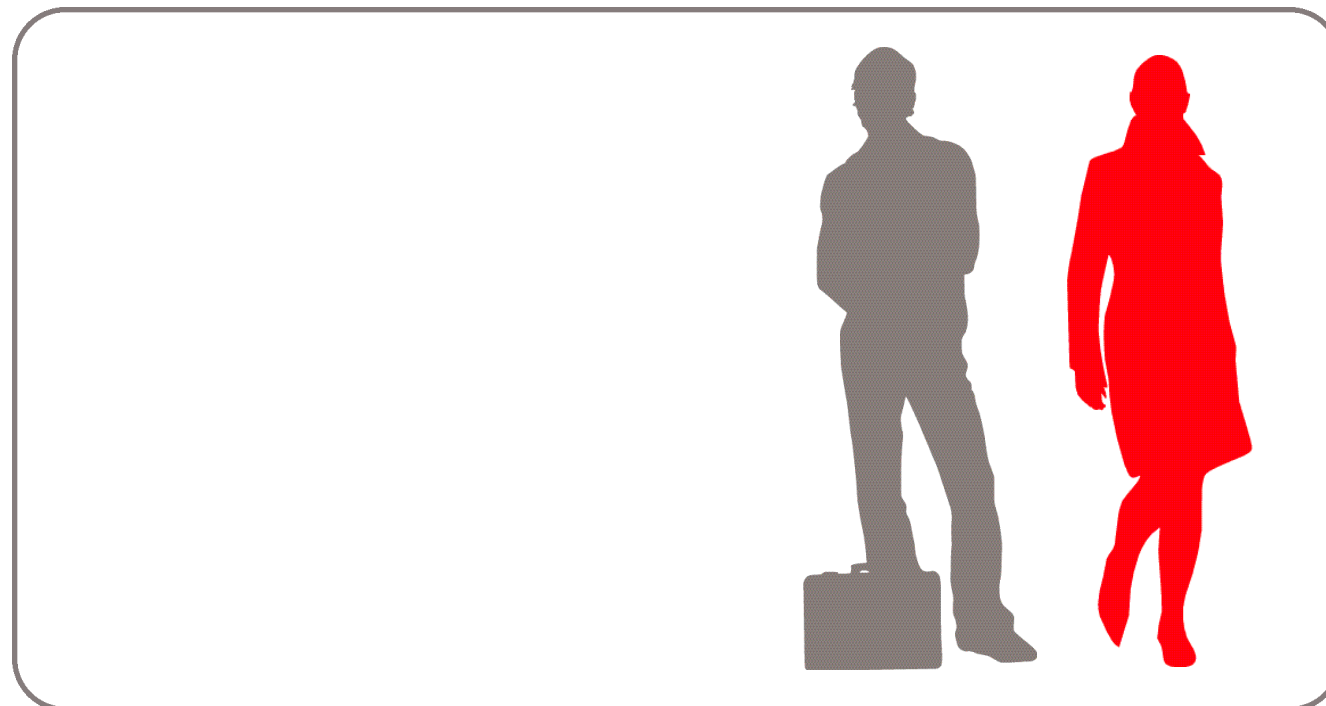
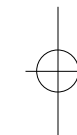
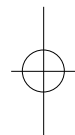
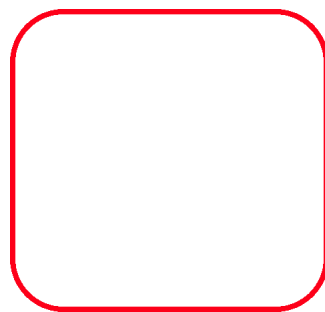
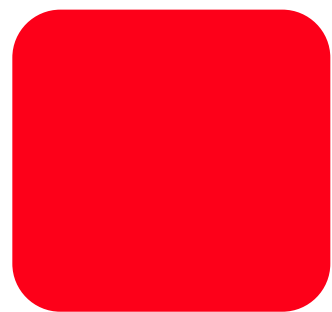
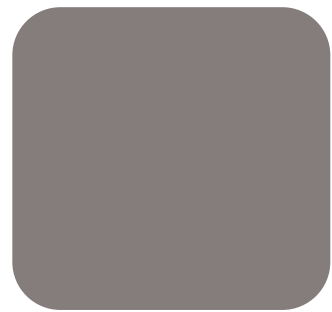


JULIA ROSS

R E C R U I T M E N T L I M I T E D



A N N U A L R E P O R T - 3 0 J U N E 2 0 0 3

ABN 25 003 758 709

Julia Ross hot

Julia Ross hot provides recruitment, career management, vendor management and human resources advisory services in the areas of Business Support, Call Centre and Industrial recruitment.

Firstwater

Firstwater, a wholly owned subsidiary of Julia Ross Recruitment Limited, provides professional and executive level recruitment services across specialised sectors including Sales & Marketing, Banking & Finance, Accounting, Human Resources and Information Technology. Firstwater is a specialist in provision of Psychological Services, Career Management Services/Outplacement, Human Resources Management and Business Process Outsourcing.

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Highlights of the year

In the 2002-2003 year, Julia Ross Recruitment delivered positive outcomes to our Shareholders by:

- Achieving winning outcomes on every preferred supplier agreement re-tender
- Maintaining top line revenue in a challenging marketplace
- Securing prestigious new preferred supplier agreements
- Building the breadth and depth of our service offering through organic growth and acquisition
- Investments in key industrial relations and human resources capability
- Delivering positive returns from investments in our UK operations
- Ensuring optimisation of our wide geographic penetration by implementing a new internal management structure
- Broadening our service capability geographically and across new sectors



Chairman's & Managing Director's Report



In the period under review a number of initiatives have been taken by the management and Board to position the company positively for a 2004 that many analysts predict will be significantly more robust than the climate we have experienced in the last year. In 2003, despite challenging circumstances on the global eco-political front and in many domestic business sectors, the group has returned a net profit after tax of \$1,112,000 on revenues of \$144.7 million. Operating profit before income tax expense was \$1,606,000 for the year. Disappointingly, the result for the second half was a loss after tax of \$331,000. Whilst this does not compare favourably with previous years, the result is the combination of a range of external factors coupled with investments and cost management measures the company has taken. This will maximise the return when the office and white collar recruitment sector of the economy commences its projected upswing in the new financial year. These include a write off of \$427,000 (pretax) of deferred expenditure in the third quarter of the period and expensing costs of \$110,000 (pretax) relating to due diligence for a potential acquisition that did not proceed.

Signs in the business give the Board cause for cautious optimism that the 2004 year will yield improved results.

After a year of slightly lower revenues in the temporary sector due to margin pressure and reduced usage by traditional clients, the indications are that margins are levelling out and, in some parts of the market, are showing signs of strengthening. This is due, in part, to an increasing awareness by large users of temporary recruitment services in particular, that the impact on their businesses of long term severe margin cutting in relation to their human resources procurement, is not a positive one.

The successful renewal by the company of every major existing client re-tender in the period means that the company will be in a sound position to leverage its market share under these significant contracts, as those margin improvements occur.

Revenues for Firstwater have continued to build throughout the year. The slower-than-expected pace of growth in 2003 reflected tough economic conditions in the white collar recruitment market accompanied by a shortage of high quality and suitably experienced consultants. The growth in Firstwater revenues has been enhanced by the acquisition of the Balance Accounting Professionals business in December 2002, which added another valuable product stream, being placement of contract and permanent professional accounting staff.



The business underwent a restructure of its management team late in the year, with the appointment of two new national business managers for the Hot and Firstwater activities, working alongside two regional general managers responsible for local regional operations. It is expected that this will help obtain maximum value from our broad geographic spread by more closely directing and co-ordinating national activities across the brands. This will add depth and experience to the management team to build a platform for long term sustainable growth. It is also expected to drive operational consistency throughout the two businesses, coupled with allowing regional teams to focus on driving sales.

After a significant investment that is reflected in the overall result, pleasingly the London office has, as predicted, returned to profitability with an after tax profit of \$94,000 compared with a loss of \$404,000 for the previous corresponding period. It is expected to continue to make a significant contribution to group earnings in 2003/04 and beyond, with further plans to expand the number of offices in the UK.

The strategy of striving for a combination of organic and acquisitive growth remains on plan. As discussed earlier, the result in the fourth quarter was damaged by the write off of costs relating to a potential acquisition, which did not proceed. We will continue to look for sensibly priced acquisitions to achieve acquisitive growth plans, specifically in the delivery of new products or geographic areas where the group does not currently operate or have adequate representation.

Although activity remains difficult to predict, indications are that the first few trading weeks of the current year are at profitable levels with an improving trend in temporary margins. Your Board is optimistic that the result for the 2004 year will show an improvement over the previous period.

As described above, the 2003 year has presented some significant challenges to the sector in which the business operates. In this context we would like to express our sincere appreciation to all of our staff, who have remained committed to giving their very best to the company during the period. This commitment is reflected by the loyalty of our clients in a highly competitive environment and we thank them for that loyalty. Last, but far from least, our candidates have continued to do a great job at client sites every day and we thank them for their reliable performance.

FERGUS ALLAN MCDONALD
Chairman

JULIA MARY ROSS
Managing Director



The 2003 year was a difficult one throughout corporate Australia. Continued international terrorist activity specifically affected our region and a number of market sectors directly related to the company's client base. A number of challenges to business have arisen. Your Board believes the company has demonstrated commitment, ingenuity, experience and tenacity in the past year of complex trading conditions.

In the period under review, the company is pleased to report maintenance of a relatively steady level of top line revenue in a climate where many major Australian organisations have been rationalising, downsizing, restructuring and right-sizing, resulting in changes in the way they use the services of recruitment and human resources firms. At the same time, investments made by the company in human resources and industrial relations infrastructure as well as office consolidation costs and implementation costs of technology, have presented some cost-side factors. These, coupled with margin pressure associated with tender renewals, have had implications for revenues and profitability during the year. However, your Board expects these to be one-off factors with positive benefits in 2004.

Activities generated free cash of \$1.7 million for the year, compared to \$7.8 million for the previous corresponding period. \$1.7 million was expended predominantly on IT systems for the business and on the purchase of Balance Accounting Professionals in December 2002. \$3.44 million was paid in dividends.

During 2003, despite a difficult external environment, the company has continued to underwrite its long-standing policy of investing in the business to support long-term client partnerships and maintain positive candidate relationships. We have continued to focus on delivering service improvements, innovative products and achieving internal productivity growth. Your Board is confident that as a result of the operational, structural and product development progressions made in the business towards these goals, the company will continue to be well placed to move with the economic upswings projected to occur in the 2004 year.

As a result of the passion and initiative of our operational and senior management teams, we have maintained a committed spirit of enthusiasm within the branches, ensuring those with front line service delivery accountability, approach their client activity confidently and with a positive outlook. We have brought this approach to bear in securing a number of prestigious new preferred supplier contracts:

- National Australia Bank – Tellers
- National Australia Bank – Permanent Recruitment – Clerical, Specialist & Executive
- Chubb Australia – Master Vendor
- Telstra Corporation – Professional Contract Labour
- Telstra Corporation – Permanent Recruitment
- Australian Taxation Office – Permanent Recruitment – Clerical & Executive
- Centrelink – Permanent Recruitment – Customer Service
- Cardlink Services Limited – Temporary Recruitment
- Corporate Express – Temporary & Permanent Recruitment – Commercial & Industrial
- TAB – Executive Contracting & Permanent Recruitment
- Integral Energy – Permanent Recruitment – Administration & Finance

In addition, the company was successful at re-tender for the following existing major preferred supplier agreements:

- Telstra Corporation – Temporary labour
- New South Wales Government – Temporary Recruitment – Administration, Specialist & Finance
- Macquarie Bank – Temporary & Permanent On-Site Vendor – Administration
- Queensland Government – Temporary and Permanent Recruitment – Clerical



The acquisition and retention of such important contracts is significant in protecting the revenues of the company in the coming year, as well as providing a solid and stable platform for growth as broader economic recovery occurs in 2004. In that context however, having a range of substantial preferred supplier agreements presenting for renewal simultaneously can have implications for revenue from a timing perspective, and this has been carefully monitored by management.

