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Hamilton James and Bruce Group Limited
Correction to Preliminary Report

Friday 29th August 2008 - The Preliminary Report submitted on Friday 29th August at 19:26 included incorrect reporting dates and announcement dates.

Please refer to the following version of the Preliminary Report.

Mohit Prasad
Company Secretary.

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Hamilton James and Bruce Group Limited Announces Full Year Results – 30 June 2008

Friday 29th August, 2008 – Listed recruitment company, Hamilton James & Bruce Group Limited (HJB) today announced an after tax loss and non-cash write offs of \$(10,179) million including non cash balance sheet write offs.

Revenues from its continuing business operations, whilst \$78.837 million were down on the corresponding period from the last financial year by 1.6% HJB's newer offices have delivered well to the overall business.

HJB has continued its review and commitment to cut unnecessary expenditures in the business and this has resulted in a stronger cash position. For the financial year ended 30th June 2008 HJB produced net cash inflows from operating activities of \$0.744 million a \$2.12 million turnaround from the corresponding year.

The major disappointment was the decline in permanent revenues from both Sydney CBD and Melbourne offices. The rebuild in these offices is proving tougher and longer than expected however, recent further changes in senior management and senior staff will assist in enhancing capability and productivity.

While 2007 / 08 was a disappointing and difficult year, the HJB board and senior management remain positive about the group's capacity to rebuild but do not underestimate the challenging and softening economic environment.

HJB also announced changes in its board composition. Ms Deborah Wilson will retire as Executive Chairman and Mr Tim Burton-Taylor has been appointed as Non Executive Chairman. Ms Deborah Wilson will remain Managing Director and Chief Executive Officer. Mr Nicholas Burton Taylor has retired as an Alternate Director to Mr Tim Burton-Taylor.

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RECRUITMENT ADVICE & CONSULTING

Hamilton James & Bruce Pty Limited ABN 11 002 921 468



About Hamilton James & Bruce Group Limited

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

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

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

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

Hamilton James & Bruce Group Limited

Appendix 4E

Preliminary final report



1 Name of entity: Hamilton James & Bruce Group Limited
 ABN: 90 091 302 975
 Financial year ended: 30 June 2008
 Previous period: 30 June 2007

2	Results for announcement to the market		<u>\$000</u>		<u>\$000</u>
2.1	Revenues from continuing operations	down by	(1,278)	to	78,837
2.2	Profit / (Loss) before income tax from continuing operations	down by	(10,011)	to	(9,635)
	Profit / (Loss) after income tax from continuing operations	down by	(9,699)	to	(9,570)
	Profit / (Loss) before income tax from discontinued operations	down by	(475)	to	(423)
	Profit / (Loss) after income tax from discontinued operations	down by	(738)	to	(609)
	Profit / (Loss) for the financial year	down by	(10,437)	to	(10,179)
2.3	Net profit/(loss) after income tax for the period attributable to members of Hamilton James & Bruce Group Limited	down by	(10,437)	to	(10,179)

2.4 Dividends

This period

Final dividend
 Interim dividend
 Special dividend

Previous period

Final dividend
 Interim dividend
 Special dividend (paid Dec 06)

Amount per share	Franked amount per share
Nil	Nil
Nil	Nil
Nil	Nil
Nil	Nil
Nil	Nil
Nil	Nil
2 Cents	2 Cents

2.5 Record date for determining entitlements to dividends

N/A

Hamilton James & Bruce Group Limited Interim financial report - 30 June 2008



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Directors' Report

Your directors present their report on the consolidated entity consisting of Hamilton James & Bruce Group Limited and the entities it controlled at the end of the financial year ended 30 June 2008.

Directors

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

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

Nicholas Burton Taylor resigned as a Director on 25 February 2008.
Timothy Burton-Taylor was appointed Director on 25 February 2008.
Nicholas Burton Taylor was appointed Alternate Director for Timothy Burton-Taylor on 25 February 2008.

