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Ambition Group Limited – Results Announcement

The Directors of Ambition Group are especially pleased to announce today that the Group has continued to gain momentum with revenue growing to $98m and net profit after tax being $1.9m.

	31 Dec 2010	31 Dec 2009
	$'000	$'000
Revenue from ordinary activities	98,029	86,876
EBITDA	3,715	(6,177)
Profit/(loss) before tax	2,899	(7,180)
Profit/(loss) after tax	1,929	(7,581)
Basic earnings per share (cents per share)	3.02	(13.07)

Just twelve months ago, we announced an after tax loss of $7.6m as we worked to recover from one of the worst downturns in our sector in the last twenty-five years. During the course of 2010, there was a recovery of business confidence in some of our markets, although sentiment varied by geography both within Australia and internationally.

Australian conditions were certainly improving although NSW lagged the national trend. Asia displayed a noticeable turnaround and remains one of the strong points for the Group. The UK continues to struggle and GDP turned down further in the fourth quarter, affected by the acutely bad weather and pan-European debt problems. Details of our geographic segment results can be seen below:

	31 Dec 2010	31 Dec 2009	Change
	$'000	$'000	%
Earnings Before Tax Before Impairments & Onerous Leases			
Asia	1,765	686	157%
Australia	3,980	3,744	6%
United Kingdom	(568)	(2,038)	72%
Unallocated (Group costs)	(2,278)	(2,560)	11%
Total	**2,899**	**(168)**	**1,826%**

Commenting on the results, Executive Chairman Nick Waterworth said: "we are delighted to be on the recovery path and once again generating profits. During the worst of the global financial crisis we endured turbulent conditions and had to react strongly to manage our way through – however, we have emerged intact with our international network functioning and our service offering still very much valid."

"What is evident is that it is simply not possible to return to the profit levels we experienced 3-4 years ago in one twelve month period following the global turmoil endured during 2008 and 2009".

"We have maintained a conservative balance sheet with no debt", Waterworth continued, "and our business is extremely well positioned. As confidence increases, our consultants will become more productive. Also, a significant portion of our cost base is substantially fixed meaning that as we grow our business, our margins should improve."

Our mission is 'to become the leading global boutique specialist recruitment business'. And we believe that with ongoing strong management and focus we can achieve this and, in doing so, generate robust returns for shareholders.

The Board would also like to extend a heartfelt vote of thanks to all staff, both front-line and back of house, whose hard work, focus on surpassing expectations and innovation is fundamental to our performance.

The Directors have not declared a final dividend.

Enquiries: Nick Waterworth, Executive Chairman +61 2 9249 5004

Ambition is a careers, recruitment and contracting Group with offices in Sydney, Melbourne, Brisbane, London, Hong Kong and Singapore.

We specialise in a number of key white-collar disciplines with particular expertise in accounting, audit, risk, information technology and marketing plus executive search and outplacement.

Ambition Group Limited
Preliminary Final Report
for the year ended 31st December 2010
&
Appendix 4E information

ABN 31 089 183 362

Results for announcement to the market

Financial year ended ('current period') : 31 December 2010
Previous corresponding period : 31 December 2009

	31 Dec 2010	31 Dec 2009	Change	Change
	$'000	$'000	$'000	%
Revenue from ordinary activities	98,029	86,876	11,153	13%
Profit/(loss) before tax	2,899	(7,180)	10,079	140%
Profit/(loss) after tax attributable to members	1,929	(7,581)	9,510	125%
Basic earnings/(loss) per share (cents per share)	3.02	(13.07)	16.09	123%

The Directors have not declared a final dividend.

Commentary

2010 was a much improved year as shown by the Group returning to profit and once again generating positive cash-flows from activities.

The company remains a specialist international recruitment firm and revenues from ordinary activities are generated from completing temporary, contract and permanent recruitment assignments, plus a small portion from executive outplacement.

Consolidated Income Statement
for the year ended 31 December 2010

	Note	31 Dec 2010 $'000	31 Dec 2009 $'000
Revenue	2(a)	98,029	86,876
Employee benefits expense		(31,118)	(25,523)
Indirect employment costs		(2,064)	(1,490)
On-hired labour costs		(51,369)	(50,457)
Payroll tax		(578)	(598)
Depreciation and amortisation expense	2(b)	(917)	(990)
Impairment of goodwill		-	(6,810)
Onerous contracts		-	(202)
Finance costs	2(b)	(1)	(46)
Advertising and marketing		(1,771)	(973)
Computer expenses		(713)	(524)
Rental expense on operating leases	2(b)	(2,405)	(2,947)
Other expenses		(4,194)	(3,496)
Profit/(loss) before income tax expense		**2,899**	**(7,180)**
Income tax expense	3	(989)	(401)
Profit/(loss) after income tax expense		**1,910**	**(7,581)**
Attributable to:			
Owners of the parent		1,929	(7,581)
Non controlling interest		(19)	-
Basic earnings/(loss) per share (cents per share)	4	3.02	(13.07)
Diluted earnings/(loss) per share (cents per share)	4	2.94	(13.07)