The company's success in securing new business and retaining existing clients is underpinned by business philosophies and a culture that are key differentiators in its market space:

- high achieving, passionate and committed people who actually understand the implications of every day dealing with the most fundamental of human needs – to be employed, alongside one of the most fundamental of business needs – to be profitable
- a focus on building and maintaining a business that is high achieving, progressive, energetic and quick to respond
- working to the principle of Building Value – delivering high performance and achieving unambiguously high standards of outcome for clients and candidates
- encouragement of individuality and innovation – thinking laterally and making it work for the business

This philosophical approach is supported by a number of service and strategic characteristics of the company:

- an unmatched "one-stop shop" capacity and experience
- a national service delivery capability throughout both regional and metropolitan Australia
- the major Australian-owned organisation of substantial size in our sector
- exclusive ownership of highly regarded product licenses that make our service offering truly unique

As highlighted previously, many sectors of the recruitment market remained unpredictable and somewhat vulnerable to externalities during the 2002-2003 year. Changes to the manner in which official employment and jobs data is measured and recorded created difficulties in scrutinising year-on-year figures and building effective trends for accurate analysis. The data that has been reported has been somewhat volatile, with some inconsistencies across different metrics.

Alongside such sector-specific factors, however, have been pleasing results in areas such as consumer confidence, business confidence and gross domestic production, causing your Board to have some careful optimism that forecasts of recovery during the 2004 year may be realised.

Indications amongst some of the company's major clients that new permanent recruitment activity may be returning to their business agenda for 2004 is pleasing and we look forward to the realisation of such planning and its reflection in revenue and profit lines.

Strategies for Growth

During the period, your Board has advanced a number of considered programmes that are intended to position the company well going forward. The industry has experienced several consecutive years now where the supply environment has been over-crowded. This, together with the economic conditions, has created an environment where buyers of recruitment services have been in a position to heavily dominate the basis of supply.

Previous consequences of this have included pressure on fees, pressure on margins and a restructuring of product offerings by recruitment firms. However, the latter part of the year saw a "push back" from the company and the industry toward more realistic margins that more accurately reflect the cost of services being requested. We believe that this push will continue to gain momentum through the market in the coming year, facilitating progress toward a more sustainable equalisation between supply and demand factors. Maintenance of competitive but sustainable margins in contract renewals has been a key feature of management's strategy.

The initiatives and strategies implemented by your Board and management in the 2002-2003 year have been intended to place the company in a position where it can remain profitable under such pressures, yet respond quickly and effectively to economic upswing when the opportunity arises.

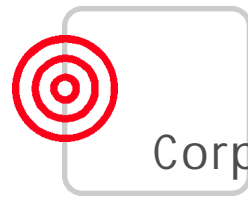
During the period, the privately-owned accounting recruitment specialist Balance Accounting Professionals was acquired and has been a successful strategic step by the company.

Balance Accounting Professionals has been amongst the most highly respected Accountancy Recruiters for many years. Owner-managed and operated, its reputation, credentials and experience in the Chartered Accounting recruitment space have made a sound contribution to the capabilities and breadth of the Firstwater brand during the period. It has brought to the business a new client base, progressing easier entry into a sector of the market that remains buoyant in terms of both fee levels and activity as well as facilitating deeper penetration into existing clients.

The acquisition (with its owner) added valuable depth and experience to the company's senior management team. This complemented the appointment earlier in the year of the founding Managing Director of the successful Dunhill Management Services business to the new role of Group Chief Operating Officer.

These appointments have been followed by an internal operational restructure based around geography and product/service lines that management believes will provide greater support to new product and service offerings, whilst ensuring focus remains on the more traditional business.





Your Board continues to be alert to further acquisition opportunities that are a good fit with existing business units and have the capacity to add value to, and broaden the capabilities of, the organisation longer term.

Whilst remaining open to new acquisitions, we have continued to make investments in organic growth during the period under review. The primary focus of this activity has been geographic expansion into suburban and regional areas of Australia. The Queensland business has opened a new office at Hervey Bay, capitalising on the growth in that region. As one of the few major Australian national recruiters servicing this area, we believe we can offer clients access to a significant range of services and opportunities previously less available to them.

In addition, the company commenced actively seeking to expand Victorian operations regionally in key centres as well as in outlying major suburban hubs. This approach reflects the investments being made in such areas by the state government in Victoria with its strong regional focus, as well as initiatives being taken by major clients in that State.

Marketing Activity

Whilst the company has continued to maintain a sound external profile during the period, management remains conscious that the market situation is not one that is readily addressed by extensive marketing activity. As a result, marketing activity has been prudent and highly targeted to specific outcomes. We expect that this approach will be maintained in the context of the current economic climate ensuring funds are available for more aggressive investment in marketing activity at a time when it will deliver more meaningful outcomes.

Marketing activity in the period under review has included exhibition stands at appropriate trade and industry shows; maintaining profile with key internet job boards; newspaper classified advertising and brand advertising; sponsorships and community events.

Community Involvement

The company is proud of its record of activity in the community and the 2002-2003 year has been no exception. We have a strong philosophy around good corporate citizenship which we have continued to support. Community and charity groups that have received the company's support include:

- Royal Prince Alfred Hospital
- World Vision
- Bone Marrow Donor Institute



Overview

The business of Julia Ross Recruitment Limited comprises two key brands:

- Julia Ross hot
- Firstwater

Julia Ross hot represents the core services traditionally offered by the business, whilst Firstwater represents service areas into which the business has expanded in recent years. The two brands operate in a highly co-ordinated manner with shared operational management in each geographic region, which permits each brand to achieve very effective leverage off the services of the other; ensuring clients receive a fully synchronised recruitment service that scopes the breadth of their requirements on an end-to-end basis.

Julia Ross hot operates in the temporary, contract and permanent recruitment sectors of:

- Office support
- Business support
- Industrial/blue collar staff
- Call centre and customer service specialists

Firstwater offers professional permanent and contract recruitment services in the following specialist areas:

- Accounting
- Legal
- Banking and Finance
- Human Resources
- Sales and Marketing
- Executive Search and Selection
- Technology
- Graduate

Firstwater also offers a range of broader HR management services:

- HR outsourcing
- Career transition management/outplacement
- Executive coaching
- Succession planning
- Psychological assessment
- Organisational climate studies

Julia Ross hot

The temporary and permanent recruitment services offered by Julia Ross hot remain the key revenue driver for the business and the primary contributor to top line results. During the 2002-2003 year several key clients re-tendered their business at similar times, as contracts approached their maximum duration. Such retenders are a costly process for organisations such as this one, diverting key resources from day to day operations as well as incurring significant production costs. Therefore much is invested in their renewal.

We are pleased to report that these investments of funds and resources were well made, with all key retenders once again successfully renewed for a period of years with service requirements expanded in many cases. Whilst in some cases significant competitive pressure on margins was exerted by those hoping to secure the business during the retender process, many clients have the experience to understand the real costs of providing service of the quality required.

In addition, a pleasing number of new supply agreements of significance with reliable and eminent organisations have been secured by the company's senior management and account executive team. These will provide additional support to, and diversification of, the company's revenue streams in the 2004 year.

Temporary recruitment services remain popular with clients seeking more flexible workforce solutions, particularly within the government and large private sector organisations that comprise a significant component of the company's client base. In addition however, pleasing trends towards the possibility of stronger permanent recruitment activity volumes in the 2004 year have been observed with interest.



Julia Ross United Kingdom

Traditionally, this business unit's key mandate was the placement of Australian working travellers in temporary and contract employment in the Greater London area, capitalising on the popularity of Australian workers in the UK and the shared relationships between many of the company's clients' UK and Australian operations. In the past, economic conditions and security risks throughout Europe have had a significant impact on this business, requiring an adjustment to its revenue generation strategy. This need was identified early, and has been implemented during the period under review.

As a result of the successful implementation of new business generation strategies, the expectations articulated by your Board in the last Annual report for a turnaround in the UK operations in the 2003 year have been met. A strong sales focus in the business, together with a concentration by UK management on broadening services within key major clients, has delivered positive outcomes, resulting in increases in both top line revenue and profitability.

Firstwater

With the primary focus of Firstwater's recruitment operations being on the professional and executive white collar sector, Firstwater's Permanent Recruitment business has been affected by the continued down turn in white collar recruitment in Australia. However, other business units in that division have experienced solid performance and growth during the period, and indicators suggest that there may be an improvement in the white collar sector in 2004.

On the other hand, the Interim Management division which sources and deploys Contractors in the professional, legal and white collar sectors has delivered satisfactory growth in the period, consolidating its profile in the market place and building up a solid base of highly qualified contracting personnel. It has secured significant new business and has also worked to effectively leverage relationships in other parts of the broader company to enter new territory and deepen its penetration in existing clients.

Firstwater's Outsourcing division has achieved solid growth in the period under review, in both a straight revenue context as well as in terms of its breadth of service offering. This business unit focuses on taking over certain business processes either previously performed internally by the client, or outsourced to another provider and, through superior work process design, HR management, staff training and quality control techniques, achieves productivity improvements which result in increased profitability to the division as well as quality and cost benefits to the client. Outsourcing's geographical representation has also spread more widely in the period and its profitability level continues to be pleasing to the Board.

The Banking and Finance and Accounting recruitment divisions have capitalised on the relative buoyancy in those sectors of the economy to continue delivering satisfactory growth to shareholders. Placement fees remain reasonably healthy in these sectors and margins have experienced little erosion.

The HR Management services offered by the career transition, psychological services, and succession planning business units within Firstwater have remained popular with clients and we expect these units to continue to deliver consistent performance to shareholders.

Overall, 2003 was a difficult year operating in an uncertain environment. Early trends for 2004 are more positive and your Board is confident of the company's ability to benefit from any upswing in demand for recruitment services.



Final Dividend Payment

The Company's policy is to distribute at least 50% of retained earnings. However, given the effects of circumstances on this year's profit, Directors have determined to pay a final dividend of one point five (1.5) cents. An interim dividend of three (3) cents was paid by the Company, making a total dividend of four point five (4.5) cents for the year. Final dividends are expected to be paid on or about 17th October 2003.

Board of Directors

FERGUS ALLAN MCDONALD – NON EXECUTIVE CHAIRMAN

Allan McDonald joined the Board in April 2000 and was appointed to the Chair. He is also Chair of the Remuneration Committee and a member of the Audit Committee.

He has had an extensive career in the investment and commercial banking fields and is a director of other companies including Billabong International Limited, Brambles Industries Limited, TAB Limited and DCA Group Limited.

Allan has a Bachelor of Economics degree from the University of Sydney and has completed the Advanced Management Programme at Macquarie University. He is a Fellow of the Australian Society of Certified Practising Accountants, a Fellow of the AIM, a Fellow of the AICD, and a Fellow of the Chartered Institute of Company Secretaries in Australia.



JULIA MARY ROSS – MANAGING DIRECTOR

Julia worked for ten years in the construction industry in the United Kingdom, progressing to become Chief Executive of a division of the Taylor Woodrow group in 1976. During this period she was a finalist in the prestigious "Businesswoman of the Year" Awards presented by the London Times and Veuve Cliquot (UK).

In 1982, Julia became Manager of 15 Thames Valley branches of a leading multi-national employment agency. In 1984, Julia was appointed to manage the establishment of the Asian and Australian Operations of the Group, and in 1986 was promoted to Director of Australia and New Zealand with overall responsibility for managing operations in these countries and Asia. This included the administrative, operational and directional management of 26 branches and the responsibility of securing and maintaining large international contracts.



Final Dividend Payment & Board of Directors (cont)

Since the establishment of Julia Ross Recruitment in 1988, Julia has been awarded the Westpac Group Business Owner Award in the Telstra Business Women's Awards, has won the Chief Executive of the Year Award by Business Sydney for the Top 30 woman-owned companies, and the business has been ranked as one of the Top 25 businesses in New South Wales.

Julia is committed to supporting numerous community groups and charities, sitting on various committees dedicated to helping the disadvantaged and less privileged. Julia supports the Bone Marrow Institute, the Salvation Army and World Vision as well as Jeans for Genes day and raising funds for Kids Help Line.

**FRANK HARVEY BURKE –
NON EXECUTIVE DIRECTOR**

A director since April 2000, Dr Burke is a professional corporate advisor and an executive director of The Partners Group and Corporate Governance International Pty Limited. He has over thirty years of commercial and industrial experience, with ten years as general manager or chief executive in chemical manufacturing and electronics firms. He has spent more than twenty five years in financial advisory and investment banking work with Ian Potter & Co, Baring Bros Halkerston & Partners Limited, Potter Warburg Limited, and The Partners Group.

Currently Chairman of SSH Medical Limited, Dr Burke is a non executive director, Chairman of the Audit Committee and a member of the Remuneration Committee.

**KAREN LYNNE WILSON –
NON EXECUTIVE DIRECTOR**

Karen is a retailing and consumer marketing consultant in the retailing, fashion, health and beauty, housewares and financial services sectors.

