

# Appendix 4E

## Preliminary final report

Name of entity

Ross Human Directions Limited

ABN or equivalent company  
reference

ABN 25 003 758 709

Financial period ended

30 June 2005

### Results for announcement to the market

\$A'000

Revenues from ordinary activities	up	117.1 %	to	358,058
Profit (loss) from ordinary activities after tax attributable to members	up	27.2 %	to	5,031
Net profit (loss) for the period attributable to members	up	27.2 %	to	5,031
<b>Dividends</b>		Amount per security		Franked amount per security
Final dividend		2.0 ¢		2.0 ¢
Interim dividend		2.0 ¢		2.0 ¢
Previous corresponding period				
Final dividend		2.0 ¢		2.0 ¢
Interim dividend		1.5 ¢		1.5 ¢
Record date for determining entitlements to the dividend	23 September 2005			
Brief explanation of any of the figures reported above to enable the figures to be understood.				
The profit for the year is up on prior year due predominantly to:				
<ul style="list-style-type: none"> <li>• The inclusion of the results for Spherion Asia Pacific for the period since its acquisition on 28 June 2004.</li> <li>• An improvement in gross profit margins in the temporary services business; and</li> <li>• An improvement in permanent recruitment revenue.</li> </ul>				

## Consolidated statement of financial performance

For the period ended 30 June 2005

	2005 \$A'000	2004 \$A'000
<b>Revenues from ordinary activities</b>	<b>358,058</b>	164,945
Costs of temporary staff	(292,717)	(130,698)
Employee benefits expense	(34,668)	(18,477)
Depreciation and amortisation expenses	(2,525)	(1,274)
Borrowing costs expense	(1,866)	(331)
Other expenses from ordinary activities	(18,900)	(8,552)
<b>Profit from ordinary activities before related income tax expense</b>	<b>7,382</b>	5,613
Income tax expense	(2,351)	(1,657)
<b>Profit from ordinary activities after related income tax expense and net profit attributable to the members of Ross Human Directions Limited</b>	<b>5,031</b>	3,956
Net exchange differences on translation of financial report of foreign controlled entity	(272)	49
<b>Total revenues, expenses and valuation adjustments attributable to the members of Ross Human Directions Limited recognised directly in equity</b>	<b>(272)</b>	49
<b>Total changes in equity attributable to members of Ross Human Directions Limited other than those resulting from transactions with owners as owners</b>	<b>4,759</b>	4,005
	<b>Cents</b>	Cents
Basic EPS	<b>6.5</b>	6.8
Diluted EPS	<b>6.4</b>	6.8

## Consolidated statement of financial position

As at 30 June 2005

	2005 \$A'000	2004 \$A'000
<b>Current assets</b>		
Cash	5,044	1,269
Receivables	54,783	19,598
Other	1,481	919
<b>Total Current Assets</b>	<b>61,308</b>	21,786
<b>Non-Current Assets</b>		
Property, plant and equipment	4,047	4,058
Deferred tax assets	2,591	659
Intangible assets	8,714	2,064
<b>Total Non-Current Assets</b>	<b>15,352</b>	6,781
<b>Total Assets</b>	<b>76,660</b>	28,567
<b>Current Liabilities</b>		
Payables	20,076	7,113
Interest bearing liabilities	20,214	3,753
Current tax liabilities	1,676	504
Provisions	105	-
<b>Total Current Liabilities</b>	<b>42,071</b>	11,370
<b>Non-Current Liabilities</b>		
Payables	92	-
Interest bearing liabilities	-	1
Deferred tax liabilities	1,008	1,048
Provisions	535	19
<b>Total Non-Current Liabilities</b>	<b>1,635</b>	1,068
<b>Total Liabilities</b>	<b>43,706</b>	12,438
<b>Net Assets</b>	<b>32,954</b>	16,129
<b>Equity</b>		
Parent entity interest		
Contributed equity	24,068	8,857
Reserves	(223)	49
Retained profits	9,109	7,223
<b>Total Equity</b>	<b>32,954</b>	16,129