Principal activities

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

Review of operations

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

HJB full year results 2008		2008	2007	Change
		\$000	\$000	%
Revenue				
	Permanent placement fees	15,302	16,675	-8.2%
	Temporary invoicing	63,404	63,283	0.2%
	Other	131	157	-16.6%
Total revenue		78,837	80,115	-1.6%
(Loss) / profit before tax from continuing operations		(9,635)	422	
Income tax / benefit / (expense) from continuing operations		65	(170)	
(Loss) / profit after tax from continuing operations		(9,570)	252	
(Loss) / profit after tax from discontinuing operations		(609)	6	
(Loss) / profit after tax for financial year		(10,179)	258	
Consolidated profit after tax attributable to members		(10,179)	258	

Hamilton James & Bruce Group Limited (HJB) achieved total revenues of \$78.8 million. This represents an overall decrease of 1.6% on 2007. The decrease is directly attributable to a decline in permanent placement revenues of 8.2% predominantly in HJB's two larger offices, Sydney and Melbourne. The decline occurred in the second half of the financial year. Temporary revenues rose slightly year on year.

HJB recorded a loss after tax of \$10.179 million (or pre tax loss of \$10.058 million) for the full year to 30 June 2008 (2007: \$0.26 million profit after tax). Loss from continuing operations after tax, representing ongoing Australian operations, increased to \$9.570 million (2007: \$129k profit), while the impact of discontinued NZ based operations after tax was a loss of \$609k (2007: \$129k profit).

The loss from continuing operations before tax of \$9.635 million may be analysed as follows:

	Note	\$'000
Loss from continuing operations before tax		9,635
Less: Goodwill impairment	1	(7,289)
Less: Accelerated depreciation due to a change in useful life of assets	2	(836)
Less: Costs associated with downsizing of Melbourne office	3	<u>(354)</u>
Loss from continuing operations adjusted for above items		<u>(1,156)</u>

Notes:

1. The company carried out a discounted cash flow analysis in line with the appropriate accounting standards to determine the carrying value of its non-current assets at reporting date. Revisions to anticipated growth rates of the business and the application of a higher discount rate to the cash flow analysis, due principally to increased market volatility has resulted in impairment to goodwill of \$7.3m.
2. The company conducted a review of the useful life of in-house software. A revision in the useful life resulted in additional amortization of \$836k being recognized during the year ended 30 June 2008.
3. The company continued its efforts to reduce its cost base during the 2008 financial year. Key cost improvement initiatives included the downsizing of the office in Melbourne, resulting in the disposal and write-down of furniture and leasehold improvements connected with the original premises. The total impact of these initiatives resulted in additional expenses of \$354k.

The directors are of the opinion that the above expenses are unlikely to re-occur in the future financial periods, and that the underlying loss of \$1.156 million reported above is more reflective of the performance of the Australian operations for the 2008 financial year.

The discontinued New Zealand operations resulted in a net loss before tax of \$0.423 million, made up of the previously announced \$0.335 million accounting loss on the sale of the residual OCG shareholding and a residual foreign exchange result as at 30th June 2008.

HJB has continued its review and commitment to cut unnecessary expenditures in the business and this has resulted in a stronger cash position. For the financial year ended 30th June 2008 HJB produced net cash inflows from operating activities of \$0.744 million a \$2.12 million turnaround from the corresponding year.

Balance Sheet

Net Assets have decreased to \$11.0 million from \$21.5 million in 2007, primarily as a result of the aforementioned write downs. Receivables have decreased to \$9.3 million from \$12 million largely as a result of the interest bearing and non interest bearing loans to El Vacio and OCG Consulting Limited respectively have been settled.

Non-current assets have reduced to \$11.2 million from \$23.4 million in 2007. The decrease in non-current assets has come from the impairment of goodwill by \$7.3 million, the divestment in OCG of \$2.4 million and the changed accounting policy in relation to the depreciation of software from assuming a useful life of five years to assuming a useful life of two and a half years.

Current liabilities have reduced to \$7.6 million from \$10.9 million in 2007, largely due to a reduction in borrowings from \$5.0 million in 2007 to \$1.9 million and as a result of the payment of deferred settlements for the acquisition of IT Resources.

Retained profits have reduced from \$1.9 million to negative \$8.7 million, largely due to the previously mentioned write downs and operating loss. A prior year adjustment of \$0.446 million has also been taken through equity in relation to underpaid payroll tax for fiscal years 2004 and 2005.

