

Appendix 4E

Preliminary final report

Name of entity

Ross Human Directions Limited

ABN or equivalent company
reference

ABN 25 003 758 709

Financial year ended

30 June 2006

Results for announcement to the market

\$A000

Revenues from ordinary activities	down	6.8 %	to	333,797
Profit (loss) from ordinary activities after tax attributable to members	up	5.3 %	to	5,045
Net profit (loss) for the period attributable to members	up	5.3 %	to	5,045
Dividends		Amount per security		Franked amount per security
Final dividend		2.0 ¢		2.0 ¢
Interim dividend		2.0 ¢		2.0 ¢
Previous corresponding period				
Final dividend		2.0 ¢		2.0 ¢
Interim dividend		2.0 ¢		2.0 ¢
Record date for determining entitlements to the dividend	<div style="border: 1px solid black; padding: 2px; display: inline-block;">22 September 2006</div>			
Brief explanation of any of the figures reported above to enable the figures to be understood.				

Consolidated income statement

For the year ended 30 June 2006

	Notes	2006 \$'000	2005 \$'000
Revenue from continuing operations	3	333,797	358,054
Other income	4	4	4
Costs of temporary staff		(273,674)	(292,717)
Employee benefits expense		(35,689)	(35,342)
Depreciation and amortisation expenses	5	(1,470)	(1,947)
Reduction in the carrying amount of goodwill due to the realisation of acquired tax losses	5	(1,288)	-
Impairment of goodwill	5	-	(128)
Finance costs	5	(1,427)	(1,866)
Other expenses		(15,534)	(19,100)
		<hr/>	<hr/>
Profit before income tax		4,719	6,958
Income tax benefit (expense)		326	(2,168)
		<hr/>	<hr/>
Profit attributable to the members of Ross Human Directions Limited		5,045	4,790
		<hr/>	<hr/>
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic EPS	15	6.2	6.2
Diluted EPS	15	6.1	6.1

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

Consolidated balance sheet

As at 30 June 2006

	Notes	2006 \$'000	2005 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	5,736	5,044
Trade and other receivables	7	48,675	56,264
Total Current Assets		54,411	61,308
Non-Current Assets			
Held-to-maturity investments		954	-
Property, plant and equipment	8	1,555	1,466
Deferred tax assets		2,825	2,537
Intangible assets	9	8,992	10,860
Total Non-Current Assets		14,326	14,863
Total Assets		68,737	76,171
LIABILITIES			
Current Liabilities			
Trade and other payables	10	20,996	19,896
Borrowings	11	10,440	20,214
Current tax liabilities		500	1,676
Provisions		136	105
Total Current Liabilities		32,072	41,891
Non-Current Liabilities			
Payables		92	92
Deferred tax liabilities		675	921
Provisions		645	535
Total Non-Current Liabilities		1,412	1,548
Total Liabilities		33,484	43,439
Net Assets		35,253	32,732
EQUITY			
Contributed equity		24,398	24,068
Reserves	12(a)	383	(34)
Retained profits	12(b)	10,472	8,698
Total Equity		35,253	32,732

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

Consolidated statement of changes in equity

For the year ended 30 June 2006

	Notes	2006 \$'000	2005 \$'000
Total equity at the beginning of the financial year		32,732	15,910
Exchange differences on translation of foreign operations	12(a)	<u>320</u>	<u>(272)</u>
Net income recognised directly in equity		320	(272)
Profit for the year		5,045	4,790
Total recognised income and expense for the year		5,365	4,518
Transactions with equity holders in their capacity as equity holders:			
Employee share options	12(a)	97	238
Contributions of equity, net of transaction costs		330	15,211
Dividends paid		<u>(3,271)</u>	<u>(3,145)</u>
		<u>(2,844)</u>	12,304
Total equity at the end of the financial year		35,253	32,732

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

Consolidated cash flow statement

For the period ended 30 June 2006

	Notes	2006 \$'000	2005 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		380,813	388,053
Payments to suppliers and employees (inclusive of goods and services tax)		(361,957)	(387,068)
		18,856	985
Interest paid		(1,349)	(1,393)
Income taxes paid		(2,731)	(1,273)
Net cash inflow (outflow) from operating activities	13	14,776	(1,681)
Cash flows from investing activities			
Payment for purchase of Spherion (ACT) Pty Limited and controlled entities, net of cash acquired		(4,367)	(13,859)
Payment for purchase of Balance Accounting Professional business		-	(175)
Payments for property, plant and equipment		(1,117)	(333)
Payments for intangible assets		(102)	(140)
Payments for held-to-maturity investments		(954)	-
Proceeds from sale of property, plant and equipment		4	4
Repayment of loans by employees		12	20
Interest received		81	185
Net cash outflow from investing activities		(6,443)	(14,298)
Cash flows from financing activities			
Proceeds from issues of shares		-	14,931
Proceeds from borrowings		13,200	16,571
Repayment of borrowings		(8,963)	(20,261)
Dividends paid to company's shareholders		(2,942)	(2,866)
Net cash inflow from financing activities		1,295	8,375
Net increase (decrease) in cash and cash equivalents		9,628	(7,604)
Cash and cash equivalents at beginning of the financial year		(9,402)	(1,471)
Effect of exchange rate changes on cash and cash equivalents		344	(327)
Cash and cash equivalents at the end of the financial year	6	570	(9,402)