Prior to establishing her consulting business she worked in the cosmetics industry, for the last seven years as managing director of Estee Lauder's business in Australia.

She is a non-executive director of ING Australia, ING Holdings, Angus & Coote Limited and Australian Business Limited.

Karen has a degree in Arts and a diploma in Education from Sydney University, is a Fellow of the AICD, Past President of Chief Executive Women Inc and Past President of the Australian Cosmetics, Fragrance and Toiletries Association.





Your directors present their report on the consolidated entity consisting of Julia Ross Recruitment Limited and the entities it controlled at the end of, or during, the year ended 30 June 2003.

Directors

The following persons were directors of Julia Ross Recruitment Limited during the whole of the financial year and up to the date of this report:

- Julia Mary Ross
- Fergus Allan McDonald
- Frank Harvey Burke
- Karen Lynne Wilson

Principal activities

During the year the principal continuing activities of the consolidated entity consisted of the provision of temporary and permanent job placements.

During the year there were no significant changes in the nature of the consolidated entity.

Dividends — Julia Ross Recruitment Limited

Dividends paid to members during the financial year were as follows:

	2003	2002
	\$'000	\$'000
Final fully franked ordinary dividend for the year ended 30 June 2002 of 3 cents (2001: 3 cents) per fully paid share on 18 October 2002	1,722	1,716
Interim fully franked ordinary dividend of 3 cents (2002: 3 cents) per fully paid share paid on 21 March 2003	1,722	1,716
Total dividends in respect of the year	<u>3,444</u>	<u>3,432</u>

In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a final fully franked ordinary dividend of \$861,000 (1.5 cents per fully paid share) to be paid on 17 October 2003 out of retained profits at 30 June 2003.

The Board has activated the Dividend Reinvestment Plan, under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares, rather than by being paid in cash. Shares are issued under the plan at a discount of 5% to market price.

Review of operations and activities

The net profit of the consolidated entity for the financial year was \$1,112,000 (2002: \$5,922,000) after deducting income tax expense of \$494,000 (2002: \$2,476,000).

The operating profit before income tax of the consolidated entity for the year was \$1,606,000 (2002: \$8,398,000).

The company continued to operate predominantly in the temporary recruitment market, offering services to all main cities in Australia. For further information on the operations of the consolidated entity, refer to the Chairman's and Managing Director's Report.





Significant changes in the state of affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

- (a) The Balance Accounting Professionals business was acquired on 1 December 2002. Consideration for the acquisition was a cash payment of \$100,000 and earn out up to a maximum of \$400,000. Earn out totalling \$89,000 was paid during the year ended 30 June 2003. This business, now operating as part of Firstwater, provides services for the placement of contract and permanent professional accounting staff.
- (b) The company continued to generate cash inflows from operating activities, which amounted to \$1,689,000. These inflows and borrowings were used in funding dividend payments of \$3,446,000, capital expenditure of \$1,470,000 (particularly in relation to the further enhancement of business systems) and the acquisition for \$189,000 of the Balance Accounting Professionals business.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2003 that has significantly affected, or may significantly affect:

- (a) the consolidated entity's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Comments on expected results of certain of the operations of the consolidated entity are included in the Chairman's and Managing Director's Report which forms part of this report.

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

Julia Ross Recruitment Limited is committed to the protection of the environment; to the health and safety of its employees, customers and the public at large; and to compliance with all applicable environmental laws, rules and regulations in the jurisdictions in which it conducts its business.

The consolidated entity has assessed whether there are any particular or significant environmental regulations which apply to it and has determined that there are none.



Information on directors

Director	Experience	Special responsibilities	Particulars of directors' interest in shares and options of:	
			Julia Ross Recruitment Limited Ordinary Shares	Options
Fergus Allan McDonald	Allan has been Non-Executive Chairman for 3 years. He has had executive experience in investment and banking areas and is a director of several other companies.	Non-Executive Chairman. Chairman of the remuneration committee and member of the audit committee.	292,323	100,000
Julia Mary Ross	Julia has been Managing Director for 14 years. Formerly, Julia became Chief Executive of a division of Taylor Woodrow Group in 1976. After joining a leading multi-national employment agency she was promoted to director of Australia and New Zealand. In 1988 Julia established the business of Julia Ross Recruitment which is now a preferred supplier to the NSW Government and a number of major corporations.	Managing Director	31,857,924	-
Frank Harvey Burke	Frank has been a Non-Executive Director for 3 years. He is a professional corporate adviser to several companies in Australia and a director of several other Australian companies.	Non-Executive Director. Chairman of the audit committee and member of the remuneration committee.	30,000	100,000
Karen Lynne Wilson	Karen has been a Non-Executive Director for 3 years. She is a retailing and marketing consultant in the fashion, housewares, health/beauty and financial services sectors. She is also a non-executive director of several other Australian companies.	Non-Executive Director. Member of remuneration and audit committees.	30,000	70,000

Meetings of directors

The numbers of meetings of the company's Board of directors and of each Board committee during the year ended 30 June 2003, and the numbers of meetings attended by each director were:

Attendee:	Full meeting of directors		Meetings of committees			
	A	B	Audit		Remuneration	
	A	B	A	B	A	B
Fergus Allan McDonald	9	9	4	4	2	2
Julia Mary Ross	9	9	*	*	*	*
Frank Harvey Burke	9	9	4	4	2	2
Karen Lynne Wilson	9	9	4	4	2	2

A = Number of meetings attended
 B = Number of meetings held during the time the director held office or was a member of the committee during the year.
 * = Not a member of the relevant committee.

**Retirement, election and continuation in office of directors**

Ms KL Wilson is the director retiring by rotation who, being eligible, offers herself for re-election.

Directors' and executives' emoluments

The company's remuneration policies are designed to align executive directors' pay with the interests of shareholders by including performance-related bonuses. Executives also receive performance-related bonuses. These payments are linked to the achievement of individual objectives which are relevant to meeting the company's business objectives.

The remuneration committee, consisting of three non-executive directors, advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Executive remuneration and other terms of employment are reviewed annually by the committee having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, retirement and termination entitlements, performance based bonuses and fringe benefits. Executives are also eligible to participate in the Employee Share Option Plan.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's diverse operations and achieving the company's strategic objectives.

Remuneration and other terms of employment for the Managing Director and certain other senior executives are formalised in service agreements.

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time. Non-executive directors are also entitled to retirement benefits in accordance with legislation.

The Board undertakes an annual review of its performance and the performance of the Board committees against goals set at the start of the year. Performance related bonuses are available to executives and are uncapped. Bonuses are not payable to non-executive directors.

Details of the nature and amount of each element of the emoluments of each director of Julia Ross Recruitment Limited and each of the 5 officers of the company and the consolidated entity receiving the highest emoluments are set out in the following tables.

Non-executive directors of Julia Ross Recruitment Limited

Name	Director's base fee \$	Superannuation \$	Options \$	Total \$
Fergus Allan McDonald	50,000	4,500	2,789	57,289
Frank Harvey Burke	35,000	3,150	2,789	40,939
Karen Lynne Wilson	35,000	3,150	1,953	40,103

Executive Director of Julia Ross Recruitment Limited

Name	Director's base salary \$	Superannuation \$	Options \$	Total \$
Julia Mary Ross	-	-	-	-

**Other executives of Julia Ross Recruitment Limited and the consolidated entity**

Name	Base salary \$	Superannuation \$	Bonus \$	Motor vehicle \$	Options \$	Other benefits \$	Total \$
P Kerry* Group Chief Operating Officer	-	-	-	-	-	358,408	358,408
N Mitchell-Clark Chief Financial Officer	187,200	16,848	52,401	-	4,455	-	260,904
M Dimopoulos Group Strategic Business Development Manager	122,000	10,397	97,259	-	1,064	-	230,720
J Solomons Ross Outsourcing Manager	107,000	10,519	81,977	13,000	2,639	-	215,135
K Saunders National Account Manager - Julia Ross Hot	82,000	11,219	79,797	13,000	1,064	-	187,080

*Mr P Kerry provided consulting services in the capacity of Group Chief Operating Officer during the year ended 30 June 2003. Mr Kerry's total fees for services rendered totalled \$358,408.

Other executives are officers who are involved in, concerned in, or take part in, the management of the affairs of Julia Ross Recruitment Limited and / or related bodies corporate.

Share options granted to directors and the most highly remunerated officers

Options over unissued ordinary shares of Julia Ross Recruitment Limited granted during or since the end of the financial year to any of the directors or the 5 most highly remunerated officers of the company and consolidated entity as part of their remuneration were as follows:

DIRECTORS

No options were granted to directors during or since the end of the financial year.

OTHER EXECUTIVES OF JULIA ROSS RECRUITMENT LIMITED AND THE CONSOLIDATED ENTITY

	Expiry date	Issue price of shares	Performance share rights granted
P Kerry, Group Chief Operating Officer	1 July 2008	\$Nil	2,700,000

The performance share rights were granted pursuant to a Performance Share Rights Deed between the company and Mr P Kerry on 1 July 2003. These were subsequently cancelled on 19 September 2003 as part of a restructure of his remuneration agreement.

Shares under option

Unissued ordinary shares of Julia Ross Recruitment Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
4 September 2000	4 September 2005	\$1.00	590,000
12 November 2001	12 November 2006	\$1.00	100,000
19 February 2002	19 February 2007	\$1.35	300,000
			<u>990,000</u>

No option holder has any right under the options to participate in any other share issue of the company or any other entity.



Shares under option (continued)

The value of the options has been assessed by an independent party, Horwath Investment Services Pty Limited, using a modified Black-Scholes option valuation model that takes into account the exercise price and expected life of the options, the price, expected volatility and expected dividends of the underlying securities and the expected risk free interest rate over the relevant term. Allowance has also been made for the effects of conditions that must be satisfied before the options may be exercised. The tables of directors and executives remuneration shown above include the value of the options amortised over the term of the options.

Shares issued on the exercise of options

No ordinary shares of Julia Ross Recruitment Limited were issued during the year ended 30 June 2003 on the exercise of options. No shares have been issued since that date.

Insurance of Officers

During the financial year, Julia Ross Recruitment Limited paid a premium of \$37,842 (2002: \$36,645) to insure the directors and secretary of the company and its Australian-based controlled entities, and the managers of each of the divisions of the consolidated entity.

The liabilities incurred are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity, and any other payments arising from liabilities incurred by officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

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

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

FERGUS ALLAN MCDONALD
Director

JULIA MARY ROSS
Director

Sydney
19 September 2003

The Board of directors

The Board is responsible for the corporate governance of the company including to:

- identify significant areas of business risk
- implement procedures that manage risks
- develop strategic direction and identify business opportunities
- establish operational criteria and monitor the achievement of objectives and conduct of business operations
- monitor and ensure compliance with statutory, legal, ethical and best corporate governance practice requirements and principles
- monitor systems established to ensure prompt and appropriate responses to shareholder complaints and enquiries, and
- develop policies regarding the establishment and maintenance of appropriate ethical standards.

CONFLICT OF INTERESTS

Entities connected with Ms Julia M Ross had business dealings with the consolidated entity during the year, as described in Note 30 to the financial statements. In accordance with the Board Charter, Ms Ross declared interests in those dealings to the company and took no part in decisions relating to them or the preceding discussions. In addition, Ms Ross did not receive any papers pertaining to those dealings. Consistent with Company policy, the Remuneration Committee reviewed these transactions.

All non-executive directors are regarded as independent. The company defines "independent" as independent of the executive management and of business or other relationships which could otherwise detract from a director's ability to act impartially in the company's best interests. A former executive is not considered independent until 5 years from the date of retirement.

INDEPENDENT PROFESSIONAL ADVICE

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

NOMINATION OF DIRECTORS

The composition of the Board is subject to Shareholder approval. All nominations for appointment to the company's Board are reviewed by the Board.

Remuneration committee

The remuneration committee consists of the following non-executive directors:

- FA McDonald (Chairman)
- FH Burke
- KL Wilson

The remuneration committee advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Executive remuneration and other terms of employment are reviewed annually by the committee having regard to performance, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, retirement and termination entitlements, performance-related bonuses and fringe benefits. Executives are also eligible to participate in the Employee Share Option Plan.

Remuneration packages are set at levels that are intended to attract and retain first class executives capable of managing the consolidated entity's diverse operations and achieving the company's strategic objectives.

Remuneration and other terms of employment for the Managing Director and other senior executives are reviewed and approved by the Board of Directors after seeking independent professional advice.



Remuneration committee (continued)

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time. Non-executive directors are also entitled to retirement benefits in accordance with legislation.

