Year ended 30 June 2009</b>					
Opening net book amount		357	230	1,806	2,393
Additions		-	-	-	-
Disposals	6	-	(107)	-	(107)
Depreciation / amortisation charge	6	(247)	(60)	(321)	(628)
Impairment loss*	6	(39)	-	(630)	(669)
<b>Closing net book amount</b>		<b>71</b>	<b>63</b>	<b>855</b>	<b>989</b>
<b>At 30 June 2009</b>					
Cost		580	344	3,216	4,140
Accumulated depreciation		(509)	(281)	(2,361)	(3,151)
<b>Net book amount</b>		<b>71</b>	<b>63</b>	<b>855</b>	<b>989</b>
<b>Year ended 30 June 2010</b>					
Opening net book amount		71	63	855	989
Additions		-	-	319	319
Disposals	6	-	-	-	-
Depreciation / amortisation charge	6	(71)	(48)	(175)	(294)
Impairment loss*	6	-	-	-	-
<b>Closing net book amount</b>		<b>-</b>	<b>15</b>	<b>999</b>	<b>1,014</b>
<b>At 30 June 2010</b>					
Cost		580	309	3,536	4,425
Accumulated depreciation		(580)	(294)	(2,537)	(3,411)
<b>Net book amount</b>		<b>-</b>	<b>15</b>	<b>999</b>	<b>1,014</b>

\* The impairment loss relates to assets written down as a result of the termination of operating leases for premises previously occupied by the Group.

## Note 16 Non-current assets – Deferred tax assets

Deferred tax assets for deductible temporary difference and unused tax losses were de-recognised at 30 June 2008 as it was not probable that future taxable amounts would be available to utilize these temporary differences and losses.

Movements- Consolidated	Retirement benefit obligations \$000	Employee benefits \$000	Employee bonuses \$000	Provision for Lease rectification \$000	Other \$000	Total \$000	Set off of deferred tax liabilities \$000	Net deferred tax assets \$000
At 30 June 2008	-	43	-	174	-	217	(217)	-
Charged income statement	-	(43)	-	(93)	-	(136)	-	-
At 30 June 2009	-	-	-	81	-	81	(81)	-
Charged income statement	-	-	-	-	-	-	-	-
At 30 June 2010	-	-	-	81	-	81	(81)	-

Movements- Parent	Provision for Lease rectification \$000	Other \$000	Total \$000	Set off of deferred tax liabilities \$000	Net deferred tax assets \$000
At 30 June 2008	69	-	69	(69)	-
Charged income statement	(50)	-	(50)	-	-
At 30 June 2009	19	-	19	(19)	-
Charged income statement	-	-	-	-	-
At 30 June 2010	19	-	19	(19)	-

## Note 17 Non-current assets – Intangibles

Consolidated	Notes	Goodwill	Software and Database	Brand names	Customer Contracts	Total
		\$000	\$000	\$000	\$000	\$000
<b>Year ended 30 June 2009</b>						
Opening net book amount		7,213	743	-	-	7,956
Amortization charge	6	-	(532)	-	-	(532)
Impairment	6	-	-	-	-	-
Closing net book amount		7,213	211	-	-	7,424
<b>At 30 June 2009</b>						
Cost		14,259	3,661	243	70	18,233
Accumulated amortization and Impairment		(7,046)	(3,450)	(243)	(70)	(10,809)
Net book amount		7,213	211	-	-	7,424
<b>Year ended 30 June 2010</b>						
Opening net book amount		7,213	211	-	-	7,424
Amortization charge	6	-	(56)	-	-	(56)
Impairment	6	-	(74)	-	-	(74)
Closing net book amount		7,213	81	-	-	7,294
<b>At 30 June 2010</b>						
Cost		14,259	3,661	243	70	18,233
Accumulated amortization and Impairment		(7,046)	(3,580)	(243)	(70)	(10,939)
Net book amount		7,213	81	-	-	7,294
<b>Parent</b>						
	Notes		Goodwill	Software		Total
			\$000	\$000		\$000
<b>Year ended 30 June 2009</b>						
Opening net book amount			-	449		449
Additions			-	-		-
Amortization charge	6		-	(445)		(445)
Closing net book amount			-	4		4
<b>At 30 June 2009</b>						
Cost			-	3,329		3,329
Accumulated amortization and impairment			-	(3,325)		(3,325)
Net book amount			-	4		4
<b>Year ended 30 June 2010</b>						
Opening net book amount			-	4		4
Additions			-	-		-
Amortization charge	6		-	(4)		(4)
Closing net book amount			-	-		-
<b>At 30 June 2010</b>						
Cost			-	3,329		3,329
Accumulated amortization and impairment			-	(3,329)		(3,329)
Net book amount			-	-		-

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

Due to the uncertain economic environment a six monthly review of the goodwill balance has been completed at 30 June 2010. This review did not indicate the need for impairment. This was decided on the basis that the operating results are expected to improve in the 2011 financial year which is projected based on minimal growth on the performance of the last quarter of the 2010 year.