New Office

During the last quarter of the financial year HJB opened a new office in Wacol, Queensland, further enhancing its presence in this region and complimenting current offices in Brisbane and the Gold Coast.

Ordinary Dividend

Based on the Group's performance in 2007 / 08 and the continuing rebuild no ordinary dividend will be paid this year.

Clients and Candidates

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

HJB continues to build strong partnerships with its diverse and extensive customer base. This includes its continued focus on Preferred Suppliers and key customers. Equally HJB continues to enhance its approach to our candidates through industry specialization and understanding of their specific requirements.

Outlook

While 2007 / 08 was a disappointing and difficult year, the HJB board and senior management remain positive about the group's capacity to rebuild but do not underestimate the challenging and softening economic environment.

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Preliminary consolidated income statement

For the year ended 30 June 2008

	2008 \$000	2007 \$000
Revenue from continuing operations	78,837	80,115
Depreciation and amortisation expense	(2,430)	(1,528)
Impairment - other assets	(227)	-
Impairment - goodwill	(7,289)	-
Employment costs	(72,196)	(72,197)
Interest expense	(509)	(471)
Other expenses	(5,821)	(5,543)
Profit / (Loss) before income tax from continuing operations	(9,635)	376
Income tax benefit / (expense) from continuing operations	65	(247)
Profit / (Loss) after income tax from continuing operations	(9,570)	129
Profit / (Loss) before income tax from discontinued operations	(423)	52
Income tax benefit / (expense) from discontinued operations	(186)	77
Profit / (Loss) after income tax from discontinued operations	(609)	129
Profit / (Loss) for the financial year	(10,179)	258
	Cents	Cents
Basic earnings per share	(15.2)	0.4
Diluted earnings per share	(15.2)	0.4

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

Preliminary consolidated balance sheet

As at 30 June 2008

	2008 \$000	2007 \$000
Current assets		
Cash and cash equivalents	160	78
Trade and other receivables	9,275	11,924
Total current assets	9,435	12,002
Non-current assets		
Investments accounted for using the equity method	-	2,406
Available-for-sale financial assets	1	1
Property, plant and equipment	3,274	3,602
Deferred tax assets	-	509
Intangible assets	7,956	16,876
Total non-current assets	11,231	23,394
Total assets	20,666	35,396
Current liabilities		
Trade and other payables	4,627	3,684
Borrowings	1,943	5,022
Lease incentives	350	320
Current tax liabilities	-	23
Provisions	584	628
Deferred settlement	100	1,252
Total current liabilities	7,604	10,929
Non-current liabilities		
Lease incentives	1,456	1,666
Deferred tax liabilities	-	587
Provisions	576	608
Deferred settlement	-	100
Total non-current liabilities	2,032	2,961
Total liabilities	9,636	13,890
Net assets	11,030	21,506
Equity		
Contributed equity	19,665	19,665
Reserves	94	(55)
Retained profits	(8,729)	1,896
Total equity	11,030	21,506

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

Preliminary consolidated statement of changes in equity

For the year ended 30 June 2008

	2008 \$000	2007 \$000
Total equity at the beginning of the financial year	21,506	19,980
Adjustment to retained earnings	(446)	-
	(446)	-
Consolidation of HJ&B Employee Share Trust	-	34
Exchange differences on foreign currency translation	(960)	670
Reversal of FCTR arising on disposal of foreign entities	1,109	-
Net income recognised directly in equity	149	704
Profit / (loss) for the financial year	(10,179)	258
Total recognised income and expense for the financial year	(10,030)	962
Transactions with equity holders in their capacity as equity holders:		
Share payment reserve	-	41
Issue of equity	-	1,860
Dividends paid	-	(1,337)
	-	564
Total equity at the end of the financial year	11,030	21,506