The remuneration committee's terms of reference include responsibility for reviewing any transactions between the organisation and the directors, or any interest associated with the directors, to ensure the structure and the terms of the transaction are in compliance with the Corporations Act 2001 and are appropriately disclosed. Further information on directors' and executives' remuneration is set out in the Directors' Report and Notes 24 and 25 to the financial statements.

The committee also assumes responsibility for management succession planning, including the implementation of appropriate executive development programmes and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.

Audit committee

The audit committee consists of the following non-executive directors:

- FH Burke (Chairman)
- FA McDonald
- KL Wilson

The audit committee considers matters affecting the auditing and financial reporting requirements of the company. The responsibilities of the audit committee are, in equal priority, to:

- assist the Board to discharge fiduciary responsibilities effectively with regard to the company's accounting, control and reporting practices by monitoring the internal control environment and management over corporate assets
- provide assurance regarding the quality and reliability of financial information used by the Board to enable directors to maintain confidence in the financial reports
- oversee the activities of the external audit staff of the company and to review the company's risk management policies and internal control processes
- review and to recommend to the Board the adoption of the company's annual financial statements
- liaise with and review the performance of the external auditor, who may be invited to attend audit committee meetings to discuss financial matters and business risk
- review the risk exposures and controls with respect to existing information technology systems and those under development.

Ethical standards

All directors, executives, employees and consultants are expected to act with integrity and objectivity and maintain appropriate ethical standards. Accordingly, the Board has adopted the following Code of Ethics.

All directors, executives, employees and consultants have the following duties:

- to act honestly, fairly and without prejudice in all commercial dealings and to conduct business with professional courtesy and integrity
- to work in a safe, healthy and efficient manner, using their skills, time and experience to the maximum of their ability
- to comply with applicable awards, company policies and job requirements
- not to knowingly make any misleading statements to any person or to be a party to any improper practice in relation to dealings with or by the company
- to ensure that the company's resources and property are used properly, and
- not to disclose information or documents relating to the company or its business, other than as required by law; not to make any public comment on the company's affairs; and not to misuse any information about the company or its associates.



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This financial report covers both Julia Ross Recruitment Limited as an individual entity and the consolidated entity consisting of Julia Ross Recruitment Limited and its controlled entities.

Julia Ross Recruitment Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Julia Ross Recruitment Limited
Level 2, 14 Martin Place,
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report on pages 15-20.



Statements of Financial Performance

For the year ended 30 June 2003

	Notes	CONSOLIDATED		PARENT ENTITY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Revenue from ordinary activities	2	144,658	152,286	133,983	143,286
Costs of temporary staff		(114,968)	(118,319)	(109,185)	(112,711)
Employee benefits expense		(17,243)	(15,706)	(14,140)	(13,224)
Depreciation and amortisation expenses		(1,275)	(827)	(998)	(673)
Borrowing costs expense		(384)	(324)	(323)	(310)
Other expenses from ordinary activities		(9,182)	(8,712)	(7,290)	(7,453)
Profit from ordinary activities before related income tax expense	3	1,606	8,398	2,047	8,915
Income tax expense	4	(494)	(2,476)	(619)	(2,607)
Profit from ordinary activities after related income tax expense and net profit attributable to the members of Julia Ross Recruitment Limited		1,112	5,922	1,428	6,308
Net exchange differences on translation of financial report of foreign controlled entity	21(a)	(1)	(2)	-	-
Total revenues, expenses and valuation adjustments attributable to members of Julia Ross Recruitment Limited recognised directly in equity		(1)	(2)	-	-
Total changes in equity attributable to members of Julia Ross Recruitment Limited other than those resulting from transactions with owners as owners		1,111	5,920	1,428	6,308
		Cents	Cents		
Basic earnings per share	34	1.9	10.3		
Diluted earnings per share	34	1.9	10.3		

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



Statements of Financial Position

For the year ended 30 June 2003

	Notes	CONSOLIDATED		PARENT ENTITY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Current Assets					
Cash assets	5	172	645	10	503
Receivables	6	16,608	15,123	13,830	13,638
Other	7	865	778	733	641
Total Current Assets		17,645	16,546	14,573	14,782
Non-Current Assets					
Receivables	8	-	-	3,145	2,011
Other financial assets	9	-	-	1	1
Property, plant and equipment	10	4,889	4,714	4,463	4,174
Deferred tax assets	11	586	329	568	325
Intangible assets	12	1,976	2,051	508	695
Total Non-Current Assets		7,451	7,094	8,685	7,206
Total Assets		25,096	23,640	23,258	21,988
Current Liabilities					
Payables	13	5,867	4,878	4,932	4,383
Interest bearing liabilities	14	5,415	2,459	4,546	1,516
Current tax liabilities	15	-	491	-	491
Provisions	16	-	1,724	-	1,724
Total Current Liabilities		11,282	9,552	9,478	8,114
Non-Current Liabilities					
Interest bearing liabilities	17	3	5	3	5
Deferred tax liabilities	18	988	632	767	548
Provisions	19	11	28	11	28
Total Non-Current Liabilities		1,002	665	781	581
Total Liabilities		12,284	10,217	10,259	8,695
Net Assets		12,812	13,423	12,999	13,293
Equity					
Parent entity interest					
Contributed equity	20	7,809	7,809	7,809	7,809
Reserves	21(a)	-	1	-	-
Retained profits	21(b)	5,003	5,613	5,190	5,484
Total Equity		12,812	13,423	12,999	13,293

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



Statements of Cash Flows

For the year ended 30 June 2003

Notes	CONSOLIDATED		PARENT ENTITY		
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	
Cash Flows from Operating Activities					
	Receipts from customers (inclusive of goods and services tax)	156,993	170,000	146,699	159,412
	Payments to suppliers and employees (inclusive of goods and services tax)	(153,928)	(158,842)	(142,820)	(148,440)
		3,065	11,158	3,879	10,972
	Interest received	22	2	22	2
	Borrowing costs	(384)	(324)	(323)	(310)
	Income taxes paid	(1,014)	(3,025)	(1,130)	(2,739)
	Net cash inflow from operating activities	1,689	7,811	2,448	7,925
Cash Flows from Investing Activities					
	Payment for purchase of PwC Executive Recruitment business	-	(1,220)	-	-
	Payment for purchase of Office Angels business	-	(23)	-	(23)
	Payment for purchase of Balance Accounting Professionals business	(189)	-	-	-
	Payments for property, plant and equipment	(1,470)	(3,178)	(1,387)	(2,623)
	Payments for establishment of branding	(40)	(3)	(40)	(3)
	Loans to employees	-	(25)	-	(24)
	Loans to related parties	-	-	(1,134)	(976)
	Proceeds from sale of plant and equipment	3	2	3	2
	Repayment of loans by employees	21	-	20	-
	Repayment of loans by related parties	-	22	-	22
	Net cash outflow from investing activities	(1,675)	(4,425)	(2,538)	(3,625)
Cash Flows from Financing Activities					
	Proceeds from issues of shares	-	140	-	140
	Proceeds from borrowings	1,184	2,859	1,184	1,915
	Repayment of borrowings	(1,065)	(1,988)	(1,065)	(1,988)
	Dividends paid	(3,446)	(3,435)	(3,446)	(3,435)
	Net cash outflow from financing activities	(3,327)	(2,424)	(3,327)	(3,368)
	Net increase (decrease) in Cash Held	(3,313)	962	(3,417)	932
	Cash at the beginning of the financial year	645	(315)	503	(429)
	Effects of exchange rate changes on cash	(89)	(2)	-	-
	Cash at the End of the Financial Year	(2,757)	645	(2,914)	503
	Financing arrangements		17		

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

Notes to the Financial Statements

30 June 2003



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**Note 1 Summary of Significant Accounting Policies**

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

It is prepared in accordance with the historical cost convention. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

(a) PRINCIPALS OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Julia Ross Recruitment Limited ("company" or "parent entity") as at 30 June 2003 and the results of all controlled entities for the year then ended. Julia Ross Recruitment Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

(b) INCOME TAX

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

No provision is made for additional taxes which could become payable if certain reserves of the foreign operation were to be distributed as it is not expected that any substantial amount will be distributed from those reserves in the foreseeable future.

(c) FOREIGN CURRENCY TRANSLATION**(i) TRANSACTIONS**

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are brought to account in determining the profit or loss for the year.

(ii) FOREIGN CONTROLLED ENTITY

As the foreign controlled entity is self sustaining, its assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while its revenues and expenses are translated at the average of rates ruling during the year. Exchange differences arising on translation are taken to the foreign currency translation reserve.

Upon disposal or partial disposal of a self-sustaining foreign operation, the balance of the foreign currency translation reserve relating to that operation, or to the part disposed of, is transferred to retained profits.

**Note 1 Summary of Significant Accounting Policies (continued)****(d) ACQUISITIONS OF ASSETS**

The purchase method of accounting is used for all acquisitions of assets 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 market price as at the acquisition date, unless the notional price at which they could be placed in the market is a better indicator of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

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 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.

Provisions for restructuring costs and related employee termination benefits are recognised as at the date of acquisition of an entity or part thereof on the basis described in the accounting policy notes for restructuring costs (Note 1(s)) and employee benefits (Note 1(q)).

Goodwill is brought to account on the basis described in Note 1(m).

Where an entity or operation is acquired and the fair value of the identifiable net assets acquired, including any liability for restructuring costs, exceeds the cost of acquisition, the difference, representing a discount on acquisition, is accounted for by reducing proportionately the fair values of the non-monetary assets acquired until the discount is eliminated. Where, after reducing the recorded amounts of the non-monetary assets acquired to zero, a discount balance remains it is recognised as revenue in the statement of financial performance.

(e) REVENUE RECOGNITION

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 brought to account when billed.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

(f) RECEIVABLES

All trade debtors are recognised at the amounts receivable.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

(g) RECOVERABLE AMOUNT OF NON-CURRENT ASSETS

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted to their present values.



Notes to the Financial Statements (cont)

30 June 2003

Note 1 Summary of Significant Accounting Policies (continued)

(h) INVESTMENTS

Interests in listed and unlisted securities, other than controlled entities and associates in the consolidated financial statements, are brought to account at cost and dividend income is recognised in the statement of financial performance when receivable. Controlled entities and associates are accounted for in the consolidated financial statements as set out in Note 1(a).

(i) DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

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

(j) 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. Leasehold improvements held at the reporting date are being amortised over 5 years.

(k) LEASED NON-CURRENT ASSETS

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident 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. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The lease asset is amortised on a straight line basis over the term of the lease, or where it is likely that the consolidated entity will obtain ownership of the asset, the life of the asset. Lease assets held at the reporting date are being amortised over a period of seven years.

Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between interest (calculated by applying the interest rate implicit in the lease to the outstanding amount of the liability), rental expense and reduction of the liability.

The present value of future payments for surplus leased space under non-cancellable operating leases which are not onerous contracts is recognised as a liability, net of sub-leasing revenue, in the period in which it is determined that the leased space will be of no future benefit to the consolidated entity. The future lease payments are discounted using the interest rates implicit in the leases. Each lease payment is allocated between the liability and finance charges.

Liabilities for surplus leased space under non-cancellable leases which are onerous contracts are recognised on the basis described in the accounting policy note for onerous contracts (Note 1 (r)).

Other operating lease payments are charged to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.



Notes to the Financial Statements (cont)

30 June 2003

Note 1 Summary of Significant Accounting Policies (continued)

(l) NON-CURRENT ASSETS DEVELOPED BY THE ENTITY

Costs in relation to the development of systems controlled by the consolidated entity are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over the period of their expected benefit. Costs incurred in building or enhancing systems, to the extent that they represent probable future economic benefits controlled by the entity that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefit of 8 years.

(m) INTANGIBLE ASSETS AND EXPENDITURE CARRIED FORWARD

(i) GOODWILL

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis over twenty years, being the period during which the benefits are expected to arise.

(ii) BRAND NAME

Significant costs associated with brand names are deferred and amortised on a straight line basis over the period of their expected benefit of 3 years.

(n) 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.

(o) INTEREST BEARING LIABILITIES

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(p) 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.

CHANGE IN ACCOUNTING POLICY FOR PROVIDING FOR DIVIDENDS

The above policy was adopted with effect from 1 July 2002 to comply with AASB 1044 Provisions, Contingent Liabilities and Contingent Assets released in October 2001. In previous years, in addition to providing for the amount of any dividends declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date, provision was made for dividends to be paid out of retained profits at the end of the financial year where the dividend was proposed, recommended or declared between the end of the financial year and the completion of the financial report.