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

Note 1 Summary of significant accounting policies

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

This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with any public announcements made by Ross Human Directions Limited during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(a) Accounting Period

This financial report is for the year ended 30 June 2006. The comparatives for the previous financial period are from 26 June 2004 to 30 June 2005. Refer to note 1(a) in the 30 June 2005 annual report that provides an explanation for this.

(b) Basis of preparation

This financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRSs

Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the consolidated financial statements and notes of Ross Human Directions Limited comply with International Financial Reporting Standards (IFRSs).

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS)

This financial report is the first Ross Human Directions Limited financial report to be prepared in accordance with AIFRSs. AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Ross Human Directions Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Ross Human Directions Limited financial report for the year ended 30 June 2006, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the Group's equity and its net income are given in note 16.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Note 1 Summary of significant accounting policies (continued)

(c) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Ross Human Directions Limited ("company" or "parent entity") as at 30 June 2006 and the results of all subsidiaries for the year then ended. Ross Human Directions 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. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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 (refer to note 1(i)).

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

(d) 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 from those of segments operating in other economic environments.

(e) 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 Ross Human Directions 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 items, such as equities held at fair value through profit or loss, are reported 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.

Note 1 Summary of significant accounting policies (continued)

(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 and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings forming part of the net investment are 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.

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

(i) Human resources

Income from contracting is brought to account when the services are provided. Contracting services provided but not yet billed are taken up as accrued revenue. All other fee income is recognised when services are performed.

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(ii) Dividend revenue

Dividend revenue is recognised as revenue when the right to receive payment is established.

(g) 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 tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Note 1 Summary of significant accounting policies (continued)

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 deferred tax balances relate to the same taxation authority. Current tax assets and tax 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

Ross Human Directions Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003.

The head entity, Ross Human Directions 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.

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

(h) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

Note 1 Summary of significant accounting policies (continued)

(i) Business combinations

The purchase method of accounting is used to account 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, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. 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 (refer to note 1(q)). If the cost of acquisition is less than 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 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.

(j) Impairment of assets

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

(k) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which 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.

Note 1 Summary of significant accounting policies (continued)

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement.

(m) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

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 geographic area of operations, is part of a single coordinated 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.

(n) Investments and other financial assets

From 26 June 2004 to 30 June 2005

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139. For further information on previous AGAAP refer to the annual report for the financial period ended 30 June 2005.

Adjustments on transition date: 1 July 2005

There were no adjustments needed on transition date, 1 July 2005 to comply with AASB 132 and AASB 139.

Note 1 Summary of significant accounting policies (continued)

From 1 July 2005

The Group has investments in the following category: loans and receivables.

(i) *Loans and receivables*

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(o) **Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Techniques, such as estimated discounted cash flows, are used to determine fair value for financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(p) **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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Office equipment	2-8 years
- Furniture and fittings	3-7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

Note 1 Summary of significant accounting policies (continued)

(q) 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 acquired in business combinations 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. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment.

(ii) Software

Software has a finite useful life and is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of software over their estimated useful lives, which vary from 3 to 8 years.

(iii) Preferred supplier agreement

The preferred supplier agreement has a finite useful life and is carried at cost less accumulated amortisation and impaired losses. Amortisation is calculated using the straight line method to allocate the cost of the preferred supplier agreement over its estimated useful life of 4 years.

(r) Trade and other payables

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

(s) 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 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 classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(t) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, in this case 6.58% (2005 – 6.08%).

Note 1 Summary of significant accounting policies (continued)

(u) Provisions

Provisions for legal claims and service warranties 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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(v) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables 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 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 using the projected unit credit method. 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, the estimated future cash outflows.

(iii) Retirement benefit obligations

All employees of the Group are entitled to benefits on retirement, disability or death from the Group's superannuation plans. The Group contributes to defined contribution plans. The plans receive fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

Contributions to the defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Share-based payments

Share-based compensation benefits are provided to employees via the Ross Human Directions Limited Employee Share Option and Performance Share Rights Plans.

Shares options granted before 7 November 2002 and/or vested before 1 January 2005

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Shares options and Performance Share Rights granted after 7 November 2002 and vested after 1 January 2005

The fair value of options granted under the Ross Human Directions Limited Employee Share Option and Performance Share Rights Plans is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

Note 1 Summary of significant accounting policies (continued)

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options and performance share rights granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options or performance share rights, the proceeds received, net of any directly attributable transactions costs, are credited to share capital.