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2010

	31 Dec 2010 $'000	31 Dec 2009 $'000
Profit/(loss) for the period	**1,910**	**(7,581)**
Other comprehensive income:		
Exchange difference on translation of foreign operations	(367)	(1,302)
Total comprehensive profit/(loss) for the year	**1,543**	**(8,883)**
Total comprehensive income attributable to:		
Owners of the parent	1,562	(8,883)
Non controlling interest	(19)	-

The preliminary financial statements should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
as at 31 December 2010

	Note	31 Dec 2010 $'000	31 Dec 2009 $'000
Current assets			
Cash and cash equivalents		6,234	3,795
Trade and other receivables	6	11,908	10,183
Current tax assets		-	496
Other current assets		295	534
Total current assets		**18,437**	**15,008**
Non-current assets			
Financial assets		-	2
Property, plant and equipment		1,541	1,047
Intangible assets	5	368	384
Deferred tax assets		1,484	1,197
Total non-current assets		**3,393**	**2,630**
Total assets		**21,830**	**17,638**
Current liabilities			
Trade and other payables		9,203	6,470
Current tax liabilities		275	-
Short-term provisions		1,235	1,519
Total current liabilities		**10,713**	**7,989**
Non-current liabilities			
Deferred tax liabilities		79	270
Long-term provisions		344	691
Total non-current liabilities		**423**	**961**
Total liabilities		**11,136**	**8,950**
Net assets		**10,694**	**8,688**
Equity			
Issued capital		46,646	46,293
Reserves		(3,238)	(2,981)
Accumulated losses		(32,715)	(34,624)
Non controlling interest		1	-
Total equity		**10,694**	**8,688**

The preliminary financial statements should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2010

	Issued Capital $'000	Accumulated Losses $'000	Foreign Currency Translation Reserve $'000	Equity Settled Employee Benefits Reserve $'000	**Attributable to owners of the parent $'000**	Non controlling interest $'000	**Total $'000**
Balance as at 1 January 2009	**43,881**	**(27,043)**	**(2,424)**	**1,021**	**15,435**	**-**	**15,435**
Loss for the period	-	(7,581)	-	-	**(7,581)**	-	**(7,581)**
Other comprehensive income for the period	-	-	(1,302)	-	**(1,302)**	-	**(1,302)**
Total comprehensive income for the period	**-**	**(7,581)**	**(1,302)**	**-**	**(8,883)**	**-**	**(8,883)**
Recognition of share based payments	(401)	-	-	401	**-**	-	**-**
Share placements net of costs	1,996	-	-	-	**1,996**	-	**1,996**
Shares issued under employee share plans	817	-	-	(677)	**140**	-	**140**
Change in ownership interest	-	-	-	-	**-**	-	**-**
Balance as at 31 December 2009	**46,293**	**(34,624)**	**(3,726)**	**745**	**8,688**	**-**	**8,688**
Balance as at 1 January 2010	**46,293**	**(34,624)**	**(3,726)**	**745**	**8,688**	**-**	**8,688**
Profit for the period	-	1,929	-	-	**1,929**	(19)	**1,910**
Other comprehensive income for the period	-	-	(367)	-	**(367)**	-	**(367)**
Total comprehensive income for the period	**-**	**1,929**	**(367)**	**-**	**1,562**	**(19)**	**1,543**
Recognition of share based payments	(146)	-	-	609	**463**	-	**463**
Shares issued under employee share plans	499	-	-	(499)	**-**	-	**-**
Change in ownership interest	-	(20)	-	-	**(20)**	20	**-**
Balance as at 31 December 2010	**46,646**	**(32,715)**	**(4,093)**	**855**	**10,693**	**1**	**10,694**

The preliminary financial statements should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
for the year ended 31 December 2010