An adjustment of \$1,722,000 was made against the consolidated and parent entity retained profits at the beginning of the financial year to reverse the amount provided at 30 June 2002 for the proposed final dividend for that year that was recommended by the directors between the end of the financial year and the completion of the financial report. This reduced the consolidated and parent entity current liabilities — provisions and total liabilities at the beginning of the financial year by \$1,722,000 with corresponding increases in their net assets, retained profits, total equity and the total dividends provided for or paid during the current financial year.

The restatements of consolidated and parent entity retained profits, provisions and total dividends provided for or paid during the year set out below show the information that would have been disclosed had the new accounting policy always been applied.

**Note 1 Summary of Significant Accounting Policies (continued)**

	CONSOLIDATED		PARENT ENTITY	
	2003 \$'000 (Restated)	2002 \$'000 (Restated)	2003 \$'000 (Restated)	2002 \$'000 (Restated)
Restatement of retained profits				
Previously reported retained profits at the end of the previous financial year (Note 21(b))	5,613	3,129	5,484	2,614
Change in accounting policy for providing for dividends	1,722	1,716	1,722	1,716
Restated retained profits at the beginning of the financial year	7,335	4,845	7,206	4,330
Net profit attributable to members of Julia Ross Recruitment Limited (Note 21(b))	1,112	5,922	1,428	6,308
Total available for appropriation	8,447	10,767	8,634	10,638
Dividends provided for or paid (see below)	(3,444)	(3,432)	(3,444)	(3,432)
Restated retained profits at the end of the financial year	5,003	7,335	5,190	7,206
Restatement of current liabilities — provisions				
Previously reported carrying amount at the end of the financial year (Note 16)	-	1,724	-	1,724
Adjustment for change in accounting policy	-	(1,722)	-	(1,722)
Restated carrying amount at the end of the financial year	-	2	-	2
Restatement of dividends provided for or paid				
Previously reported total dividends provided for or paid during the financial year (Note 22)	3,444	3,438	3,444	3,438
Adjustment for change in accounting policy	-	(6)	-	(6)
Restated total dividends provided for or paid during the financial year	3,444	3,432	3,444	3,432

(q) EMPLOYEE ENTITLEMENTS**(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 leave. 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 flows.

Note 1 Summary of Significant Accounting Policies (continued)**(iii) SUPERANNUATION**

The amount charged to the statement of financial performance in respect of superannuation represents the contributions made by the consolidated entity to the Recruitment Super superannuation fund.

(iv) TERMINATION BENEFITS

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. 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 if, at or before the acquisition date, the main features of the terminations were planned and a valid expectation has 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.

(v) 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.

(vi) EQUITY-BASED COMPENSATION SCHEMES

Equity-based compensation benefits are provided to employees via the Julia Ross Recruitment Limited Employee Share Option Plan. Information relating to this scheme is set out in Note 29.

No accounting entries are made in relation to the Julia Ross Recruitment Limited Employee Share Option Plan until options are exercised, at which time the amounts receivable from employees are recognised in the statement of financial position as share capital.

(r) ONEROUS CONTRACTS

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under that contract, and only after any impairment losses to assets dedicated to that contract have been recognised.

The provision recognised is based on the excess of the estimated cash flows to meet the unavoidable costs under the contract over the estimated cash flows to be received in relation to the contract, having regard to the risks of the activities relating to the contract. The net estimated cash flows are discounted using market yields at balance date on national government guaranteed bonds with terms to maturity and currency that match, as closely as possible, the expected future payments, where the effect of discounting is material.

(s) RESTRUCTURING COSTS

Liabilities arising directly from undertaking a restructuring program, not in connection with the acquisition of an entity or operations, are recognised when a detailed plan of the restructuring activity has been developed and implementation of the restructuring program as planned has commenced, by either entering into contracts to undertake the restructuring activities or making a detailed announcement such that affected parties are in no doubt the restructuring program will proceed.



Notes to the Financial Statements (cont)

30 June 2003

Note 1 Summary of Significant Accounting Policies (continued)

Liabilities for the cost of restructuring entities or operations acquired are recognised as at the date of acquisition of an entity, or part thereof, if the main features of the restructuring were planned and there was a demonstrable commitment to the restructuring at the acquisition date 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.

The cost of restructurings provided for, other than related employee termination benefits, is the estimated cash flows, having regard to the risks of the restructuring activities, discounted using market yields at balance date on national government guaranteed bonds with terms to maturity and currency that match, as closely as possible, the expected future payments, where the effect of discounting is material.

Liabilities for employee termination benefits associated with restructurings are brought to account on the basis described in the accounting policy note for employee benefits (Note 1(q)(iv)). Liabilities for costs of restructurings and related employee termination benefits are disclosed in aggregate where the restructuring occurs as a consequence of an acquisition.

Reversals of part or all of a provision for restructuring relating to an acquisition because the costs are no longer expected to be incurred as planned, are adjusted against the goodwill or discount on acquisition. The adjusted carrying amounts of goodwill or non-monetary assets are amortised or depreciated from the date of the reversal.

(t) 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
- finance lease charges, and
- certain exchange differences arising from foreign currency borrowings.

(u) CASH

For purposes of the statements of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(v) EARNINGS PER SHARE

(i) BASIC EARNINGS PER SHARE

Basic earnings per share is determined by dividing net profit after income tax attributable to members 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 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) ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to "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.



Notes to the Financial Statements (cont)

30 June 2003

(x) RECLASSIFICATION OF CERTAIN EMPLOYEE BENEFITS

Annual leave and related on-costs expected to be settled within 12 months of reporting date have been reclassified from provisions to other creditors in the current year as a result of the adoption of the new accounting standard, AASB1044 Provisions, Contingent Liabilities and Contingent Assets. The directors do not believe there are any significant uncertainties relating to the amount and timing of future payments included in the liabilities for these employee benefits, therefore they do not meet the definition of a provision under the new standard. Comparative amounts have also been reclassified to ensure comparability with the current reporting period.

Note 2 Operating Revenue

	CONSOLIDATED		PARENT ENTITY	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Revenue from operating activities				
Services	144,557	152,282	133,912	143,282
Revenue from outside the operating activities				
Interest	22	2	22	2
Other	79	2	49	2
	101	4	71	4
Revenue from ordinary activities	144,658	152,286	133,983	143,286

Note 3 Operating Profit

(a) NET GAINS AND EXPENSES

Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:

	CONSOLIDATED		PARENT ENTITY	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Net gains				
Net gain on disposal				
Property, plant & equipment	-	2	-	2
Expenses				
Depreciation				
Plant and equipment	816	518	630	421
Furniture and fittings	65	63	53	54
Total depreciation	881	581	683	475
Amortisation				
Leasehold improvements	89	82	87	81
Brand name	201	88	201	88
Goodwill	103	75	26	28
Plant and equipment under finance leases	1	1	1	1
Total amortisation	394	246	315	198
Other charges against assets				
Bad and doubtful debts — trade debtors	389	128	352	167
Borrowing costs				
Interest and finance charges paid/payable	384	324	323	310
Exchange losses on foreign currency borrowing	-	68	-	-
Total borrowing costs	384	392	323	310
Other provisions				
Employee entitlements	17	(81)	17	(81)
Net loss on disposal of property, plant and equipment	57	-	51	-
Rental expense relating to operating leases				
Minimum lease payments	1,844	1,455	1,093	1,201



Notes to the Financial Statements (cont)

30 June 2003

Note 4 Income Tax

	CONSOLIDATED		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
Profit from ordinary activities before income tax expense	1,606	8,398	2,047	8,915
Income tax calculated @ 30% (2002: 30%)	482	2,519	614	2,675
Tax effect of permanent differences:				
Non deductible amortisation	13	13	8	8
Non deductible entertainment	44	46	37	41
R&D tax concession	(39)	(79)	(39)	(79)
Sundry items	24	9	8	8
Income tax adjusted for permanent differences	524	2,508	628	2,653
Effect of lower rates of tax on overseas income	(18)	40	-	-
(Over) provision in previous years	(12)	(72)	(9)	(46)
Income tax expense	494	2,476	619	2,607
Income tax expense comprises:				
Current taxation provision	407	2,109	652	2,294
Deferred income tax provision	356	503	219	419
Future income tax benefit	(257)	(64)	(243)	(60)
(Over) provision in prior year	(12)	(72)	(9)	(46)
	494	2,476	619	2,607

TAX LOSSES

As there are no tax losses, no part of the future income tax benefit shown in Note 11 is attributable to tax losses.

TAX CONSOLIDATION LEGISLATION

Julia Ross Recruitment Limited and its wholly-owned Australian subsidiaries have decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has not yet been notified of this decision. The entities also intend to enter into a tax sharing agreement, but details of this agreement are yet to be finalised.

As a consequence, Julia Ross Recruitment Limited, as the head entity in the tax consolidated group, will recognise current and deferred amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group in future financial statements as if those transactions, events and balances were its own, in addition to the current and deferred tax balances arising in relation to its own transactions, events and balances. Amounts receivable and payable under the tax sharing agreement will be recognised separately by Julia Ross Recruitment Limited as tax related amounts receivable or payable. The impact on the income tax expense and results of Julia Ross Recruitment Limited is unlikely to be material because of the tax sharing agreement. This is not expected to have a material impact on the consolidated assets and liabilities and results.

The financial impact of the implementation of the legislation has not been recognised in the financial statements for the year ended 30 June 2003.



Notes to the Financial Statements (cont)

30 June 2003

Note 5 Current Assets — Cash Assets

	CONSOLIDATED		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Cash at bank and on hand	172	645	10	503
The above figures are reconciled to cash at the end of the financial year as shown in the Statements of Cash Flows as follows:				
Balances as above	172	645	10	503
Less: Bank overdrafts (Note 14)	(2,929)	-	(2,924)	-
Balance per Statements of Cash Flows	(2,757)	645	(2,914)	503

Cash at bank

Cash at bank bears floating interest rates between 3.4% and 3.9% (2002: 3.4% and 3.9%).

Note 6 Current Assets — Receivables

Trade debtors	16,765	14,859	14,106	13,509
Less: Provision for doubtful debts	(624)	(375)	(570)	(339)
	16,141	14,484	13,536	13,170
Other debtors	467	639	294	468
	16,608	15,123	13,830	13,638

Note 7 Current Assets — Other

Prepayments	865	778	733	641
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Note 8 Non-Current Assets — Receivables

Amounts owed by related parties	-	-	3,145	2,011
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Further information on amounts owed by related parties is set out in Note 30.

Non-current assets pledged as security

Refer to Note 17 for information on non-current assets pledged as security by the parent entity or its controlled entities.



Notes to the Financial Statements (cont)

30 June 2003

Note 9 Non-Current Assets — Other Financial Assets

	CONSOLIDATED		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Non-traded investments				
Shares in controlled entities — at cost (Note 31)	-	-	1	1

Note 10 Non-Current Assets — Property, Plant and Equipment

	CONSOLIDATED		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Leasehold improvements — at cost	388	432	381	418
Less: Accumulated amortisation	(162)	(147)	(160)	(146)
	226	285	221	272
Furniture and fittings — at cost	530	505	445	423
Less: Accumulated depreciation	(314)	(249)	(282)	(229)
	216	256	163	194
Plant and equipment				
At cost	6,186	2,895	5,487	2,276
Less: Accumulated depreciation	(1,744)	(938)	(1,413)	(784)
	4,442	1,957	4,074	1,492
Plant and equipment under finance lease	7	7	7	7
Less: Accumulated amortisation	(2)	(1)	(2)	(1)
	5	6	5	6
Plant and equipment in the course of construction	-	2,210	-	2,210
Total plant and equipment	4,447	4,173	4,079	3,708
	4,889	4,714	4,463	4,174

Non-current assets pledged as security

Refer to Note 17 for information on non-current assets pledged as security by the parent entity or its controlled entities.



Notes to the Financial Statements (cont)

30 June 2003

Note 10 Non-Current Assets — Property, Plant and Equipment (continued)

RECONCILIATIONS

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below.