(v) *Profit-sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(vi) *Termination benefits*

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

(w) **Contributed equity**

Ordinary shares are classified as equity.

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

If the entity reacquires its own equity instruments, eg as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income tax) is recognised directly in equity.

(x) **Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

Note 1 Summary of significant accounting policies (continued)

(y) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the 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.

(z) Financial instrument transaction costs

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The Group has applied previous Australian GAAP (AGAAP) in the comparative information on financial instruments within the scope of AASB 132 and AASB 139. Under previous AGAAP transaction costs were excluded from the amounts disclosed in the financial statements. Under AIFRS such costs are included in the carrying amounts. At the date of transition to AASB 132 and AASB 139 the adjustment to carrying amounts for the Group was immaterial.

(aa) 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 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 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.

(ab) Rounding of amounts

The company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, 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, the nearest dollar.

Note 1 Summary of significant accounting policies (continued)

(ac) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) UIG 4 *Determining whether an Asset Contains a Lease*

UIG 4 is applicable to annual periods beginning on or after 1 January 2006. The Group has not elected to adopt UIG 4 early. It will apply UIG 4 in its 2007 financial statements and the UIG 4 transition provisions. The Group will therefore apply UIG 4 on the basis of facts and circumstances that existed as of 1 July 2006. Implementation of UIG 4 is not expected to change the accounting for any of the Group's current arrangements.

(ii) UIG 5 *Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*

The Group does not have interests in decommissioning, restoration and environmental rehabilitation funds. This interpretation will not affect the Group's financial statement.

(iii) AASB 2005-9 Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]

AASB 2005-9 is applicable to annual reporting periods beginning on or after 1 January 2006. The amendments relate to the accounting for financial guarantee contracts. The Group has elected not to adopt the amendments early. It will apply the revised standards in its 30 June 2007 financial statements. Application of the revised rules may result in the recognition of financial liabilities in the financial statements of the parent entity, Ross Human Directions Limited, under guarantees given pursuant to the deed of cross guarantee in respect of amounts payable by wholly-owned subsidiaries. An assessment of the fair value of these guarantees has not yet been performed. The new rules will be implemented retrospectively with a restatement of the comparatives as required by AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

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

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

(v) UIG 6 *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*

UIG 6 is applicable to annual reporting periods beginning on or after 1 December 2006. This interpretation will not affect the Group's financial statements.

(vi) AASB 2005-6 *Amendments to Australian Accounting Standards* [AASB 121]

AASB 2005-6 is applicable to annual reporting periods ending on or after 31 December 2006. The amendment relates to monetary items that form part of a reporting entity's net investment in a foreign operation. It removes the requirement that such monetary items had to be denominated either in the functional currency of the reporting entity or the foreign operation. Ross Human Directions Limited does not have any monetary items forming part of the net investment in a foreign operation. The amendment to AASB 121 will therefore have no impact on the Group's financial statements.

Note 2 – Segment information

Business segments

The consolidated entity's operations are carried out in one industry sector, human resources. This is the primary format of segment reporting for the group.

Geographical segments

Although the consolidated entity is managed on a global basis it is operated in three main geographical areas:

Australia / New Zealand

Comprises operations in Australia and New Zealand. The parent entity is domiciled in Australia.

East Asia

Comprises operations carried on in Singapore, Hong Kong and Malaysia.

Europe

Comprises operations carried on in The United Kingdom and Ireland.

Secondary reporting – geographical segments

	Segment revenues from sales to external customers		Segment assets		Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Australia / New Zealand	292,296	319,134	55,530	67,085	1,179	8,361
East Asia	32,543	29,789	10,036	6,511	10	75
Europe	8,877	8,946	3,171	2,575	30	95
	333,716	357,869	68,737	76,171	1,219	8,531

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

Note 3 – Revenue

	2006 \$'000	2005 \$'000
From continuing operations		
<i>Sales revenue</i>		
Services	333,716	357,869
<i>Other revenue</i>		
Interest	81	185
	333,797	358,054

Note 4 – Other income

	2006	2005
	\$'000	\$'000
Net gain on disposal of property, plant and equipment	4	4

Note 5 – Expenses

Profit before income tax includes the following specific expenses:

Depreciation		
Plant and equipment	409	672
Furniture and fittings	75	85
Leasehold improvements	303	417
Plant and equipment under finance lease	1	10
Total depreciation	788	1,184
Amortisation		
Software	670	749
Preferred supplier agreement	12	14
Total amortisation	682	763
Reduction in the carrying amount of goodwill due to the realisation of acquired tax losses	1,288	-
Impairment of goodwill	-	128
Finance costs		
Interest and finance charges paid/payable	1,414	1,726
Exchange losses on foreign currency borrowing	13	140
Finance costs expensed	1,427	1,866
Net loss on disposal of plant and equipment	249	12
Rental expense relating to operating leases		
Minimum lease payments	3,743	4,038