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

Preliminary consolidated cash flow statement

For the year ended 30 June 2008

	2008 \$000	2007 \$000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	87,699	85,865
Payments to suppliers and employees (inclusive of goods and services tax)	(86,701)	(86,863)
	998	(998)
Interest paid	(509)	(484)
Interest received	82	55
Income taxes (paid) / refund	173	51
Net cash inflow/(outflow) from operating activities	744	(1,376)
Cash flows from investing activities		
Payment for purchase of subsidiary	-	(998)
Settlement of prior year purchase of subsidiary	(1,192)	-
Proceeds from sale of subsidiary	2,114	-
Payment for software	-	(190)
Payment for property, plant and equipment	(890)	(132)
Net cash inflow/(outflow) from investing activities	32	(1,320)
Cash flows from financing activities		
Proceeds from borrowings	-	2,942
Proceeds from lease incentive/fitout	150	-
Dividends paid	-	(1,337)
Repayment of borrowings to financial institutions	(3,079)	-
Repayment of borrowings from associates	2,440	-
Net cash inflow/(outflow) from financing activities	(489)	1,605
Net increase/(decrease) in cash held	287	(1,091)
Cash at the beginning of the financial year	(66)	969
Effects of exchange rate changes on cash	(494)	56
Cash at the end of the financial year	(273)	(66)

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the preliminary financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The preliminary financial report comprises financial statements for the consolidated entity consisting of Hamilton James & Bruce Group Limited and its subsidiaries, together with additional notes to assist readers in gaining a better understanding of the financial statements..

(a) Basis of preparation

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

Compliance with IFRS

Australian Accounting Standards include Australian equivalent to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes comply with International Financial Reporting Standards (IFRS).

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

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree or judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(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 2008 and the results of all subsidiaries for the year then ended. Hamilton James & Bruce Group Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (note h).

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

(ii) Employee Share Trust

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

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

(iii) Associates

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

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

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

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

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

(e) Revenue recognition

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

Revenue for the major business activities is recognised as follows:

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

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

- Interest income: Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash

flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(f) Income tax

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

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

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

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

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

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

Tax Consolidation Legislation

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

The head entity, Hamilton James & Bruce Group Limited, and the controlled entities in the tax consolidated Group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand alone taxpayer in its own right.

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned consolidated entities.

(g) Leases

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

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

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

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

(h) Business combinations

The purchase method of accounting is used for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their fair value as at the acquisition date based on the best available evidence of the price at which the instruments could be exchanged between knowledgeable, willing parties in an arm's length transaction. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

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

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

(i) Impairment of assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or group of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Cash and cash equivalents

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

(k) Trade receivables

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

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

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

(l) Plant and equipment

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

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

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

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

(m) Leasehold improvements

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

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

(n) Intangible assets

(i) Goodwill

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

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

(ii) Software

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

(iii) Databases

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

(iv) Customer contracts

Customer contracts acquired as part of a business combination are recognised separately from goodwill. They are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated

based on the timing of projected cash flows of the contracts over their estimated useful lives, which vary from 3 to 9 months.

(v) Brandnames

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

(o) Trade and other creditors

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

(p) Borrowings

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

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

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

(q) Borrowing costs

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

Borrowing costs include:

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

(r) Provisions

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

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

(s) Employee benefits

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave 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) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

(iii) Profit share and bonus plans

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

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

(iv) Superannuation

The consolidated entity participates in 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.

(v) Share-based payments

Share-based compensation benefits are provided to employees via the Hamilton James & Bruce Share Plan and the Employee Performance Rights Plan of Hamilton James & Bruce Group Limited.

Hamilton James & Bruce Share Plan

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

Employee Performance Rights Plan

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

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

(vi) Termination benefits

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

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

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

(vii) Employee benefit on-costs

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

(t) Contributed Equity

Ordinary shares are classified as equity.

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

(u) Dividends

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

(v) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing the operating profit after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(w) Investments and other financial assets

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

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

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

after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet note (note 12).

(x) Goods and Services Tax (GST)

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

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(y) Rounding of Amounts

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

(z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group's and the parent entity's assessment of the impact of the applicable new standards and interpretation is set out below;

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

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

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

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There is no impact on the financial report of the Group.