	Leasehold improvements \$'000	Furniture & fittings \$'000	Plant & equipment \$'000	Leased plant & equipment \$'000	In course of cons- truction \$'000	Total \$'000
Consolidated — 2003						
Carrying amount at start of year	285	256	1,957	6	2,210	4,714
Additions	86	25	579	-	507	1,197
Transfers	-	-	2,717	-	(2,717)	-
Disposals	(56)	-	(4)	-	-	(60)
Depreciation/amortisation expense (Note 3(a))	(89)	(65)	(816)	(1)	-	(971)
Foreign currency exchange differences	-	-	9	-	-	9
Carrying amount at end of year	226	216	4,442	5	-	4,889
Consolidated — 2002						
Carrying amount at start of year	312	242	1,213	-	-	1,767
Additions	55	77	1,068	7	2,210	3,417
Additions through acquisition of business	-	-	194	-	-	194
Depreciation/amortisation expense (Note 3(a))	(82)	(63)	(518)	(1)	-	(664)
Carrying amount at end of year	285	256	1,957	6	2,210	4,714
Parent entity — 2003						
Carrying amount at start of year	272	194	1,492	6	2,210	4,174
Additions	86	22	499	-	507	1,114
Transfers	-	-	2,717	-	(2,717)	-
Disposals	(50)	-	(4)	-	-	(54)
Depreciation/amortisation expense (Note 3(a))	(87)	(53)	(630)	(1)	-	(771)
Carrying amount at end of year	221	163	4,074	5	-	4,463
Parent entity — 2002						
Carrying amount at start of year	312	227	1,134	-	-	1,673
Additions	41	21	779	7	2,210	3,058
Depreciation/amortisation expense (Note 3(a))	(81)	(54)	(421)	(1)	-	(557)
Carrying amount at end of year	272	194	1,492	6	2,210	4,174

Note 11 Non-Current Assets — Deferred Tax Assets

	CONSOLIDATED		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Future income tax benefit	586	329	568	325



Notes to the Financial Statements (cont)

30 June 2003

Note 12 Non-Current Assets — Intangible Assets

	CONSOLIDATED		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Goodwill	2,158	1,969	562	562
Less: Accumulated amortisation	(182)	(79)	(54)	(28)
	1,976	1,890	508	534
Brand name	304	264	304	264
Less: Accumulated amortisation	(304)	(103)	(304)	(103)
	-	161	-	161
	1,976	2,051	508	695

Note 13 Current Liabilities — Payables

Trade creditors	769	845	643	807
Other creditors	5,098	4,033	4,289	3,576
	5,867	4,878	4,932	4,383

Note 14 Current Liabilities — Interest Bearing Liabilities

Secured

Bank overdrafts (Note 5)	2,929	-	2,924	-
Lease liabilities (Note 28)	2	2	2	2
Bank loan	2,363	2,443	1,500	1,500
Other loans	-	-	-	-
	5,294	2,445	4,426	1,502

Unsecured

Other loans	121	14	120	14
	5,415	2,459	4,546	1,516

Details of the security relating to each of the secured liabilities and further information on the bank overdrafts and bank loans are set out in Note 17.

Other loans are repayable at call and bear interest at 7.20% per annum (2002: 3.72%).

Notes to the Financial Statements (cont)

30 June 2003

Note 15 Current Liabilities — Current Tax Liabilities

	CONSOLIDATED		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Income tax	-	491	-	491

Note 16 Current Liabilities — Provisions

Dividends	-	1,724	-	1,724
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Movements in provisions

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

	Dividends \$'000	Total \$'000
Consolidated — 2003 Current		
Carrying amount at start of year	1,724	1,724
Adjustment from change in accounting policy (Note 1(p))	(1,722)	(1,722)
Payments/other sacrifices of economic benefits	(2)	(2)
Carrying amount at end of year	-	-
Parent entity — 2003 Current		
Carrying amount at start of year	1,724	1,724
Adjustment from change in accounting policy (Note 1(p))	(1,722)	(1,722)
Payments/other sacrifices of economic benefits	(2)	(2)
Carrying amount at end of year	-	-

Note 17 Non-Current Liabilities — Interest Bearing Liabilities

	CONSOLIDATED		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Secured				
Lease liabilities (Note 28)	3	5	3	5
Secured liabilities				
Total secured liabilities (current and non-current) are:				
Bank overdrafts and bank loans	5,292	2,443	4,424	1,500
Lease liabilities	5	7	5	7
Total secured liabilities	5,297	2,450	4,429	1,507

The bank loan and overdraft of the parent entity is secured by a fixed and floating charge over the assets of the parent entity. The bank loan of a controlled entity is secured by a fixed and floating charge over the assets of another controlled entity.

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.



Notes to the Financial Statements (cont)

30 June 2003

Note 17 Non-Current Liabilities – Interest Bearing Liabilities (continued)

Assets pledged as security

The carrying amounts of non-current assets pledged as security are:

	CONSOLIDATED		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Finance lease				
Plant and equipment under finance lease (Note 10)	5	6	5	6
Fixed and floating charge				
Receivables — non current	-	-	3,145	2,011
Other financial assets	-	-	1	1
Plant and equipment	4,831	4,640	4,458	4,168
Intangible assets	1,919	1,991	508	695
Total non-current assets pledged as security	6,755	6,637	8,117	6,881
The following current assets are also pledged as security under the fixed and floating charge:				
Cash assets	11	505	10	503
Receivables — current	15,305	14,374	13,830	13,638
Other current assets	794	707	733	641
Total assets pledged as security	22,865	22,223	22,690	21,663
Other loans				
Other loans have fixed dates of repayment and bear interest at 7.20% per annum (2002: 3.72%).				
Financing arrangements				
Unrestricted access was available at balance date to the following lines of credit:				
Credit standby arrangements				
Total facilities				
Bank overdrafts	11,000	11,000	11,000	11,000
Used at balance date				
Bank overdrafts	(2,929)	-	(2,924)	-
Unused at balance date				
Bank overdrafts	8,071	11,000	8,076	11,000
Bank loan facilities				
Total facilities	2,363	2,443	1,500	1,500
Used at balance date	(2,363)	(2,443)	(1,500)	(1,500)
Unused at balance date	-	-	-	-

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facility of the parent entity may be drawn at any time in Australian dollars and expires on 30 June 2005. The loan facility of a controlled entity may be drawn at any time in Pounds Sterling and expires on 30 June 2004. The current interest rates are 6.95% on the overdraft (2002: 7.95%), 6.95% on the parent entity bank loan (2002: 8.88%) and 5.84% on the controlled entity bank loan (2002: 6.52%).



Notes to the Financial Statements (cont)

30 June 2003

Note 18 Non-Current Liabilities – Deferred Tax Liabilities

	CONSOLIDATED		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Provision for deferred income tax	988	632	767	548

Note 19 Non-Current Liabilities – Provisions

	2003	2002	2003	2002
Employee benefits (Note 29)	11	28	11	28

Note 20 Contributed Equity

	PARENT ENTITY		PARENT ENTITY	
	2003 Shares	2002 Shares	2003 \$'000	2002 \$'000
(a) SHARE CAPITAL				
Ordinary shares				
Fully paid	57,400,000	57,400,000	7,809	7,809

(b) MOVEMENTS IN ORDINARY SHARE CAPITAL:

	Details	Number of shares	Issue price	\$'000
1 July 2001	Opening balance	57,200,000		7,669
1 March 2002	Exercise of 2001 options	200,000	\$0.70	140
30 June 2002 and 30 June 2003	Balance	57,400,000		7,809

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

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

DIVIDEND REINVESTMENT PLAN

The directors have activated the Dividend Reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at a 5% discount to market price.

OPTIONS

Information relating to the Julia Ross Recruitment Limited Employee Share Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in Note 29.



Notes to the Financial Statements (cont)

30 June 2003

Note 21 Reserves and Retained Profits

	CONSOLIDATED		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
(a) RESERVES				
Foreign currency translation reserve	-	1	-	-
Movements				
Foreign currency translation reserve				
Balance 1 July 2002	1	3	-	-
Net exchange differences on translation of foreign controlled entity	(1)	(2)	-	-
Balance 30 June 2003	-	1	-	-
(b) RETAINED PROFITS				
Retained profits at the beginning of the financial year	5,613	3,129	5,484	2,614
Adjustment resulting from change in accounting policy for providing for dividends	1,722	-	1,722	-
Net profit attributable to members of Julia Ross Recruitment Limited	1,112	5,922	1,428	6,308
Dividends provided for or paid (Note 22)	(3,444)	(3,438)	(3,444)	(3,438)
Retained profits at the end of the financial year	5,003	5,613	5,190	5,484

(c) NATURE AND PURPOSE OF RESERVES

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity, Julia Ross Personnel Limited, are taken to the foreign currency translation reserve, as described in accounting policy Note 1(c)(ii).



Notes to the Financial Statements (cont)

30 June 2003

Note 22 Dividends

	PARENT ENTITY	
	2003 \$'000	2002 \$'000
Ordinary shares		
Interim dividend of 3 cents (2002: 3 cents) per fully paid share paid 21 March 2003 (2002: 22 March 2002)		
Fully franked @ 30%	1,722	1,716
Final dividend of 3 cents per fully paid share paid on 18 October 2002 recognised as a liability at 30 June 2002 but adjusted against retained profits at the beginning of the financial year on the change in accounting policy for providing for dividends (Note 1(p))		
Fully franked @ 30%	1,722	1,722
Total dividends provided for or paid	3,444	3,438

Dividends not recognised at year end

In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 1.5 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 17 October 2003 out of retained profits at 30 June 2003, but not recognised as a liability at year end as a result of the change in accounting policy for providing for dividends (Note 1(p)), is

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Franked dividends

The franked portions of the dividends recommended after 30 June 2003 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2004.

	CONSOLIDATED		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2002: 30%)	3,127	4,101	3,127	4,101

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

- (a) franking credits that will arise from the refund of the current tax receivable
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date, and
- (d) franking credits that may be prevented from being distributed in subsequent financial years.

Under legislation that took effect on 1 July 2002, the amount recorded in the franking account is the amount of Australian income tax paid, rather than franking credits based on after tax profits, and amounts debited to that account in respect of dividends paid after 30 June 2002 are the franking credits attaching to those dividends rather than the gross amount of the dividends. In accordance with this legislation, the franking credits available at 30 June 2002 for the consolidated entity and parent entity of \$9,570,000 based on after tax profits, were converted so that the opening balances on 1 July 2002 reflected a tax paid amount of \$4,101,000 which is shown in the comparative amounts above.



Notes to the Financial Statements (cont)

30 June 2003

Note 23 Financial Instruments

(a) CREDIT RISK EXPOSURES

The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

(b) INTEREST RATE RISK EXPOSURES

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

2003	Notes	Floating interest rate \$'000	Fixed interest maturing in:			Non-interest bearing \$'000	Total \$'000
			1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
Financial assets							
Cash and deposits	5	172	-	-	-	-	172
Receivables	6,8	-	-	-	-	16,608	16,608
		172	-	-	-	16,608	16,780
Weighted average interest rate		3.90%					
Financial liabilities							
Bank overdrafts and loans	14	5,292	-	-	-	-	5,292
Trade and other creditors	13	-	-	-	-	5,867	5,867
Other loans	14	-	121	-	-	-	121
Lease liabilities	14,17	-	2	3	-	-	5
		5,292	123	3	-	5,867	11,285
Weighted average interest rate		7.59%	7.20%	12.5%			
Net financial assets (liabilities)		(5,120)	(123)	(3)	-	10,741	5,495



Notes to the Financial Statements (cont)

30 June 2003

Note 23 Financial Instruments (continued)

2002	Notes	Floating interest rate \$'000	Fixed interest maturing in:			Non-interest bearing \$'000	Total \$'000
			1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
Financial assets							
Cash and deposits	5	645	-	-	-	-	645
Receivables	6,8	-	-	-	-	15,123	15,123
		645	-	-	-	15,123	15,768
Weighted average interest rate		3.68%					
Financial liabilities							
Bank overdrafts and loans	14	2,443	-	-	-	-	2,443
Trade and other creditors	13	-	-	-	-	4,878	4,878
Other loans	14	-	14	-	-	-	14
Lease liabilities	14,17	-	2	5	-	-	7
		2,443	16	5	-	4,878	7,342
Weighted average interest rate		8.09%	3.72%	12.5%			
Net financial assets (liabilities)		(1,798)	(16)	(5)	-	10,245	8,426

(c) NET FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(i) ON-BALANCE SHEET

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts.

(ii) OFF-BALANCE SHEET

The parent entity and certain controlled entities have potential financial liabilities which may arise from certain contingencies disclosed in Note 27. As explained in that note, no material losses are anticipated in respect of any of those contingencies.



Notes to the Financial Statements (cont)

30 June 2003

Note 24 Remuneration of Directors

Income paid or payable, or otherwise made available, to directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities

The numbers of parent entity directors whose total income from the parent entity or related parties was within the specified bands are as follows:

	CONSOLIDATED		PARENT ENTITY	
	2003	2002	2003	2002
	\$	\$	\$	\$
	130,800	452,677	130,800	452,677

	2003	2002
\$0 – \$9,999	1	-
\$30,000 – \$39,999	-	2
\$40,000 – \$49,999	2	-
\$50,000 – \$59,999	1	1
\$320,000 – \$329,999	-	1

Directors' remuneration excludes insurance premiums of \$37,842 paid by the parent entity in respect of directors' and officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual directors and officers. Information relating to the insurance contracts is set out in the Directors' Report.