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial forecasts approved by management covering a one year period. Cash flows beyond the one year period are extrapolated using the estimated growth rates stated 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)	
	2010	2009	2010	2009
	%	%	%	%
Hamilton James & Bruce Group	2.5	2.5	14	14

(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.

These assumptions have been used for the analysis of the group as one CGU. The weighted average growth rates used are consistent with forecasts.

### (c) Impact of possible change in key assumptions

The recoverable amount of the goodwill of the group CGU is estimated to be \$8.975 million (2009 - \$8.51 million). This exceeds the carrying amount of the CGU's goodwill at 30 June 2010 by \$0.377 million (2009 - \$1.08 million).

If the pre-tax discount rate applied to the cash flow projections of the group CGU was 14.5% instead of 14.0% (2009 - Nil% change), the recoverable amount of the CGU's goodwill would equal it's carrying amount. If the net revenue was 0.8% lower (2009 - Nil% change), the recoverable amount of the CGU's goodwill would equal it's carrying amount.

## Note 18 Current liabilities – Payables

	Consolidated		Parent entity	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Trade payables	1,104	433	-	-
Other payables				
Employment costs	3,211	1,880	-	-
Good & Service Tax	389	303	-	-
Expenses	212	941	-	47
	3,812	3,124	-	47
Total current liabilities - payables	4,916	3,557	-	47

### (a) Amount not expected to be settled within the next 12 months

The entire obligation under payables is presented as current as the Group expects all of the above mentioned current liabilities will be settled within the next 12 months.

### (b) Risk exposure

Information about the Group's and the parent entity's exposure to foreign exchange risk is provided in note 2.

## Note 19 Current liabilities – Borrowings

	Consolidated		Parent entity	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Secured				
Invoice financing facility	1,887	2,056	-	-
Shareholder loan	-	200	-	200
Unsecured				
Shareholder loan	-	265	-	265
Borrowings	350	-	350	-
<b>Total current borrowings</b>	<b>2,237</b>	<b>2,521</b>	<b>350</b>	<b>465</b>

### (a) Security – Invoice financing facility

The parent and all controlled entities have entered into a Mortgage Debenture with Affiniti Business Finance Pty Ltd 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) Profitability & Net equity:

The Group has obtained a waiver from Affinity Business Finance Pty Ltd from maintaining, on a consolidated monthly basis, a positive EBITDA till June 2010.

The Group must maintain a Net Equity position equal or greater than \$6.25 million from 30 June 2009 onwards.

#### (ii) Consolidated liquidity ratio:

The consolidated liquidity ratio for each month will not be less than 1:1 from September 2009 onwards.

Funding from the invoice financing facility is based on 90% of the aggregate face value of eligible temporary invoices and 50% of eligible permanent invoices.

### (b) Financing arrangements

The Group has access to the following lines of credit:

	Consolidated		Parent entity	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
<b>Total facilities</b>				
ANZ online facility	-	-	-	-
Indemnity guarantee facilities	1,000	994	1,000	913
Affiniti invoice financing	3,000	4,000	-	-
	<b>4,000</b>	<b>4,994</b>	<b>1,000</b>	<b>913</b>
<b>Used at balance date</b>				
ANZ online facility	-	-	-	-
Indemnity guarantee facilities	949	993	949	913
Affiniti invoice financing	1,887	2,056	-	-
	<b>2,836</b>	<b>3,049</b>	<b>949</b>	<b>913</b>
<b>Unused at balance date</b>				
ANZ online facility	-	-	-	100
Indemnity guarantee facilities	51	1	51	-
Affiniti invoice financing	1,113	1,944	-	-
	<b>1,164</b>	<b>1,945</b>	<b>51</b>	<b>100</b>

### (c) Fair Value

The carrying amounts and fair values of borrowings at balance sheet date are:

Group	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$000	\$000	\$000	\$000
Affiniti invoice financing Borrowings	1,887	1,887	2,056	2,056
Borrowings from associates	700	700	-	-
Shareholder loans	750	750	-	-
	-	-	1,165	1,165
	<b>3,337</b>	<b>3,337</b>	<b>3,221</b>	<b>3,221</b>
<b>Parent entity</b>				
Affiniti invoice financing Borrowings	-	-	-	-
Borrowings from associates	700	700	-	-
Shareholder loans	750	750	-	-
	-	-	1,165	1,165
	<b>1,450</b>	<b>1,450</b>	<b>1,165</b>	<b>1,165</b>

The fair value of current borrowings equal their carrying amount as the impact of discounting is not significant.

### (d) Risk exposure

Information about the Group's and parent entity's exposure to interest rate and foreign currency changes is provided in note 2.