(iii) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*

A revised AASB 101 is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

Notes to the preliminary consolidated financial statements

NOTE 2 SEGMENT INFORMATION

(a) Business segments

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

(b) Geographical segments

The consolidated entity's business units have investments in two geographic areas, being Australia and New Zealand. The wholly owned subsidiary in New Zealand, CHMC Consulting Limited acted as an investment vehicle holding which held 24.2% interest in OCG Consulting Limited until November 2007.

(c) Equity-accounted investments

The Group disposed of 24.2% of OCG Consulting Limited in November 2007, a recruitment company located in New Zealand which was accounted for using the equity method and operates in the same business segment as the rest of the Group.

(d) Secondary reporting format - geographical segments

	2008 \$000	2007 \$000
Segment revenues from continuing operations		
Australia	78,837	80,115
New Zealand	-	-
	<u>78,837</u>	<u>80,115</u>
Segment revenues from discontinued operations		
Australia	-	-
New Zealand	49	151
	<u>49</u>	<u>151</u>
Segment assets from continuing operations		
Australia	20,571	30,531
New Zealand	-	-
	<u>20,571</u>	<u>30,531</u>
Segment assets from discontinued operations		
Australia	-	-
New Zealand	95	4,865
	<u>95</u>	<u>4,865</u>
Acquisitions of property, plant and equipment from continuing operations		
Australia	890	132
New Zealand	-	-
	<u>890</u>	<u>132</u>
Acquisitions of property, plant and equipment from discontinued operations		
Australia	-	-
New Zealand	-	-
	<u>-</u>	<u>-</u>

Segment revenues were allocated based on the country in which the customer was located.

Segment assets and capital expenditure were allocated based on where the assets were located.

Notes to the preliminary consolidated financial statements (continued)

NOTE 3 CORRECTION OF ERROR AND REVISION OF ESTIMATES

(i) Correction of error in recording of expenses in the previous financial year's

Errors on payroll tax returns submitted for the periods ended 30 June 2004 and 30 June 2005, resulted in an understatement of payroll tax expenses by \$346,000 and \$29,000 respectively. Associated penalty interest expenses, were \$20,000 (2005), \$26,000 (2006), and \$25,000 (2007). These error had the effect of understating the consolidated payroll tax liability by \$346,000 (2004), \$49,000 (2005), and \$26,000 (2006), and \$25,000 (2007) and consolidated total liabilities by \$242,000 (2004) \$34,000 (2005), and overstating the consolidated liability for income tax by \$104,000 (2004) and \$15,000 (2005) and consolidated retained profits and consolidated total equity by \$446,000 as at 30 June 2007. The error also had the effect of overstating consolidated profit before income tax by \$446,000, consolidated income tax expense by \$134,000 and consolidated profit after income tax by \$312,000 for the year ended 30 June 2007.

AASB 108(49)(b)(i)

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

AASB 108(49)(b)(ii)

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for both basic and diluted earnings per share was a reduction of \$0.02 cents per share.

(ii) Revision of useful lives of software

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

NOTE 4 REVENUE

	2008 \$000	2007 \$000
From continuing operations		
<i>Sales revenue</i>		
Permanent placements	15,302	16,675
Temporary placements	63,404	63,283
<i>Other revenue</i>		
Interest	42	28
Advertising rebates	44	57
HR consulting	17	54
Rents and sub-lease rentals	28	18
Total revenue from continued operation	78,837	80,115
From discontinued operations		
<i>Other revenue</i>		
Interest	40	151
Dividend	9	-
Total revenue from discontinued operation	49	151
Total revenue	78,886	80,266

Notes to the preliminary consolidated financial statements (continued)

NOTE 5 EXPENSES

	2008 \$000	2007 \$000
Profit before income tax includes the following specific expenses:		
Continuing operations		
<i>Depreciation</i>		
Plant and equipment	461	380
<i>Amortisation</i>		
Lease incentive	330	320
Contracts	2	68
Software and database	1,569	696
Make good	68	64
	1,969	1,148
Depreciation and amortisation expense	2,430	1,528
<i>Impairment</i>		
Plant and equipment	143	-
Make good	84	-
	227	-
Employment costs		
Temporary placements	49,170	48,689
Permanent personnel	18,513	18,955
Termination payments	-	198
Defined contribution superannuation expense	4,513	4,355
	72,196	72,197
Financing costs	509	471
Occupancy costs	2,406	2,315
Net loss on disposal of property, plant and equipment	132	10
Impairment of goodwill	7,289	-
Discontinued operations		
Net loss on disposal of investment (24.25% OCG)	335	-
Reversal of FCTR arising on disposal of foreign entities	1,109	-