Note 25 Remuneration of Executives

Remuneration received, or due and receivable, from entities in the consolidated entity and related parties by Australian based executive officers (including directors) whose remuneration was at least \$100,000:

	CONSOLIDATED		PARENT ENTITY	
	2003	2002	2003	2002
	\$	\$	\$	\$
Executive officers of the parent entity	2,683,537	2,552,070	2,683,537	2,552,070
Executive officers of other entities in the consolidated entity	318,940	210,581	-	-
	3,002,477	2,762,651	2,683,537	2,552,070

Options are granted to executive officers under the Employee Share Option Plan, details of which are set out in Note 29. A summary of the number of options granted to and exercised by Australian based executive officers (with income of at least \$100,000) during the year ended 30 June 2003 is set out below.

	Outstanding 30 June 2002	Granted	Exercised	Outstanding 30 June 2003
Australian based executive officers of the parent entity	1,170,000	-	-	610,000



Notes to the Financial Statements (cont)

30 June 2003

Note 25 Remuneration of Executives (continued)

The numbers of Australian based executive officers (including directors) whose remuneration from entities in the consolidated entity and related parties was within the specified bands are as follows:

	CONSOLIDATED		PARENT ENTITY	
	2003	2002	2003	2002
	\$	\$	\$	\$
100,000 – 109,999	4	3	2	1
110,000 – 119,999	4	2	3	2
120,000 – 129,999	1	3	1	3
130,000 – 139,999	1	1	1	1
140,000 – 149,999	2	-	2	-
150,000 – 159,999	1	2	1	2
160,000 – 169,999	-	2	-	2
170,000 – 179,999	1	-	1	-
180,000 – 189,999	1	-	1	-
200,000 – 209,999	-	1	-	1
210,000 – 219,999	1	-	1	-
230,000 – 239,999	1	-	1	-
260,000 – 269,999	1	1	1	1
270,000 – 279,999	-	1	-	1
320,000 – 329,999	-	1	-	1
350,000 – 359,999	1	-	1	-

Executives' remuneration excludes insurance premiums of \$37,842 paid by the parent entity in respect of directors' and officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual directors and officers. Information relating to the insurance contracts is set out in the Directors' Report.



Notes to the Financial Statements (cont)

30 June 2003

Note 26 Remuneration of Auditors

During the year, the auditor of the parent entity and its related practices earned the following remuneration:

PricewaterhouseCoopers — Australian firm

	CONSOLIDATED		PARENT ENTITY	
	2003	2002	2003	2002
	\$	\$	\$	\$
Audit or review of financial reports of the entity or any entity in the consolidated entity	78,000	64,000	78,000	64,000
Other assurance services	1,800	1,800	1,800	1,800
Total audit and other assurance services	79,800	65,800	79,800	65,800
Advisory services	-	5,025	-	5,025
Total remuneration	79,800	70,825	79,800	70,825

Related practices of PricewaterhouseCoopers — Australian firm

PricewaterhouseCoopers Legal	8,408	38,596	8,408	38,596
Total remuneration	8,408	38,596	8,408	38,596

Remuneration of other auditors of controlled entities for the audit or review of financial reports of any entity in the consolidated entity

	6,250	13,889	-	-
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It is the consolidated entity's policy to employ PricewaterhouseCoopers on assignments additional to their statutory duties where PricewaterhouseCoopers' expertise and experience with the consolidated entity are important. These assignments are principally legal advice and client surveys, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the consolidated entity's policy to seek competitive tenders for all major consulting projects.

Other Transactions with PricewaterhouseCoopers

During the year ended 30 June 2002, a controlled entity acquired the PricewaterhouseCoopers Executive Recruitment business on 26 October 2001. For further details, refer to Note 31.

Note 27 Contingent Liabilities

The consolidated entity had contingent liabilities at 30 June 2003 in respect of:

Contingent consideration

Additional consideration of \$311,000 in respect of the acquisition of the Balance Accounting Professionals business which may be payable in cash in the circumstances detailed in Note 31.

In addition, the parent entity had contingent liabilities at 30 June 2003 and 2002 in respect of:

Guarantees

Guarantees given in respect of a bank loan of a controlled entity amounting to \$972,000 (2002 — \$1,115,000), secured by a fixed and floating charge over the assets of the parent entity, and unsecured guarantees given in respect of:

- leases of rental premises amounting to \$799,000 (2002 — \$850,000)
- contractual agreements between the parent entity and other third parties amounting to \$150,000 (2002 — \$200,000).

Cross guarantees have been given by Julia Ross Recruitment Limited and a number of its controlled entities as listed in Note 32. No deficiencies of assets exist in any of these companies.

No material losses are anticipated in respect of any of the above contingent liabilities.



Notes to the Financial Statements (cont)

30 June 2003

Note 28 Commitments for Expenditure

Lease commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:

	CONSOLIDATED		PARENT ENTITY	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Within one year	1,399	1,455	1,061	1,058
Later than one year but not later than five years	1,967	3,462	1,157	1,926
	3,366	4,917	2,218	2,984

Representing:

Non-cancellable operating leases	3,365	4,916	2,217	2,983
Future finance charges on finance leases	1	1	1	1
	3,366	4,917	2,218	2,984

Operating leases

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

Within one year	1,398	1,455	1,060	1,058
Later than one year but not later than five years	1,967	3,461	1,157	1,925
Commitments not recognised in the financial statements	3,365	4,916	2,217	2,983

Finance leases

Commitments in relation to finance leases are payable as follows:

Within one year	2	2	2	2
Later than one year but not later than five years	4	6	4	6
Minimum lease payments	6	8	6	8
Less: Future finance charges	1	1	1	1
Total lease liabilities	5	7	5	7
Representing lease liabilities:				
Current (Note 14)	2	2	2	2
Non-current (Note 17)	3	5	3	5
	5	7	5	7

The weighted average interest rate implicit in the leases is 12.5% (2002: 12.5%).



Notes to the Financial Statements (cont)

30 June 2003

Note 29 Employee Benefits

	CONSOLIDATED		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Employee benefit and related on-costs liabilities				
Inclusion in other creditors – current (Note 13)	482	448	482	448
Provision for employee benefits — non-current (Note 19)	11	28	11	28
Aggregate employee benefit and related on-costs liabilities	493	476	493	476
	CONSOLIDATED Number		PARENT ENTITY Number	
	2003	2002	2003	2002
Employee numbers				
Average number of employees during the financial year	230	228	192	202

Julia Ross Recruitment Limited Employee Share Option Plan

Details of the Julia Ross Recruitment Limited Employee Share Option Plan are set out below.

OFFERS

Under the Employee Share Option Plan, the Board may offer options, such offer being in a form determined by the Board. All staff are eligible to participate in the plan (including executive directors). At the most recent grant date 228 employees were eligible to participate in the plan.

Exercise Price — the prevailing market price of the share at the date of issue of the option (the 'Issue Date').

Exercise Period — an option may be exercised at any time after the option has vested but prior to the first to occur of:

- the expiry of 5 years after the issue date of that option
- the expiry of 30 days after termination of the participant's employment without cause or ceasing to be a director
- immediately upon termination of the participant's employment with cause, and
- if the participant is a director, not sooner than 3 days and not later than 30 days following the release of the preliminary final result, the half yearly result or the Annual Report of the Company.

VESTING

Unless otherwise determined by the Board, the grant of options vests over a period of 54 months as follows:

- 25% of the number of options granted vest on the expiry of 18 months after the Issue Date
- a further 25% of the number of options granted vest on expiry of 30 months after the Issue Date
- a further 25% of the number of options granted vest on the expiry of 42 months after the Issue Date, and
- the final 25% of the number of options granted vest on expiry of 54 months after the Issue Date.



Notes to the Financial Statements (cont)

30 June 2003

Note 29 Employee Benefits (continued)

PERFORMANCE HURDLE

No option can be exercised until the Directors are satisfied that the total return on a Share during the preceding 12 month period, or such other period as the Directors deem necessary ('Total Shareholder Return') is in excess of at least one half of the Total Shareholder Returns quoted on the ASX All Industries Accumulation Index (the 'Performance Hurdle').

The Directors will make this determination at the first Board meeting after each relevant vesting date of options. At each such meeting, the Directors will determine whether the Performance Hurdle has been met in regard to any vested options that were not able to be exercised because the Performance Hurdle had not been met on any previous vesting date.

LIMIT ON OPTIONS

The total number of shares represented by options issued under the Employee Share Option Plan will not exceed 5% of all shares.

OTHER MATTERS

Options granted under the plan carry no dividend or voting rights.

Options are granted for no consideration. The amount received on the exercise of options is recognised as issued capital at the date of issue of the shares.

OTHER DETAILS

Set out below are summaries of options granted under the plan.

Grant date	Expiry date	Exercise price	Balance at start of the year	Issued during the year	Exercised during the year	Lapsed during the year	Balance at end of the year
Consolidated and parent entity – 2003							
4 September 2000	4 September 2005	\$1.00	1,000,000	-	-	410,000	590,000
12 November 2001	12 November 2006	\$1.00	350,000	-	-	250,000	100,000
19 February 2002	19 February 2007	\$1.35	330,000	-	-	30,000	300,000
			1,680,000	-	-	690,000	990,000
Consolidated and parent entity — 2002							
4 September 2000	4 September 2005	\$1.00	1,050,000	-	-	50,000	1,000,000
12 November 2001	12 November 2006	\$1.00	-	350,000	-	-	350,000
19 February 2002	19 February 2007	\$1.35	-	350,000	-	20,000	330,000
			1,050,000	700,000	-	70,000	1,680,000

The market price of shares under option at 30 June 2003 was 49 cents (2002: 91 cents).

No options were exercised during the financial year.

	CONSOLIDATED		PARENT ENTITY	
	2003 Number	2002 Number	2003 Number	2002 Number
Options vested at reporting date	147,500	147,500	147,500	147,500

No proceeds have been received from employees on the exercise of options.



Notes to the Financial Statements (cont)

30 June 2003

Note 30 Related Parties

Directors

The names of persons who were directors of Julia Ross Recruitment Limited at any time during the financial year are as follows: Julia Mary Ross; Fergus Allan McDonald; Frank Harvey Burke and Karen Lynne Wilson. All of these persons were also directors during the year ended 30 June 2002.

Remuneration

Remuneration paid, payable or otherwise made available to the directors of the company is disclosed in Note 24.

Loans to directors of the company and director-related entities

There were no loans to directors of entities in the consolidated entity and their director related entities during the year ended 30 June 2003.

In the 30 June 2002 year, the \$22,467 loan outstanding as at 30 June 2001 from a director related entity was repaid in full. This loan represented the balance on monies due in relation to the rental of premises occupied by the company in North Sydney.

Transactions of directors and director-related entities concerning shares or share options

Aggregate numbers of shares and share options of Julia Ross Recruitment Limited acquired or disposed of by directors of the company and consolidated entity or their director-related entities:

	PARENT ENTITY AND CONSOLIDATED	
	2003 Number	2002 Number
Acquisitions		
Ordinary shares	629,324	-

The numbers of options to be granted under the Employee Share Option Plan and the terms and conditions under which they were to be granted were approved by special resolution at the annual general meeting of the company held on 4 September 2000. The terms and conditions are described in Note 29. All other transactions relating to shares and options of the company, including the payment and receipt of dividends, were on the same basis as similar transactions with other shareholders.

Aggregate numbers of shares and share options of Julia Ross Recruitment Limited held directly, indirectly or beneficially by directors of the company or the consolidated entity or their director-related entities at the balance date:

	2003 Number	2002 Number
Ordinary shares	32,210,247	31,580,923
Options over ordinary shares	270,000	270,000

Other transactions with directors and director-related entities

Ms Julia Ross, Managing Director controls a company, TPC Nominees Pty Limited. Julia Ross Recruitment Limited has rented a floor in an office building from TPC Nominees Pty Limited for the past three years. The rental agreement is based on normal commercial terms and conditions. The rent amounted to \$58,011 (2002 — \$54,360) for the company and the consolidated entity.