	31 Dec 2010 $'000	31 Dec 2009 $'000
Cash flows from operating activities		
Receipts from customers	105,986	98,502
Payments to suppliers and employees	(101,232)	(97,086)
Income tax paid	(676)	(725)
Interest received	102	33
Interest and other costs of finance paid	(1)	(46)
Net cash provided by operating activities	4,179	678
Cash flows from investing activities		
Payments to acquire property, plant and equipment	(1,389)	(403)
Payments for acquisition of businesses	-	(4,214)
Net cash used in investing activities	(1,389)	(4,617)
Cash flows from financing activities		
Proceeds from issue of equity securities	-	1,799
Payment for share issue costs	(22)	(185)
Dividends paid	-	-
Net cash (used in)/provided by financing activities	(22)	1,614
Net increase/(decrease) in cash held	2,768	(2,325)
Cash and cash equivalents at the beginning of the financial period	**3,795**	**6,681**
Effect of exchange rates on cash holdings in foreign currencies	(329)	(561)
Cash and cash equivalents at the end of the financial period	**6,234**	**3,795**

The preliminary financial statements should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. Significant Accounting Policies

(a) Basis of preparation

The recognition and measurement requirements of Australian Accounting Standards have been applied in the preparation of the Appendix 4E.

The financial report covers the consolidated group of Ambition Group Limited and controlled entities. Ambition Group Limited is a listed public company, incorporated and domiciled in Australia.

The parent entity is a company of a kind referred to in Australian Securities and Investments Commission Class Order 98/0100 dated 10 July 1998 and in accordance with that Class Order, amounts in this financial report are rounded to the nearest thousand dollars unless otherwise stated.

The 4E has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and liabilities for which the fair value basis of accounting has been applied.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied to all years stated, unless otherwise stated.

(b) Principles of Consolidation

A controlled entity is any entity controlled by Ambition Group Limited whereby Ambition Group Limited has the power to control the financial and operating policies of the entity so as to obtain benefits from its activities.

All intercompany balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

All controlled entities have a December financial year end.

Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

(c) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

(d) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the consolidated group and by reference to the stage of completion of the contract.

Revenue is recognised at the fair value of the consideration received or receivable.

Retained permanent recruitment revenue is recognised in three stages – upon commencement of an assignment, following submission of a short-list of candidates and upon its completion.

Contingent permanent recruitment revenue is recognised upon completion of an assignment.

Contracting revenue is recognised when the services are provided.

Interest revenue is recognised using the effective interest rate method.

Dividend revenue is recognised when dividends are declared.

(e) Plant and Equipment

Plant and equipment are measured on a cost basis less accumulated depreciation and impairment losses.

(f) Depreciation

The depreciable amount of all plant, property & equipment is depreciated on a straight-line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Leasehold improvements	Lifetime of lease
Office equipment	20% - 25%
Furniture and fittings	20%
Computer hardware	33%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

(g) Leases

Leases of plant, property and equipment where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

(g) Leases (continued)

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred, on a straight-line basis.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(h) Financial Instruments

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

(ii) Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

(iii) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(iv) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables. For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception

(h) Financial Instruments (continued)

(iv) Impairment of financial assets (continued)

of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

(i) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(ii) Financial liabilities and equity instruments issued by the Group

Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities
Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(i) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

(j) Intangibles

(i) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(i) Web development costs

The website is considered to be a revenue generating asset and as such, all expenses incurred in the development of the web site are capitalised as an intangible asset. The asset has a definite life and is carried at cost less accumulated amortisation and any impairment losses. Website development costs are amortised over their useful life of no more than three years.

(k) Foreign Currency Transactions & Balances

(i) Functional and presentation currency

The functional currency of each of the group's entities is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in other comprehensive income as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the gain or loss is directly recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

(k) Foreign Currency Transactions & Balances (continued)

(iii) Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date
- Income and expenses are translated at average exchange rates for the period
- Retained profits are translated at the exchange rates prevailing at the date of the transaction

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of consolidated financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

(l) Employee Benefits

Provision is made for the group's liability for employee benefits arising from services rendered by employees to reporting date. Short-term employee benefits have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Long-term employee benefits have been measured at the present value of the estimated future cash outflows to be made for those benefits. These cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

(m) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Onerous leases are recognised when the economic benefits derived from the lease are lower than the related unavoidable lease expense.

(n) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the consolidated statement of financial position.

(o) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(p) Share Based Payments

The group provides benefits to selected employees (including Directors) in the form of share based payment transactions, whereby eligible employees render services in exchange for shares or rights over shares ("equity-settled transactions").

The cost of these equity-settled transactions is measured by reference to their fair value at the date at which they were granted. This cost is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the benefit ("vesting date").

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (a) the extent to which the vesting period has expired, and (b) the number of benefits that, in the opinion of the Directors of the group, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for benefits that do not ultimately vest, except for benefits where vesting is conditional upon market conditions.