Impairment of assets

The Group has moved its Melbourne city office to a new location reducing their occupancy cost by 50%. The savings in cash not only align with the cost control strategy, but allow for the future funding for expansion into other areas within Greater Melbourne. This however has given rise to an onerous contract on the original lease, causing the leasehold improvements to be impaired and recognised in the financial result to 30 June 2008 as stated above.

NOTE 6 DIVIDENDS

	2008 \$000	2007 \$000
Ordinary shares		
Dividends paid during the interim financial reporting period	-	1,337

Notes to the preliminary consolidated financial statements (continued)

NOTE 7 EQUITY SECURITIES ISSUED

	2008 Shares	2007 Shares	2008 \$000	2007 \$000
Issues of ordinary shares during the financial year				
Issue as part of consideration paid for IT Resources	Nil	6,000,000	-	1,860

NOTE 8 DISCONTINUED OPERATIONS

(a) Description

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

The operations of the subsidiaries consisted of an investment in an associate. The investment was disposed of in November 2007 for consideration consisting of cash and equity instruments. The subsidiaries undertook an ordinary sale of the equity instruments received on consideration during the period from the sale of the associate to 30 April 2008.

Financial information relating to the discontinued operation for the period to 30 June 2008 is set out below. Further information is set out in note 2 (d) - segment information.

	2008 \$000	2007 \$000
(b) Financial performance and cash flow information		
Revenue	49	151
Share of net profit of associates using the equity accounting method	141	191
Foreign exchange gain	709	-
Loss from sale of business - OCG Consulting Limited	(335)	-
Reversal of FCTR arising on disposal of discontinued entities	(1,109)	-
Foreign exchange loss		(185)
Interest expense		
Other expense	122	(105)
Profit/(loss) before income tax	(423)	52
Income tax expense	(186)	77
Profit / (Loss) after income tax from discontinued operations	(609)	129
Net cash inflow (outflow) from operating activities	(201)	(32)
Net cash inflow (outflow) from investing activities	2,114	(556)
Net cash inflow (outflow) from financing activities	(1,885)	(311)
Net decrease in cash generated by the discontinued operations	28	(899)

(c) Carrying amounts of assets and liabilities

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

	2008 \$000	2007 \$000
Cash and cash equivalent	41	13
Trade and other receivables	54	7
Loans to associates		2,440
Investments		2,406
Total assets	95	4,866
Trade and other payables	(38)	(22)
Loans between parent and discontinued entities	6,760	2,635
Current tax liabilities	-	(25)
Total liabilities	6,722	2,588
Net assets	6,817	7,454

Notes to the preliminary consolidated financial statements (continued)

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

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

NOTE 9 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2008 \$000	2007 \$000
Cash at bank and on hand	160	78
Total cash and cash equivalents	160	78

Reconciliation to cash at the end of the year

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

Balance as above	160	78
Less: Bank overdrafts	(433)	(144)
Balance as per statement of cash flows	(273)	(66)

NOTE 10 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	2008 \$000	2007 \$000
Trade receivables	8,877	8,608
Provision for impairment of receivables	(193)	-
Net trade receivables	8,684	8,608
Amounts receivable from controlled entities	-	-
Income tax refund	216	477
Prepayments	343	127
Other receivables	32	272
Loan to related party - interest bearing	-	1,849
Loan to related party - non-interest bearing	-	591
Total trade and other receivables	9,275	11,924

NOTE 11 NON-CURRENT ASSETS - INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	2008 \$000	2007 \$000
Shares in associates	-	2,406
Total investment accounted for using the equity method	-	2,406

Shares in associates

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

Notes to the preliminary consolidated financial statements (continued)