## Consolidated statement of cash flows

For the period ended 30 June 2005

	2005 \$A'000	2004 \$A'000
<b>Cash flows from operating activities</b>		
Receipts from customers	388,053	177,824
Payments to suppliers and employees	(387,068)	(172,326)
Interest received	185	26
Borrowing costs	(1,393)	(329)
Income taxes paid	(1,273)	(1,232)
<b>Net cash (outflow) inflow from operating activities</b>	<b>(1,496)</b>	<b>3,963</b>
<b>Cash flows from investing activities</b>		
Payment for purchase of Spherion (ACT) Pty Limited and controlled entities, net of cash acquired	(13,859)	-
Payment for purchase of Jobworkx preferred supplier agreement	-	(50)
Payment for purchase of Balance Accounting Professional business	(175)	(160)
Payment for property, plant and equipment	(473)	(335)
Loans to employees	-	(26)
Proceeds from sale of property, plant and equipment	4	-
Repayment of loans by employees	20	-
<b>Net cash outflow from investing activities</b>	<b>(14,483)</b>	<b>(571)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares	14,931	-
Proceeds from borrowings	16,571	936
Repayment of borrowings	(20,261)	(2,462)
Dividends paid	(2,866)	(688)
<b>Net cash inflow (outflow) from financing activities</b>	<b>8,375</b>	<b>(2,214)</b>
<b>Net increase (decrease) increase in cash held</b>	<b>(7,604)</b>	<b>1,178</b>
Cash at beginning of the financial period	(1,471)	(2,757)
Effect of exchange rate changes on cash	(327)	108
<b>Cash at the end of the financial period</b>	<b>(9,402)</b>	<b>(1,471)</b>

## Note 1 Summary of significant accounting policies

There have been no changes in accounting policies since 25 June 2004 as set out in the Annual Report for that financial period.

### Accounting Period

The financial report has been prepared for the period from 26 June 2004 to 30 June 2005.

In the prior period, in accordance with Section 323D(2) of the Corporations Act 2001, the directors elected to prepare the financial report for the period from 1 July 2003 to 25 June 2004. This election was adopted to allow the financial statements to be prepared prior to the acquisition of Spherion (ACT) Pty Limited and its controlled entities on 28 June 2004

## Note 2 – Operating revenue

	<b>2005</b>	2004
	<b>\$A'000</b>	\$A'000
<b>Operating Revenue</b>		
<b>Revenue from operating activities</b>		
Services	<b>357,869</b>	164,919
<b>Revenue from outside operating activities</b>		
Interest revenue	<b>185</b>	26
Sale of non-current assets	<b>4</b>	-
Revenue from ordinary activities	<b>358,058</b>	164,945

## Note 3 – Operating profit

### Net gains and expenses

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

### Expenses

Depreciation		
Plant and equipment	<b>1,421</b>	1,001
Furniture and fittings	<b>85</b>	65
Total depreciation	<b>1,506</b>	1,066
Amortisation		
Leasehold improvements	<b>417</b>	84
Goodwill	<b>578</b>	121
Preferred supplier agreement	<b>14</b>	1
Plant and equipment under finance lease	<b>10</b>	2
Total amortisation	<b>1,019</b>	208
Other charges against assets		
Bad and doubtful debts – trade debtors	<b>896</b>	163
Borrowing costs		
Interest and finance charges paid/payable	<b>1,726</b>	329
Exchange losses on foreign currency borrowing	<b>140</b>	2
Total borrowing costs	<b>1,866</b>	331
Net loss on disposal of plant and equipment	<b>12</b>	6
Rental expense relating to operating leases		
Minimum lease payments	<b>4,038</b>	1,466

#### Note 4 Current assets - cash assets

	2005 \$A'000	2004 \$A'000
Cash at bank and on hand	5,044	1,269
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:		
Balance as above	5,044	1,269
Less: Bank overdrafts	(14,446)	(2,740)
Balances per statement of cash flows	(9,402)	(1,471)