Note 6 Current assets - cash and cash equivalents

	2006	2005
	\$'000	\$'000
Cash at bank and on hand	5,736	5,044

Reconciliation to cash at the end of the year

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

Balance as above	5,736	5,044
Less: Bank overdrafts	(5,166)	(14,446)
Balances per statement of cash flows	570	(9,402)

Note 7 Current assets – Trade and other receivables

	2006 \$'000	2005 \$'000
Trade receivables	44,495	55,752
Less: Provision for doubtful debts	(946)	(2,203)
	43,549	53,549
Other receivables	4,955	2,324
Less: Provision for doubtful receivables	(777)	(1,090)
	4,178	1,234
Prepayments	948	1,481
	48,675	56,264

Note 8 Non-current assets – Property, plant and equipment

	Construction in progress \$'000	Furniture & fittings \$'000	Leasehold improve- ments \$'000	Plant & equipment \$'000	Leased plant & equipment \$'000	Total \$'000
Consolidated						
At 26 June 2004						
Cost	-	562	426	2,385	7	3,380
Accumulated depreciation	-	(379)	(244)	(1,568)	(4)	(2,195)
Net book amount	-	183	182	817	3	1,185
Period ended 30 June 2005						
Opening net book value	-	183	182	817	3	1,185
Exchange differences	-	-	(6)	(11)	(2)	(19)
Acquisition of subsidiaries	-	-	693	465	18	1,176
Additions	-	96	13	224	-	333
Assets classified as held for sale and other disposals	-	-	-	(17)	(8)	(25)
Depreciation charge	-	(85)	(417)	(672)	(10)	(1,184)
Closing net book amount	-	194	465	806	1	1,466
At 30 June 2005						
Cost	-	656	3,330	6,690	7	10,683
Accumulated depreciation	-	(462)	(2,865)	(5,884)	(6)	(9,217)
Net book amount	-	194	465	806	1	1,466
Year ended 30 June 2006						
Opening net book value	-	194	465	806	1	1,466
Exchange differences	-	2	3	4	-	9
Additions	170	20	469	458	-	1,117
Assets classified as held for sale and other disposals	-	-	(249)	-	-	(249)
Depreciation charge	-	(75)	(303)	(409)	(1)	(788)
Reclassification	-	-	5	(5)	-	-
Closing net book amount	170	141	390	854	-	1,555
At 30 June 2006						
Cost	170	680	2,721	7,091	7	10,669
Accumulated depreciation	-	(539)	(2,331)	(6,237)	(7)	(9,114)
Net book amount	170	141	390	854	-	1,555

Note 9 Non-current assets – Intangible assets

Consolidated	Software \$'000	Goodwill \$'000	Preferred supplier agreement \$'000	Total \$'000
At 26 June 2004				
Cost	4,058	2,318	50	6,426
Accumulated amortisation and impairment	(1,185)	(617)	(1)	(1,803)
Net book amount	<u>2,873</u>	<u>1,701</u>	<u>49</u>	<u>4,623</u>
Period ended 30 June 2005				
Opening net book value	2,873	1,701	49	4,623
Acquisition of subsidiaries	317	6,510	-	6,827
Additions	140	175	-	315
Impairment charge	-	(128)	-	(128)
Goodwill written off against accruals	-	(14)	-	(14)
Amortisation charge	(749)	-	(14)	(763)
Closing net book amount	<u>2,581</u>	<u>8,244</u>	<u>35</u>	<u>10,860</u>
At 30 June 2005				
Cost	5,035	9,003	50	14,088
Accumulated amortisation and impairment	(2,454)	(759)	(15)	(3,228)
Net book amount	<u>2,581</u>	<u>8,244</u>	<u>35</u>	<u>10,860</u>
Year ended 30 June 2006				
Opening net book value	2,581	8,244	35	10,860
Additions	102	-	-	102
Impairment charge	-	(1,288)	-	(1,288)
Amortisation charge	(670)	-	(12)	(682)
Closing net book amount	<u>2,013</u>	<u>6,956</u>	<u>23</u>	<u>8,992</u>
At 30 June 2006				
Cost	5,137	9,003	50	14,190
Accumulated amortisation and impairment	(3,124)	(2,047)	(27)	(5,198)
Net book amount	<u>2,013</u>	<u>6,956</u>	<u>23</u>	<u>8,992</u>

Note 10 Current liabilities – Trade and other payables

	2006 \$'000	2005 \$'000
Trade payables	5,895	5,770
Other payables	15,101	14,126
	<u>20,996</u>	<u>19,896</u>