Notes to the Financial Statements (cont)

30 June 2003

Note 30 Related Parties (continued)

Wholly-owned group

The wholly-owned group consists of Julia Ross Recruitment Limited and its wholly-owned controlled entities, Julia Ross Personnel Limited (UK), Julia Ross Personnel Pty Limited, Ross Training Pty Limited, Ross Financial Pty Limited, Ross Industrial Pty Limited, Ross IT Consulting Pty Limited, Ross Executive Pty Limited, The Ross Group of Companies Pty Limited, Ross Recruitment Pty Limited, Julia Ross Call Centre Solutions Pty Limited, Ross Outsourcing Pty Limited, Associated Recovery Services Pty Limited, Julia Ross Recruitment Limited (NZ), FirstWater Pty Limited, FirstWater Executive Pty Limited, Julia Ross (No 1) Pty Limited and Office Angels (Australia) Pty Limited. Ownership interests in these controlled entities are set out in Note 31.

Transactions between Julia Ross Recruitment Limited and other entities in the wholly-owned group during the years ended 30 June 2003 and 2002 consisted of:

- (a) loans advanced by Julia Ross Recruitment Limited
- (b) loans repaid to Julia Ross Recruitment Limited
- (c) the supply of temporary staff to/from Julia Ross Recruitment Limited

The above transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of principal on loans advanced by Julia Ross Recruitment Limited and no interest was charged on the loans during the year (2002: nil).

	PARENT ENTITY	
	2003 \$'000	2002 \$'000
Aggregate amounts receivable from entities in the wholly-owned group at balance date:		
Non-current receivables (loans)	3,145	2,011

Controlling entities

The ultimate parent entity and the ultimate Australian parent entity in the wholly-owned group is Julia Ross Recruitment Limited.

Ownership interests in related parties

Interests held in the following class of related parties is set out in the following notes:

- (a) controlled entities — Note 31



Notes to the Financial Statements (cont)

30 June 2003

Note 31 Investments in Controlled Entities

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2003 %	2002 %
Julia Ross Personnel Limited	United Kingdom	Ordinary	100	100
Julia Ross Personnel Pty Limited*	Australia	Ordinary	100	100
Ross Training Pty Limited*	Australia	Ordinary	100	100
Ross Financial Pty Limited*	Australia	Ordinary	100	100
Ross Industrial Pty Limited*	Australia	Ordinary	100	100
Ross IT Consulting Pty Limited*	Australia	Ordinary	100	100
Ross Executive Pty Limited*	Australia	Ordinary	100	100
The Ross Group of Companies Pty Limited*	Australia	Ordinary	100	100
Ross Recruitment Pty Limited*	Australia	Ordinary	100	100
Julia Ross Call Centre Solutions Pty Limited*	Australia	Ordinary	100	100
Ross Outsourcing Pty Limited*	Australia	Ordinary	100	100
Associated Recovery Services Pty Limited*	Australia	Ordinary	100	100
Julia Ross Recruitment Limited (NZ)	New Zealand	Ordinary	100	100
Firstwater Pty Limited	Australia	Ordinary	100	100
Firstwater Executive Pty Limited	Australia	Ordinary	100	100
Julia Ross (No 1) Pty Limited	Australia	Ordinary	100	100
Office Angels (Australia) Pty Limited	Australia	Ordinary	100	100

* These controlled entities have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities & Investments Commission. For further information see Note 32.

Acquisition of Balance Accounting Professionals Business — 2003

On 1 December 2002, a controlled entity acquired the Balance Accounting Professionals business. Consideration for the acquisition was a cash payment of \$100,000 and earn out up to a maximum of \$400,000. Earn out totalling \$89,000 was paid during the year ended 30 June 2003, giving rise to goodwill on acquisition of \$189,000. The operating results of this new operation have been included in the consolidated statement of financial performance since the date of acquisition.

In the event that certain future revenues and earnings are achieved by the controlled entity, additional earn out of up to \$311,000 may be payable in cash. At the date of this financial report the remaining available earn-out has not been booked as the quantum and timing of the earn-out is uncertain. If it becomes probable that consideration will be payable it will be brought to account as a component of the goodwill arising on the acquisition when the amount can be reliably measured.



Notes to the Financial Statements (cont)

30 June 2003

Note 31 Investments in Controlled Entities (continued)

Acquisition of PricewaterhouseCoopers Executive Recruitment Business — 2002

On 26 October 2001, a controlled entity acquired 100% of the PricewaterhouseCoopers Executive Recruitment business for \$1,220,000 (\$1,060,000 plus incidental costs of \$160,000). The operating results of this new operation have been included in the consolidated statement of financial performance since the date of acquisition.

Further Incidental Costs Associated with Acquisition of Office Angels Business — 2002

During the year ended 30 June 2002, further incidental costs amounting to \$23,000 associated with the acquisition of the Office Angels business (acquired in the 2001 year) were paid, giving rise to further goodwill on acquisition of \$23,000.

Details of the acquisitions are as follows:

	2003 \$'000	2002 \$'000
Fair value of identifiable net assets of business acquired		
Plant and equipment	-	194
Work in progress	-	(117)
Prepayments	-	39
Future income tax benefit	-	28
Employee entitlements	-	(144)
	189	1,243
Goodwill on acquisition		
Cash consideration	189	1,243

	CONSOLIDATED		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Outflow of cash to acquire business interest and net of cash acquired	(189)	(1,243)	-	(23)



Notes to the Financial Statements (cont)

30 June 2003

Note 32 Deed of Cross Guarantee

Julia Ross Recruitment Limited, Julia Ross Personnel Pty Limited, Ross Training Pty Limited, Ross Financial Pty Limited, Ross Industrial Pty Limited, Ross IT Consulting Pty Limited, Ross Executive Pty Limited, The Ross Group of Companies Pty Limited, Ross Recruitment Pty Limited, Julia Ross Call Centre Solutions Pty Limited, Ross Outsourcing Pty Limited and Associated Recovery Services Pty Limited are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and Directors' Report under Class Order 98/1418 (as amended by Class Orders 98/2017, 00/0321, 01/1087, 02/0248 and 02/1017) issued by the Australian Securities & Investments Commission.

The above companies represent a "Closed Group" for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Julia Ross Recruitment Limited, they also represent the "Extended Closed Group".

The statement of financial performance and the statement of financial position of the parent entity presented in these financial statements reflect the results and financial position of the Closed Group.

Note 33 Events Occurring after Reporting Date

On 21 August 2003 the Board activated the Dividend Reinvestment Plan, details of which are set out in Note 20.

Note 34 Earnings Per Share

	CONSOLIDATED	
	2003	2002
	Cents	Cents
Basic earnings per share	1.9	10.3
Diluted earnings per share	1.9	10.3

	Number	Number
--	--------	--------

Weighted average number of shares used as a denominator

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	57,400,000	57,305,341
--	------------	------------

Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	57,400,000	57,400,179
--	------------	------------

	CONSOLIDATED	
	2003	2002
	\$'000	\$'000

Reconciliations of earnings used in calculating earnings per share

Basic and diluted earnings per share		
Net profit	1,112	5,922
Earnings used in calculating basic and diluted earnings per share	1,112	5,922

Information concerning the classifications of securities

Options

Options granted to employees under the Julia Ross Recruitment Limited Employee Share Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 29.

Notes to the Financial Statements (cont)

30 June 2003

Note 35 Reconciliation of Operating Profit After Income Tax to Net Cash Inflow from Operating Activities

	CONSOLIDATED		PARENT ENTITY	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Operating profit after income tax	1,112	5,922	1,428	6,308
Depreciation and amortisation	1,275	827	998	673
Net loss on sale of non-current assets	57	-	51	-
(Increase) decrease in trade debtors	(1,657)	2,599	(366)	1,883
(Increase) in future income tax benefit	(257)	(93)	(243)	(89)
Decrease (increase) in other operating assets	62	(871)	62	(565)
Increase (decrease) in trade creditors	197	(399)	109	197
Increase (decrease) in other operating liabilities	1,052	(57)	698	(395)
(Decrease) in provision for income taxes payable	(491)	(633)	(491)	(519)
Increase in provision for deferred income tax liability	356	503	219	419
(Decrease) increase in other provisions	(17)	13	(17)	13
Net cash inflow from operating activities	1,689	7,811	2,448	7,925

Note 36 Segment Information

The consolidated entity's operations are carried out in one industry sector and are predominantly carried out in Australia.

The directors declare that the financial statements and notes set out on pages 23 to 59:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2003 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and.
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 32 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 32.

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



FERGUS ALLAN MCDONALD

Director



JULIA MARY ROSS

Director

Sydney

19 September 2003

Audit opinion

In our opinion, the financial report of Julia Ross Recruitment Limited:

- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Julia Ross Recruitment Limited and the Julia Ross Group (defined below) as at 30 June 2003, and of their performance for the year ended on that date, and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.

Scope

THE FINANCIAL REPORT AND DIRECTORS' RESPONSIBILITY

The financial report comprises the statement of financial position, statement of financial performance, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Julia Ross Recruitment Limited (the company) and the Julia Ross Group (the consolidated entity), for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

AUDIT APPROACH

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.



Independent Audit Report to the Members of Julia Ross Recruitment Limited (cont)

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

PRICEWATERHOUSECOOPERS

BK HUNTER

Partner

Sydney
19 September 2003



Shareholder information

30 June 2003

The shareholder information set out below was applicable as at 28 August 2003.

(a) DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

	Ordinary shares	
	Shares	Options
1 – 1,000	116	-
1,001 — 5,000	718	-
5,001 — 10,000	372	-
10,001 — 100,000	326	16
100,001 and over	23	1
	<hr/> 1,555	<hr/> 17

There were 38 holders of less than a marketable parcel of ordinary shares.

(b) EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity security are listed below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
J M Ross	31,857,924	55.50
Citicorp Nominees Pty Limited	4,651,063	8.10
RBC Global Services Australia	2,078,139	3.62
Gwynvill Trading Pty Ltd	800,000	1.39
J P Morgan Nominees Australia	759,822	1.32
Guardian Trust Australia Ltd	569,060	0.99
Government Superannuation Office	503,778	0.88
John E Gill Operations Pty Limited	500,000	0.87
ANZ Nominees Ltd	424,700	0.74
MD Barnett	307,004	0.53
F A McDonald	292,323	0.51
J Caldon	250,000	0.44
AM Van Der Steeg	246,266	0.43
Metal Industries Pty Ltd	200,000	0.35
Victorian Workcover Authority	189,100	0.33
Redbrook Nominees Pty Ltd	140,000	0.24
PJ Hantgartner	120,000	0.21
J Williams & Co Pty Ltd	120,000	0.21
Woodduck Pty Ltd	116,616	0.20
J Barr	100,000	0.17
	<hr/> 44,225,795	<hr/> 77.03



Shareholder information (cont)

30 June 2003

Unquoted equity securities

	Number on issue	Number of holders
Options issued under the Employee Share Option Plan to take up ordinary shares	990,000*	17

* Number of unissued ordinary shares under the options. Apart from one employee who holds 20.20% of the issued options, no other person holds 20% or more of these securities

(c) SUBSTANTIAL HOLDERS

Substantial holders in the company are set out below:

	Number held	Percentage
Ordinary Shares		
J M Ross	31,857,924	55.50%
Citicorp Nominees Pty Limited	4,651,063	8.10%

(d) VOTING RIGHTS

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

(a) Ordinary shares

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

(b) Options

No voting rights.

Corporate Directory



DIRECTORS

Fergus Allan McDonald NON-EXECUTIVE DIRECTOR

Julia Mary Ross MANAGING DIRECTOR

Frank Harvey Burke

Karen Lynne Wilson

SECRETARY

Neil Antony Mitchell-Clark

NOTICE OF ANNUAL GENERAL MEETING

The annual general meeting of Julia Ross Recruitment Limited will be held at:

The Barnet Room, Westin Hotel

1 Martin Place, Sydney NSW 2000

Time: 3.30pm

Date: 19 November 2003

A formal notice of meeting is enclosed.

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

Level 2

14 Martin Place

Sydney NSW 2000

Tel: (02) 8256 0000

Fax: (02) 9232 1748

website address: www.juliaross.com.au

SHARE REGISTER

Computershare Registry Services Pty Limited

Level 3, 60 Carrington Street

Sydney NSW 2000

AUDITOR

PricewaterhouseCoopers

Chartered Accountants

Darling Park Tower 2

201 Sussex Street

Sydney NSW 2000

SOLICITORS

Gilbert and Tobin

2 Park Street

Sydney NSW 2000

BANKERS

Macquarie Bank Limited

1 Martin Place

Sydney NSW 2000

STOCK EXCHANGE LISTING

Julia Ross Recruitment Limited shares are listed on the Australian Stock Exchange.

STOCK EXCHANGE CODE

JRR