#### Note 5 Non-current assets – Property, plant and equipment

	2005 \$A'000	2004 \$A'000
Leasehold improvements – at cost	3,330	426
Less: Accumulated amortisation	(2,865)	(244)
	465	182
Furniture and fittings – at cost	656	562
Less: Accumulated depreciation	(462)	(379)
	194	183
<b>Plant and equipment</b>		
At cost	11,725	6,443
Less: Accumulated depreciation	(8,338)	(2,753)
	3,387	3,690
Plant and equipment under finance lease	7	7
Less: Accumulated amortisation	(6)	(4)
	1	3
Total plant and equipment	3,388	3,693
	4,047	4,058

**Note 6 Non-current assets – Intangible assets**

	2005 \$A'000	2004 \$A'000
Goodwill	9,453	2,318
Less: Accumulated amortisation	(774)	(303)
	8,679	2,015
Preferred Supplier Agreement	50	50
Less: Accumulated amortisation	(15)	(1)
	35	49
	8,714	2,064

**Note 7 Current Liabilities – Interest bearing liabilities**

	2005 \$A'000	2004 \$A'000
<b>Secured</b>		
Bank overdrafts	14,446	2,740
Lease liabilities	1	2
Bank loan	841	915
	15,288	3,657
<b>Unsecured</b>		
Other loans	4,926	96
	20,214	3,753

**Note 8 Retained profits**

	2005 \$A'000	2004 \$A'000
Retained profits at the beginning of the financial period	7,223	5,003
Net profit attributable to members of Ross Human Directions Limited	5,031	3,956
Dividends paid	(3,145)	(1,736)
	9,109	7,223
<b>Retained profits at the end of financial period</b>	<b>9,109</b>	<b>7,223</b>

**Note 9 Reconciliation of operating profit after income tax to net cash inflow from operating activities**

	2005 \$A'000	2004 \$A'000
Operating profit after income tax	5,031	3,956
Depreciation and amortisation	2,525	1,274
Net loss on sale of non-current assets	12	6
(Increase) in trade debtors	(8,250)	(3,196)
(Increase) in future income tax benefit	(132)	(73)
(Increase) decrease in other operating assets	(809)	178
(Decrease) increase in trade creditors	(494)	385
(Decrease) increase in other operating liabilities	(396)	861
Increase in provision for income taxes payable	1,072	504
(Decrease) increase in provision for deferred income tax liability	(40)	60
(Decrease) increase in other provisions	(15)	8
Net cash (outflow) inflow from operating activities	<b>(1,496)</b>	<b>3,963</b>

**Note 10 Non-cash financing and investing activities**

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

N/A
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## Other notes to the financial statements

### Note 11 Earnings per share

Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of AASB 1027: *Earnings Per Share* are as follows.

	2005 Cents	2004 Cents
Basic earnings per share	6.5	6.8
Diluted earnings per share	6.4	6.8
	<b>Number</b>	Number
Weighted average number of ordinary shares used as a denominator in calculating basic earnings per share	77,771,606	58,252,227
Weighted average number of ordinary shares and potential ordinary shares used as a denominator in calculating diluted earnings per share	78,830,399	58,252,227
	<b>2005 \$A'000</b>	2004 \$A'000
Basic and Diluted Earnings Per Share		
Net profit	5,031	3,956
Earnings used in calculating basic and diluted earnings per share	5,031	3,956

Options granted to employees under the Ross Human Directions 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.

### Note 12 NTA backing

	2005 Cents	2004 Cents
Net tangible asset backing per ordinary security	29.7 c	23.8 c

**Note 13 (a) Control gained over entities having material effect**

Name of entity (or group of entities)	SPHN (ACT) Pty Limited (formerly Spherion (ACT) Pty Limited) and controlled entities.	
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	\$	2,218
Date from which such profit has been calculated		28 June 2005
Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	\$	N/A

**Note 13 (b) Loss of control of entities having material effect**

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

## Note 14 Dividends

Date the dividend is payable

14 October 2005

Record date to determine entitlements to the dividend (ie, on the basis of proper instruments of transfer received by 5.00 pm if securities are not CHES approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if securities are CHES approved)

23 September 2005

If it is a final dividend, has it been declared?