NOTE 12 NON-CURRENT ASSETS - PROPERTY PLANT AND EQUIPMENT

	Property, plant and equipment \$000	Leasehold rectification \$000	Office fitout incentive \$000	Total \$000
Year ended 30 June 2007				
Opening net book amount	1,568	335	2,306	4,209
Additions	86	-	46	132
Additions through business combinations	35	-	-	35
Disposals	(10)	-	-	(10)
Depreciation charge	(380)	(64)	(320)	(764)
Closing net book amount	1,299	271	2,032	3,602
At 30 June 2007				
Cost	2,536	470	3,115	6,121
Accumulated depreciation	(1,237)	(199)	(1,083)	(2,519)
Net book amount	1,299	271	2,032	3,602
Year ended 30 June 2008				
Opening net book amount	1,299	271	2,032	3,602
Additions	675	111	104	890
Disposals	(132)	-	-	(132)
Depreciation/amortisation charge	(461)	(68)	(330)	(859)
Impairment loss	(143)	(84)	-	(227)
Closing net book amount	1,238	230	1,806	3,274
At 30 June 2008				
Cost	2,848	497	3,219	6,564
Accumulated depreciation	(1,610)	(267)	(1,413)	(3,290)
Net book amount	1,238	230	1,806	3,274

NOTE 13 Non-current assets - Deferred tax assets

	2008 \$000	2007 \$000
The balance comprises temporary difference attributable to:		
Retirement benefit obligations	357	134
Employee benefits	174	230
Employee bonuses	9	20
Provision for lease rectification	174	141
	714	525
Other:		
Doubtful debts	58	-
Depreciation	98	10
Accrued expenses	59	47
Borrowing costs	3	8
Sub-total other	218	65
Total deferred tax assets	932	590
Set-off of deferred tax liabilities of parent entity pursuant to set-off provisions	(69)	(81)
Deferred tax asset taken to profit	(863)	-
Net deferred tax assets	-	509
Deferred tax assets to be recovered after more than 12 months	308	203
Deferred tax assets to be recovered within 12 months	624	387
	932	590

Notes to the preliminary consolidated financial statements (continued)

NOTE 14 NON-CURRENT ASSETS - INTANGIBLE ASSETS

	Goodwill \$000	Software \$000	Brandnames \$000	Contracts \$000	Total \$000
Year ended 30 June 2007					
Opening net book amount	10,661	2,382	-	-	13,043
Additions	-	190	-	-	190
Additions through business combination	3,658	436	243	70	4,407
Amortisation charge	-	(696)	-	(68)	(764)
Closing net book amount	14,319	2,312	243	2	16,876
At 30 June 2007					
Cost	14,319	3,790	243	70	18,422
Accumulated amortisation and impairment	-	(1,478)	-	(68)	(1,546)
Net book amount	14,319	2,312	243	2	16,876
Year ended 30 June 2008					
Opening net book amount	14,319	2,312	243	2	16,876
Impairment	(7,289)	-	-	-	(7,289)
Adjustment to opening balance	(60)	-	-	-	(60)
Amortisation charge	-	(1,569)	-	(2)	(1,571)
Closing net book amount	6,970	743	243	-	7,956
At 30 June 2008					
Cost	14,259	3,790	243	70	18,362
Accumulated amortisation and impairment	(7,289)	(3,047)	-	(70)	(10,406)
Net book amount	6,970	743	243	-	7,956

NOTE 15 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	2008 \$000	2007 \$000
Trade payables	683	197
Other Payables		
Employment costs	2,846	2,321
Tax	580	707
Expenses	518	459
Total current liabilities - trade and other payables	4,627	3,684

NOTE 16 CURRENT LIABILITIES - LEASE INCENTIVES

	2008 \$000	2007 \$000
Lease incentive	350	320
Total current liabilities - lease incentive	350	320

NOTE 17 CURRENT LIABILITIES - PROVISIONS

	2008 \$000	2007 \$000
Employee benefits		
Annual leave	460	592
Long service leave	53	36
Make good provision	71	-
Total current liabilities provisions	584	628

Notes to the preliminary consolidated financial statements (continued)

NOTE 18 CURRENT LIABILITIES - DEFERRED SETTLEMENT

	2008 \$000	2007 \$000
Deferred settlement		
IT Resources Group	-	1,152
Provincial Personnel	100	100
Total current liabilities - deferred settlement	100	1,252