### Note 20 Current liabilities – Lease incentives

Lease Incentive	Consolidated		Parent entity	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
	<b>97</b>	<b>203</b>	<b>97</b>	<b>203</b>

### (a) Amortisation

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

### Note 21 Current liabilities – Tax liabilities

Current tax liability	Consolidated		Parent entity	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
	-	43	-	44

### Note 22 Current liabilities – Provisions

	Consolidated		Parent entity	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Employee benefits				
Annual leave	239	225	-	-
Long service leave	12	57	-	-
Onerous Contract	-	84	-	-
Make good provision	-	-	-	-
Total current liabilities - provisions	<b>251</b>	<b>366</b>	<b>-</b>	<b>-</b>

**(a) Amount not expected to be settled within the next 12 months**

The entire obligation is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on the current environment and the tightening of policies around the use of leave entitlements, the Group expects all employees to take the full entitlements of accrued leave within the next 12 months.

	Consolidated		Parent entity	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Annual leave obligation expected to be settled after 12 months	-	-	-	-

**Note 23 Non-current liabilities – Lease incentives**

	Consolidated		Parent entity	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Lease incentive	813	652	813	652
Total current liabilities - deferred settlement	813	652	813	652

**(a) Amortisation**

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

**Note 24 Non-current liabilities – Deferred tax liabilities**

Deferred tax assets and liabilities for deductible temporary difference and unused tax losses were derecognised at 30 June 2008 as it was not probable that future taxable amounts would be available to utilize these temporary differences and losses.

Movements-Consolidated	Intangibles	Property, plant and equipment	Lease rectification asset	Foreign exchange balances	Total	Set off of deferred tax assets	Net deferred tax liability
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
At 30 June 2008	148	-	69	-	217	(217)	-
Credited to the income statement	(86)	-	(50)	-	(136)	-	-
At 30 June 2009	62	-	19	-	81	(81)	-
Credited to the income statement	-	-	-	-	-	-	-
At 30 June 2010	62	-	19	-	81	(81)	-

Movements- Parent	Intangibles \$000	Property, plant and equipment \$000	Lease rectification asset \$000	Foreign exchange balances \$000	Total \$000	Set off	Net
						of deferred tax assets \$000	deferred tax liability \$000
At 30 June 2008	-	-	69	-	69	(69)	-
Credited to the income statement	-	-	(50)	-	(50)	-	-
At 30 June 2009	-	-	19	-	19	(19)	-
Credited to the income statement	-	-	-	-	-	-	-
At 30 June 2010	-	-	19	-	19	(19)	-

#### Note 25 Non-current liabilities – Borrowings

	Consolidated		Parent entity	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Unsecured				
Shareholder loans	-	700	-	700
Borrowings	350	-	350	-
Borrowings from Associates	750	-	750	-
<b>Total Non-current borrowings</b>	<b>1,100</b>	<b>700</b>	<b>1,100</b>	<b>700</b>

The fair value of these borrowings is included in the disclosure in Note 19.

#### Note 26 Non-current liabilities – Provisions

	Consolidated		Parent entity	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Employee benefits - long service leave	46	73	-	-
Onerous contract	-	46	-	-
Make good provision	296	327	296	327
<b>Total Non-current liabilities - Provisions</b>	<b>342</b>	<b>446</b>	<b>296</b>	<b>327</b>

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.

### a) Movements in provisions

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

	Onerous contracts	Make good provision	Total \$'000
<b>Consolidated - 2010</b>	<b>\$'000</b>	<b>\$'000</b>	
Carrying amount at start of year	46	327	373
Charged/ (credited) to the income statement	(46)	(31)	(77)
-- additional provisions recognized	-	-	-
-- unused amounts reversed	(46)	(31)	(77)
Amounts used during the period	-	-	-
Carrying amount at end of year	-	296	296

		Make good provision	Total \$'000
<b>Parent - 2010</b>		<b>\$'000</b>	
Carrying amount at start of year		327	327
Charged/ (credited) to the income statement		(31)	(31)
-- additional provisions recognized		-	-
-- unused amounts reversed		(31)	(31)
Amounts used during the period		-	-
Carrying amount at end of year		296	296

### Note 27 Contributed equity

	Consolidated and parent entity		Consolidated and parent entity	
	2010	2009	2010	2009
	Shares	Shares	\$000	\$000
<b>(a) Share capital</b>				
Full paid	268,566,740	134,283,370	24,199	21,615
<b>(b) Other equity securities</b>				
Total contributed equity - parent entity	268,566,740	134,283,370	24,199	21,615
Treasury shares	-	(354,715)	-	-
<b>Total consolidated contributed equity</b>	<b>268,566,740</b>	<b>133,928,655</b>	<b>24,199</b>	<b>21,615</b>