Yes

### Amount per security

	Amount per security	Franked amount per security at %	Amount per security of foreign source dividend
<b>Final dividend:</b> Current year	<b>2.0 ¢</b>	<b>2.0 ¢</b>	<b>Nil ¢</b>
Previous year	2.0 ¢	2.0 ¢	Nil ¢
<b>Interim dividend:</b> Current year	<b>2.0 ¢</b>	<b>2.0 ¢</b>	<b>Nil ¢</b>
Previous year	1.5 ¢	1.5 ¢	Nil ¢

### Total dividend per security (interim plus final)

	Current year	Previous year
Ordinary securities	<b>4.0 ¢</b>	3.5 ¢

### Final dividend on all securities

Ordinary securities (each class separately)

2005 \$A'000	2004 \$A'000
<b>1,633</b>	1,554

The dividend or distribution plans shown below are in operation.

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

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

23 September 2005

Any other disclosures in relation to dividends

None.

**Note 15 Details of aggregate share of profits (losses) of associates and joint venture entities**

Group's share of associates' and joint venture entities':	2005 \$A'000	2004 \$A'000
Profit (loss) from ordinary activities before tax	N/A	N/A
Income tax on ordinary activities	N/A	N/A
<b>Profit (loss) from ordinary activities after tax</b>	N/A	N/A
Extraordinary items net of tax	N/A	N/A
<b>Net profit (loss)</b>	N/A	N/A
Adjustments	N/A	N/A
<b>Share of net profit (loss) of associates and joint venture entities</b>	N/A	N/A

**Note 16 Material interests in entities which are not controlled entities**

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

<i>Name of entity</i>	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
	2005	2004	2005 \$A'000	2004 \$A'000
<b>Equity accounted associates and joint venture entities</b>				
	N/A	N/A	N/A	N/A
<b>Total</b>				
Other material interests	N/A	N/A	N/A	N/A
<b>Total</b>				

### Note 17 Issued and quoted securities at end of current period

Category of securities	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
<b>Ordinary securities</b>	81,657,866	81,657,866		
Changes during current period				
(a) Increases through issues	22,529,608	22,529,608	68.0 c	68.0 c
(b) Decreases through returns of capital, buybacks	-	-	-	-
<b>Options</b> ( <i>description and conversion factor</i> )			<i>Exercise price</i>	<i>Expiry date (if any)</i>
	270,000		100.0 c	04/09/05
	190,000		135.0 c	19/02/07
	708,000		68.0 c	15/04/08
	1,220,103		0 c	19/11/09
	139,000		68.0 c	08/09/08
Issued during current period	866,000		68.0 c	15/04/08
	1,556,103		0.0 c	19/11/09
	139,000		68.0 c	08/09/08
Exercised during current period	-		-	-
Expired during current period	200,000		100.0 c	
	100,000		100.0 c	
	80,000		135.0c	
	158,000		68.0 c	
	336,000		0.0 c	

### Note 18 Segment reporting

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

### Note 19 Contingent liabilities

Changes in contingent liabilities or assets.

At 30 June 2005, bank guarantees amounted to \$ 4,177,401 (25 June 2004: \$ 2,006,174).

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

## Note 20 Franking Credits

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

Franking credits of \$3,648,332 were available at 30 June 2005. The balance of the franking credits is based on a tax rate of 30%.

## Note 21 Events occurring after reporting date

There are no material post balance date events.

## Note 22 Impacts of adopting Australian equivalents to IFRS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 26 June 2004.

The consolidated entity has established a project team to manage the transition to AIFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. The project team is chaired by the Chief Financial Officer. The project team has prepared a detailed timetable for managing the transition and is currently on schedule.

The project team has analysed all of the AIFRS and has identified the accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. These choices have been analysed to determine the most appropriate accounting policy for the consolidated entity.