NOTE 19 CURRENT LIABILITIES - BORROWINGS

	2008 \$000	2007 \$000
Secured		
Invoice financing facility	1,510	3,998
Bank overdraft	433	144
Commercial bill	-	880
	1,943	5,022

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

NOTE 20 NON-CURRENT LIABILITIES - LEASE INCENTIVES

	2008 \$000	2007 \$000
Lease incentive	1,456	1,666
Total non-current liabilities - lease incentive	1,456	1,666

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

	2008 \$000	2007 \$000
Profit / (loss) for the year	(10,179)	258
Payroll tax payments against adjustment on retained earnings	(446)	-
Depreciation and amortisation	2,430	1,528
Impairment of plant & equipment	227	-
Impairment of goodwill	7,289	-
Non-cash employee benefits - share-based payments	-	41
Net foreign exchange (gain) / loss	(709)	185
Reversal of FCTR arising on disposal of discounting entities	1,109	-
(Profit)/loss on sale of business- OCG Consulting Limited	335	-
Loss on disposal of property, plant and equipment	132	10
Share of profits of associates not received as dividend / distributions	(141)	(191)
Dividend, interest and management fees	-	(125)
(Increase)/decrease in trade debtors and other debtors	(76)	(2,462)
(increase)/decrease in future income tax benefit	509	333
(Increase)/decrease in income tax refundable	261	15
(Increase)/decrease in other operating assets	24	(278)
Increase/(decrease) in provision for deferred income tax	(587)	(129)
Increase/(decrease) in trade and other creditors	845	(348)
Increase/(decrease) in provision for income tax payable	(23)	(17)
Increase/(decrease) in other provisions	(256)	(196)
Net cash inflow/(outflow) from operating activities	744	(1,376)

Supplementary Appendix 4E information and other relevant disclosures

	2008 cents	2007 cents	
(a) NTA backing			
Net tangible asset backing per ordinary security	4.6	6.9	
(b) Details of controlled entities			
(i) Control gained over entities having material effect	N/A		
(ii) Loss of control of entities having material effect	N/A		
(c) Details of associate entities			
(i) Name of entity	OCG Consulting Limited		
(ii) Percentage holding	2008 0.0%	2007 24.2%	
	2008 \$000	2007 \$000	
(iii) Profit from discontinued operations and income tax	141	191	
(d) Dividends			
(i) Date the dividend is payable	N/A		
(ii) Record date to determine entitlements to dividend	N/A		
	Amount per share	Franked amount per share @ 30%	Amount per share of foreign source dividend
Special dividend: Current period	Nil	Nil	Nil
Previous period (paid Dec 06)	2 cents	2 cents	Nil
Dividend Reinvestment Plan	The Company does not have a dividend reinvestment plan		
(e) Franking credits available and prospects for paying or partly franked dividends for at least the next year			
Franking credits available at 30 June 2008 are \$1,508,000 based on the 30% tax rate.			
(f) Retained earnings reconciliation			
Movements in retained profits were as follows:	2008 \$000	2007 \$000	
Opening balance	1,896	2,941	
Adjustments to retained earnings	(446)	-	
Net profit / (loss) for the year	(10,179)	258	
Consolidation of HJ&B Employee Share Trust	-	34	
Dividends	-	(1,337)	
Closing balance	(8,729)	1,896	

Compliance statement

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

☐

The accounts have been audited

☐

The accounts have been subject to review

☒

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

☐

The accounts have not yet been audited or reviewed

- 5 The entity has a formally constituted audit committee.



Mohit Prasad
Chief Financial Officer

Sydney, 29 August 2008

Directors' declaration

In the directors' opinion:

- (a) the financial reports and notes set out on pages 6 to 24 are in accordance with the Corporations Act 2001, including;
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2008 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the year ended on that date; and
- (b) there are reasonable grounds to believe that Hamilton James & Bruce Group Limited will be able to pay its debts as and when they become due and payable.

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



Deborah Wilson
Chairman and Chief Executive Officer

Sydney, 29 August 2008