Note 11 Current Liabilities – Borrowings

	2006 \$'000	2005 \$'000
Secured		
Bank overdrafts	5,166	14,446
Bank loan	873	841
Commercial bill payable	4,400	-
Lease liabilities	-	1
	10,439	15,288
Unsecured		
Other loans	1	4,926
	10,440	20,214

Note 12 Reserves and retained profits

	2006 \$'000	2005 \$'000
(a) Reserves		
Share-based payments reserve	335	238
Foreign currency translation reserve	48	(272)
	383	(34)
Movements:		
<i>Share-based payments reserve</i>		
Balance 1 July	238	-
Option expense	97	238
Balance 30 June	335	238
<i>Foreign currency translation reserve</i>		
Balance 1 July	(272)	-
Currency translation differences arising during the year	320	(272)
Balance 30 June	48	(272)
(b) Retained profits		
Movements in retained profits were as follows:		
Balance at 1 July	8,698	7,053
Net profit for the year	5,045	4,790
Dividends	(3,271)	(3,145)
Balance at 30 June	10,472	8,698

Note 13 Reconciliation of profit after income tax to net cash inflow (outflow) from operating activities

	2006 \$'000	2005 \$'000
Profit for the year	5,045	4,790
Depreciation and amortisation	1,470	1,947
Impairment of goodwill	1,288	128
Non-cash employee benefits expense – share based payments	97	239
Interest income	(81)	(185)
Net loss on sale of non-current assets	245	12
Decrease (increase) in trade debtors	10,000	(8,250)
(Increase) in deferred tax assets	(288)	(322)
(Increase) in other operating assets	(3,055)	(809)
Increase in trade creditors	125	141
Increase (decrease) in other operating liabilities	1,211	(396)
(Decrease) increase in provision for income taxes payable	(1,176)	1,072
(Decrease) in deferred tax liabilities	(246)	(33)
Increase (decrease) in other provisions	141	(15)
Net cash inflow (outflow) from operating activities	14,776	(1,681)

Note 14 Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. (*If an amount is quantified, show comparative amount.*)

N/A

Note 15 Earnings per share

	2006 Cents	2005 Cents
(a) Basic earnings per share		
Profit attributable to the ordinary equity holders of the company	6.2	6.2
(b) Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company	6.1	6.1
(c) Reconciliations of earnings used in calculating earnings per share	2006 \$'000	2005 \$'000
<i>Basic earnings per share</i>		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	5,045	4,790
<i>Diluted earnings per share</i>		
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	5,045	4,790
(d) Weighted average number of shares used as a denominator		
	Number	Number
Weighted average number of ordinary shares used as a denominator in calculating basic earnings per share	81,918,408	77,771,606
Adjustments for calculation of diluted earnings per share:		
Options / performance share rights	1,327,558	1,058,793
Weighted average number of ordinary shares and potential ordinary shares used as a denominator in calculating diluted earnings per share	83,245,966	78,830,399
(e) Information concerning the classification of securities		
<i>Options</i>		
Options granted to employees under the Ross Human Directions Limited Employee Share Option and Performance Share Rights Plans are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options and performance share rights have not been included in the determination of basic earnings per share.		

Note 16 Explanation of transition to Australian equivalents to IFRSs

(1) Reconciliation of equity reported under previous Australian Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRS (AIFRS)

(a) At the date of transition to AIFRS: 26 June 2004

	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
ASSETS				
Current assets				
Cash and cash equivalents		1,269	-	1,269
Trade and other receivables		20,517	-	20,517
Total Current Assets		21,786	-	21,786
Non-Current Assets				
Property, plant and equipment	(f)	4,058	(2,873)	1,185
Deferred tax assets		659	-	659
Intangible assets	(b),(f)	2,064	2,559	4,623
Total Non-Current Assets		6,781	(314)	6,467
Total Assets		28,567	(314)	28,253
LIABILITIES				
Current Liabilities				
Payables		7,113	-	7,113
Borrowings		3,753	-	3,753
Current tax liabilities		504	-	504
Total Current Liabilities		11,370	-	11,370
Non-Current Liabilities				
Borrowings		1	-	1
Deferred tax liabilities	(b)	1,048	(95)	953
Provisions		19	-	19
Total Non-Current Liabilities		1,068	(95)	973
Total Liabilities		12,438	(95)	12,343
Net Assets		16,129	(219)	15,910
EQUITY				
Parent entity interest				
Contributed equity		8,857	-	8,857
Reserves	(a)	49	(49)	-
Retained profits	(g)	7,223	(170)	7,053
Total Equity		16,129	(219)	15,910

Note 16 Explanation of transition to Australian equivalents to IFRSs (continued)