The known or reliably estimable impacts on the financial report for the financial period ended 30 June 2005 had it been prepared using AIFRS are set out below. No material impacts are expected in relation to the statements of cash flows.

Although the adjustments disclosed below are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and the IASB. Therefore, until the company prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

### (a) Income tax

Under AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

## Note 22 Impacts of adopting Australian equivalents to IFRS (continued)

### (a) Income tax (continued)

It has been assessed that the impact on current and deferred tax balances at 30 June 2005 associated with the application of AASB 112 and other AIFRS standards would have been a reduction in deferred tax assets and deferred tax liabilities of \$54,000 and \$87,000 respectively. The corresponding changes associated with these adjustments would have been an increase in opening retained profits of \$94,000 and an increase in goodwill of \$244,000 at 30 June 2005 with a decrease in tax expense of \$183,000 for the financial period ended 30 June 2005.

The tax effect of adjustments in paragraph (e) Business Combinations below have been included for completeness in that section, however, those tax adjustments are also reflected in the above.

### (b) Intangible assets – goodwill

Under AASB 3 *Business Combinations*, amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit.

This will result in a change to the current accounting policy, under which goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise and not exceeding 20 years.

If the policy required by AASB 3 had been applied during the financial period ended 30 June 2005, consolidated goodwill at 30 June 2005 would have been \$137,000 higher, and:

- (i) consolidated amortisation expense for the financial period ended 30 June 2005 would have been \$578,000 lower;
- (ii) consolidated retained profits at 30 June 2005 would have been \$314,000 lower due to the impairment of goodwill at 26 June 2004; and
- (iii) consolidated profit before tax would have been \$127,000 lower due to the impairment of goodwill at 30 June 2005.

### (c) Equity-based compensation benefits

Under AASB 2 *Share-based Payment*, from 26 June 2004 the group is required to recognise an expense for those options that were issued to employees under the Ross Human Directions Limited Employee Share Option Plan after 7 November 2002 but that had not vested by 1 January 2005.

This will result in a change to the current accounting policy under which no expense is recognised for equity-based compensation.

If the policy required by AASB 2 had been applied during the financial period ended 30 June 2005, the consolidated entity employee benefits expense would have been \$239,000 higher, with a corresponding increase in the net movement in the share-based payment reserve.

### (d) Financial instruments

The group will be taking advantage of the exemption available under AASB 1 to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* only from 1 July 2005. This allows the group to apply previous Australian generally accepted accounting principles (Australian GAAP) to the comparative information of financial instruments within the scope of AASB 132 and AASB 139 for the 30 June 2006 financial report.

Under AASB 132, the current classification of financial instruments issued by entities in the consolidated entity would not change.

It has been assessed that AASB 132 will not have an impact on the financial report for the group for the financial period ended 30 June 2005.

## Note 22 Impacts of adopting Australian equivalents to IFRS (continued)

**(e) Business combination**

Under AASB 3 *Business Combinations*, provisions for restructuring costs can only be recognised as part of the acquisition accounting if the acquiree had, at the acquisition date, recognised an existing liability for restructuring. This is different to the current accounting policy under which a provision is recognised provided the acquirer had developed the main features of the restructuring plan at the date of the acquisition and developed a detailed plan within three months after the date of the acquisition.

On 28 June 2004, the parent entity acquired 100% of the issued share capital of SPHN (ACT) Pty Limited (formerly Spherion (ACT) Pty Limited). Had the policy required by AASB 3 been applied to this acquisition, no provision for restructuring would have been recognised in the consolidated statement of financial position at the date of acquisition (\$815,000 under existing Australian GAAP) and goodwill and deferred tax assets would have decreased by \$571,000 and \$244,000 respectively. By not recognising a provision for restructuring at the date of acquisition, current payables and deferred tax assets would have been \$180,000 and \$54,000 lower respectively at 30 June 2005. In addition, employee benefits expense and other expenses for the financial period ended 30 June 2005 would have been \$435,000 higher and \$200,000 higher respectively and tax expense would have been \$191,000 lower.

A number of preferred supplier agreements have been identified associated with the acquisition of SPHN (ACT) Pty Limited. These agreements are considered to be intangible assets and at the date of this report, the terms of these contracts are in the process of being reviewed and assessed to determine their fair value. The valuation process is ongoing and expected to be completed between the date of this report and the half year report dated 31 December 2005. The impact of this review (if any) on the financial report would be to reduce goodwill with a corresponding increase in intangible assets.

**(f) Foreign currency translation reserve: cumulative translation differences**

On the initial application of AIFRS, the Group will elect to apply the exemption in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* relating to the balance of the foreign currency translation reserve. The cumulative translation differences for all foreign operations represented in the foreign currency translation reserve will be deemed to be zero at the date of transition to AIFRSs.

As a result of this exemption, the balance of the foreign currency translation reserve of the group at 30 June 2005 will decrease by \$49,000. Retained earnings will increase by this amount.

## **Commentary on results for the period**

Ross Human Directions recorded a net profit after tax of \$5.03 million for the period ended 30 June 2005, which is up 27% compared to \$3.96 million in the previous period.

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

### **Earnings per share (EPS)**

EPS of 6.5 cents for the period ended 30 June 2005 represents a slight decrease on the previous year (2004: 6.8 cents) despite improved earnings, due to the increase in the level of share capital undertaken to partially fund the acquisition of the Spherion Asia Pacific business.

### **Returns to shareholders**

A fully franked interim dividend of 2.0 cents per share (2004: 1.5 cents) was paid on 25 March 2005. A fully franked final dividend of 2.0 cents per share (2004: 2.0 cents), has been declared by the directors.

### **Significant features of operating performance**

Revenues were 117% up on the previous year, following the scale-transforming acquisition of Spherion. Higher revenues were achieved over the period for all recruitment units of the business, across temporary, contract and permanent.

Employee benefits expense has decreased in percentage terms. At 9.7% of revenues, it represents a substantial improvement on the level of 11.2% experienced in the previous period. This is in a large part due to the economies of scale presented by the larger business and the removal during the year of duplicated back office staff as part of the integration process.

Depreciation expense whilst again up in dollar terms, at 0.7% of revenues was a slight improvement on the 0.8% experienced in the previous period. The increase in dollar terms is due to both the expanded asset base of the newly enlarged group as well as the increase in goodwill amortisation following the acquisition.

Interest expense reflects the higher borrowing levels reflected in an increase in interest bearing liabilities of \$16,461,000 (from \$3,753,000 to \$20,214,000) which was used to partially fund the balance of the Spherion acquisition, with the remainder representing an overall increase in working capital as required for the enlarged group.

Other expenses include \$1.64 million in one off expenditure related to the integration of the Spherion and Ross Human Directions back office operations. Whilst this integration took longer and was somewhat more costly than initially estimated, a positive contribution has been delivered from this integration, with further benefits from synergies to flow into future years.

Operating cash outflow for the period was \$1.5 million, compared with an inflow of \$3.96 million for the previous corresponding period. The first half 2004/5 operating cash outflow of \$4.7 million has been largely offset by a strong \$3.2 million operating cash inflow for second half 2004/5. The remaining cash flows reflect the significant fluctuations associated with the Spherion acquisition with a cash outflow from investing activities of \$14.5m offset in part by the proceeds of the various share raisings less both the net repayment of borrowings and dividend payments resulting in a cash inflow from financing activities of \$8.4 million.

## Compliance statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

Identify other standards used

N/A

2 This report, and the accounts upon which the report is based (if separate), use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed.

4 This report is based on accounts to which one of the following applies.

*(Tick one)*

The accounts have been audited.

The accounts have been subject to review.



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

The accounts have not yet been audited or reviewed.

5 The entity has a formally constituted audit committee.



Sign here:

Company Secretary

Date: 19 August 2005

Print name:

Greg Coolahan