(b) At the end of the last reporting period under previous AGAAP: 30 June 2005

	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
ASSETS				
Current assets				
Cash and cash equivalents		5,044	-	5,044
Trade and other receivables		56,264	-	56,264
Total Current Assets		61,308	-	61,308
Non-Current Assets				
Property, plant and equipment	(f)	4,047	(2,581)	1,466
Deferred tax assets	(d)	2,591	(54)	2,537
Intangible assets	(b),(c),(d),(f)	8,714	2,146	10,860
Total Non-Current Assets		15,352	(489)	14,863
Total Assets		76,660	(489)	76,171
LIABILITIES				
Current Liabilities				
Payables	(d)	20,076	(180)	19,896
Borrowings		20,214	-	20,214
Current tax liabilities		1,676	-	1,676
Provisions		105	-	105
Total Current Liabilities		42,071	(180)	41,891
Non-Current Liabilities				
Payables		92	-	92
Deferred tax liabilities	(b),(c)	1,008	(87)	921
Provisions		535	-	535
Total Non-Current Liabilities		1,635	(87)	1,548
Total Liabilities		43,706	(267)	43,439
Net Assets		32,954	(222)	32,732
EQUITY				
Parent entity interest				
Contributed equity		24,068	-	24,068
Reserves	(a),(e)	(223)	189	(34)
Retained profits	(g)	9,109	(411)	8,698
Total Equity		32,954	(222)	32,732

Note 16 Explanation of transition to Australian equivalents to IFRSs (continued)

(2) Reconciliation of profit for the financial period ended 30 June 2005

	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
Revenue		358,054	-	358,054
Other income		4	-	4
Costs of temporary staff		(292,717)	-	(292,717)
Employee benefits expense	(d),(e)	(34,668)	(674)	(35,342)
Depreciation and amortisation expenses	(c)	(2,525)	578	(1,947)
Impairment of goodwill	(b)	-	(128)	(128)
Finance costs		(1,866)	-	(1,866)
Other expenses	(d)	(18,900)	(200)	(19,100)
Profit before income tax		<u>7,382</u>	<u>(424)</u>	<u>6,958</u>
Income tax expense	(b),(c),(d)	(2,351)	183	(2,168)
Profit attributable to the members of Ross Human Directions Limited		<u>5,031</u>	<u>(241)</u>	<u>4,790</u>

(3) Reconciliation of cash flow statement for the financial period ended 30 June 2005

The adoption of AIFRSs has not resulted in any material adjustments to the cash flow statement.

(4) Notes to the reconciliations

(a) Foreign currency translation reserve: cumulative translation differences

The Group has elected to apply the exemption of AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. The cumulative translation differences of all foreign operations in the foreign currency translation reserve are deemed to be zero at the date of transition to AIFRSs. The effect is:

(i) At 26 June 2004

For the Group, the balance of the \$49,000 credit in the foreign currency translation reserve is reduced to zero. Retained earnings is increased by this amount.

(ii) At 30 June 2005

For the Group, the balance in the foreign currency translation reserve is reduced by \$49,000. Retained earnings is increased by this amount.

(iii) For the financial reporting period ended 30 June 2005

There is no effect on the Group.

Note 16 Explanation of transition to Australian equivalents to IFRSs (continued)

(b) Impairment

Changes in customer purchases led to a recoverable amount assessment, at 25 June 2004, of the goodwill associated with the acquisition of the PricewaterhouseCoopers executive recruitment business. When this assessment was made under previous AGAAP, the recoverable amount was estimated on an undiscounted basis. Using a discount rate of 13.5% to arrive at value in use, at the date of transition an impairment of \$314,000 existed.

A further recoverable amount assessment was performed at 30 June 2005. When this assessment was made under previous AGAAP, the recoverable amount was estimated on an undiscounted basis. Using a discount rate of 13.5% to arrive at value in use, at 30 June 2005 an impairment of \$36,000 existed.

The effect of these is:

(i) At 26 June 2004

For the Group, there has been a decrease in goodwill of \$314,000. Retained earnings has decreased by \$219,000. Deferred tax liabilities have decreased by \$95,000.

(ii) At 30 June 2005

For the Group, there has been a decrease in goodwill of \$442,000. Retained earnings has decreased by \$337,000. Deferred tax liabilities have decreased by \$105,000.

(iii) For the financial reporting period ended 30 June 2005

For the Group, goodwill impairment expense has increased by \$128,000 and income tax expense has decreased by \$11,000.

(c) Intangible assets – goodwill not amortised

Under AASB3 *Business Combinations*, amortisation of goodwill is prohibited. Under the previous accounting policy in accordance with AGAAP, goodwill was amortised on a straight line basis over the period during which the benefits were expected to arise and not exceeding 20 years. The effect of this change in accounting policy is:

(i) At 26 June 2004

There is no effect on the Group.

(ii) At 30 June 2005

For the Group, there has been an increase in goodwill of \$578,000. Retained earnings has increased by \$560,000. Deferred tax liabilities have increased by \$18,000.

(iii) For the financial reporting period ended 30 June 2005

For the Group, goodwill amortisation expense has decreased by \$578,000 and income tax expense has increased by \$18,000.

Note 16 Explanation of transition to Australian equivalents to IFRSs (continued)

(d) Business combination

Under AASB3 *Business Combinations*, provisions for restructuring costs can only be recognised as part of the acquisition accounting if the acquiree had, at the acquisition date, recognised an existing liability for restructuring. This is different to the previous accounting policy, under AGAAP, where a provision was recognised provided the acquirer had developed the main features of the restructuring plan at the date of the acquisition and developed a detailed plan within three months after the date of the acquisition. The effect of this is:

(i) At 26 June 2004

There is no effect on the Group.

(ii) At 30 June 2005

For the Group, there has been a reduction in goodwill and current payables of \$571,000 and \$180,000, respectively. Retained earnings has decreased by \$445,000. Deferred tax assets have decreased by \$54,000.

(iii) For the financial reporting period ended 30 June 2005

For the Group, there has been an increase in employee benefits expense of \$435,000, other expenses have increased by \$200,000 and income tax expense has decreased by \$190,000.

(e) Share-based payments

Under AASB 2 *Share-based Payment*, from 1 July 2004, the Group is required to recognise an expense for those options and performance share rights that were issued to employees under the Ross Human Directions Limited Employee Share Option and Performance Share Rights plans after 7 November 2002 but that had not vested by 1 January 2005. The effect of this is:

(i) At 26 June 2004

There is no effect on the Group.

(ii) At 30 June 2005

For the Group, there has been a decrease in retained earnings of \$238,000 and a corresponding increase in reserves.

(iii) For the financial reporting period ended 30 June 2005

For the Group, there has been an increase in employee benefits expense of \$239,000.

Note 16 Explanation of transition to Australian equivalents to IFRSs (continued)

(f) Intangible assets – software reclassified

Under AASB 138 *Intangible Assets*, the Group is required to reclassify software that is not an integral part of related hardware as an intangible asset. The effect of this is:

(i) At 26 June 2004

For the Group, there has been a decrease in property, plant and equipment of \$2,873,000 with a corresponding increase in intangible assets.

(ii) At 30 June 2005

For the Group, there has been a decrease in property, plant and equipment of \$2,581,000 with a corresponding increase in intangible assets.

(iii) For the financial reporting period ended 30 June 2005

For the Group, there has been an increase in amortisation expense of \$749,000, with a corresponding decrease in depreciation expense.

(g) Retained earnings

The effect on retained earnings of the changes set out above is as follows:

	Notes	26 June 2004 \$'000	30 June 2005 \$'000
Foreign currency translation reserve	(a)	49	49
Impairment	(b)	(219)	(337)
Intangible assets – goodwill not amortised	(c)	-	560
Business combination	(d)	-	(445)
Share-based payments	(e)	-	(238)
Total adjustment		<u>(170)</u>	<u>(411)</u>

Note 17 Contingent liabilities

Changes in contingent liabilities or assets.

At 30 June 2006, bank guarantees amounted to \$ 2,391,000 (2005: \$ 4,177,000).

Further, during the period claims were lodged with the company in respect of activities that relate to Spherion prior to its acquisition. Based on professional advice the Directors believe that the claims fall within the warranties given by the vendor, Spherion Corporation USA, at acquisition. Based on the latest published information of Spherion Corporation USA, the Directors' believe that Spherion Corporation USA is able to meet any or all liabilities that may arise under these claims.

Note 18 Events occurring after reporting date

There are no material post balance date events.

Supplementary Appendix 4E information and other relevant disclosures

Note 19 NTA backing

	2006 Cents	2005 Cents
Net tangible asset backing per ordinary security	28.5 c	23.7 c

Note 20 (a) Control gained over entities having material effect

Name of entity (or group of entities)	N/A
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	\$ N/A
Date from which such profit has been calculated	N/A
Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	\$ N/A

Note 20 (b) Loss of control of entities having material effect

Name of entity (or group of entities)	N/A
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	\$ N/A
Date to which the profit (loss) has been calculated	N/A
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	\$ N/A
Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	\$ N/A

Note 21 Dividends

Date the dividend is payable	13 October 2006
Record date to determine entitlements to the dividend (ie, on the basis of proper instruments of transfer received by 5.00 pm if securities are not CHES approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if securities are CHES approved)	22 September 2006
If it is a final dividend, has it been declared?	Yes

Amount per security

	Amount per security	Franked amount per security at %	Amount per security of foreign source dividend
Final dividend: Current year	2.0 ¢	2.0 ¢	Nil ¢
Previous year	2.0 ¢	2.0 ¢	Nil ¢
Interim dividend: Current year	2.0 ¢	2.0 ¢	Nil ¢
Previous year	2.0 ¢	2.0 ¢	Nil ¢

Total dividend per security (interim plus final)

	Current year	Previous year
Ordinary securities	4.0 ¢	4.0 ¢

Final dividend on all securities

	2006 \$'000	2005 \$'000
Ordinary securities (each class separately)	1,645	1,633

The dividend or distribution plans shown below are in operation.

The dividend reinvestment plan remains in operation and it is intended that it will be underwritten.
--

The last date(s) for receipt of election notices for the dividend or distribution plans

22 September 2006

Any other disclosures in relation to dividends

None.

Note 22 Details of aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':	2006 \$'000	2005 \$'000
Profit (loss) from ordinary activities before tax	N/A	N/A
Income tax on ordinary activities	N/A	N/A
Profit (loss) from ordinary activities after tax	N/A	N/A
Extraordinary items net of tax	N/A	N/A
Net profit (loss)	N/A	N/A
Adjustments	N/A	N/A
Share of net profit (loss) of associates and joint venture entities	N/A	N/A

Note 23 Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities.

<i>Name of entity</i>	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
	2006	2005	2006 \$'000	2005 \$'000
Equity accounted associates and joint venture entities				
	N/A	N/A	N/A	N/A
Total				
Other material interests	N/A	N/A	N/A	N/A
Total				

Note 24 Issued and quoted securities at end of current period

Category of securities	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
Ordinary securities	82,256,168	82,256,168		
Changes during current period				
(a) Increases through issues	598,302	598,302	55 c	55 c
(b) Decreases through returns of capital, buybacks	-	-	-	-
Options (<i>description and conversion factor</i>)			<i>Exercise price</i>	<i>Expiry date (if any)</i>
Options	140,000		135 c	19/02/07
Options	483,000		68 c	15/04/08
Performance Share Rights	584,558		0 c	19/11/09
Options	134,000		68 c	08/09/08
Performance Share Rights	<u>225,000</u>		0 c	09/01/11
	<u>1,566,558</u>			
Issued during current period				
Performance Share Rights	675,000		0 c	09/01/11
Exercised during current period	-		-	-
Expired during current period				
Options	270,000		100 c	
Options	50,000		135 c	
Options	225,000		68 c	
Performance Share Rights	130,000		0 c	
Options	5,000		68 c	
Performance Share Rights	505,545		0 c	
Performance Share Rights	<u>450,000</u>		0 c	
	<u>1,635,545</u>			

Note 25 Franking Credits

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year.

Franking credits of \$4,970,513 were available at 30 June 2006. The balance of the franking credits is based on a tax rate of 30%.

Commentary on results for the period

Ross Human Directions Limited has returned an operating profit after tax of \$5.045 million, which is up 5.3% on the prior year result of \$4.79 million.

The commentary on Significant Features of Operating Performance below explains substantial movements in revenue and expense items contributing to the higher earnings result.

Earnings per share (EPS)

Earnings per share for the full year amounted to 6.2 cents equivalent to the EPS for the previous corresponding period.

Returns to shareholders

A fully franked final dividend of 2.0 cents per share (2005: 2.0 cents) has been declared by the directors. The dividend will be fully franked at the 30% tax rate, and has been declared to be paid on 13th October 2006. A fully franked interim dividend of 2.0 cents per share (2005: 2.0 cents) was previously paid on 31st March 2006.

Significant features of operating performance

A thorough operational review has resulted in a \$3.57 million (-18.7%) improvement in costs over the prior year, with the company set to continue operating from a significantly reduced cost base.

A continued focus on the balance sheet has delivered a considerable improvement in the underlying cash flow of the business, with a net inflow from operating activities of \$14.8 million, representing a significant turnaround from the (\$1.5 million) outflow of the prior year. This has seen the group's debt levels almost halved, with interest bearing liabilities down \$9.8 million to \$10.1 million. Accordingly, borrowing costs are down \$0.5 million, with the net gearing ratio dropping to 13%.

Tax losses taken up have delivered reductions in income tax expense for both 2004/5 (\$0.6m) and 2005/6 (\$0.7m). Offsetting this benefit is a corresponding \$1.3 million goodwill impairment charge. The amendment of a prior period tax return delivered a further \$0.4 million reduction in the tax expense.

Intangible assets have reduced \$1.9 million to \$9.0 million, and the remaining tax losses of \$18.2 million have not been recognised as a tax asset in the balance sheet at this stage.

The drop in first half revenues was partially offset by a stronger second half, with some significant new clients being won. Revenues for the year were \$333.8 million, which was down 6.8% on the prior year result of \$358.1 million. Similar to the stronger second half sales performance, there was also a pleasing strengthening of margins in the second half.

Compliance statement

1 This report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations or other standards acceptable to ASX.

Identify other standards used

N/A

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 accounts to which one of the following applies.

(Tick one)

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.



Sign here:

Company Secretary

Date: 18 August 2006

Print name:

Christopher McFadden