Where the terms of an equity-based benefit are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled benefit is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the benefit is recognised immediately. However, if a new benefit is substituted for a cancelled benefit, and designated as a replacement benefit on the date that it is granted, the cancelled and new benefit are treated as if they were a modification of the original benefit, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(q) Borrowing Costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred, unless they relate to qualifying assets, in which case they are capitalised.

(r) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained externally and within the group.

(i) Share based payments

The value and corresponding expense in relation to share based payments is based on the probability, in the opinion of the Directors, of service and performance criteria being met.

(ii) Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to an impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(iii) Provisions for impairment of receivables

The carrying amount of trade receivables is reviewed for indicators of impairment on a regular basis. Where there is an indication of impairment a provision for doubtful debt is made.

(s) Adoption of new and revised Accounting Standards

(i) Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section (s) (ii).

Standards affecting presentation and disclosure
AASB 101 Presentation of Financial Statements (as revised in September 2007), AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 and AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101.

Standards and Interpretations affecting the reported results or financial position
AASB 127 Consolidated and Separate Financial Statements (as revised in 2008)
The revisions to AASB 127(2008) principally affect the accounting for transactions or events that result in a change in the Group's interests in its subsidiaries. The adoption of the revised Standard has affected the accounting for the Group's disposal of part of its interest in Watermark Search International Pty Limited in the year. Following partial disposal, the entity has been renamed Watermark Hunter Bligh Pty Limited.

AASB 127(2008) has been adopted for periods beginning on or after 1 July 2009 and has been applied retrospectively (subject to specified exceptions) in accordance with the relevant transitional provisions. The revised Standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control. In prior years, in the absence of specific requirements in A-IFRS, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss. Under AASB 127(2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognise all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost, with the gain or loss arising recognised in profit or loss.

In respect of the disposal during the period of part of the Group's interest in Watermark Search International Pty Limited, the change in policy has resulted in the difference of $19,000 between the consideration received and the non-controlling interests recognised being recognised directly in equity, instead of in profit or loss. Therefore, the change in accounting policy has resulted in an increase in the profit for the year of $19,000.

(ii) Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 3 Business Combinations (as revised in 2008)

AASB 3(2008) has been adopted in the current year. In accordance with the relevant transitional provisions, AASB 3(2008) has been applied prospectively to business combinations for which the acquisition date is on or after 1 July 2009. The impact of the adoption of AASB 3(2008) Business Combinations has been:

- to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree;

(s) Adoption of new and revised Accounting Standards (continued)

(ii) Standards and Interpretations adopted with no effect on financial statements (continued)

- to change the recognition and subsequent accounting requirements for contingent consideration. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in profit or loss;
- where the business combination in effect settles a pre-existing relationship between the Group and the acquiree, to require the recognition of a settlement gain or loss; and
- to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations
The amendments clarify the definition of vesting conditions for the purposes of AASB 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.

AASB 123 Borrowing Costs (as revised in 2007) and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123
The principal change to AASB 123 was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the Group's accounting policy to capitalise borrowing costs incurred on qualifying assets.

(t) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues
- Effective for annual reporting periods beginning on or after 1 February 2010
- Expected to be initially applied in the financial year ending 31 December 2011

AASB 124 Related Party Disclosures (revised December 2009), AASB 2009-12 Amendments to Australian Accounting Standards
- Effective for annual reporting periods beginning on or after 1 January 2011
- Expected to be initially applied in the financial year ending 31 December 2011

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9
- Effective for annual reporting periods beginning on or after 1 January 2013
- Expected to be initially applied in the financial year ending 31 December 2013

AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement
- Effective for annual reporting periods beginning on or after 1 January 2011
- Expected to be initially applied in the financial year ending 31 December 2011

Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
- Effective for annual reporting periods beginning on or after 1 July 2010
- Expected to be initially applied in the financial year ending 31 December 2011

2. Profit from operations

	31 Dec 2010 $'000	31 Dec 2009 $'000
(a) Revenue		
Recruitment services revenue	97,927	86,843
Interest received	102	33
	98,029	**86,876**

(b) Profit before income tax

Profit from ordinary activities before income tax has been determined after:

Finance costs		
- interest expense	1	46
	1	**46**
Depreciation and amortisation expense		
- depreciation of plant and equipment	636	739
- amortisation of intangibles	281	251
	917	**990**
Share based payments expense	653	544
Rental expense on operating leases		
- minimum lease payments	2,405	2,947

3. Income tax

Profit/(loss) before income tax	2,899	(7,180)
Prima facie tax	870	(2,154)
Add tax effect of:		
- non deductible goodwill impairment	-	2,043
- other non-deductible expenses	97	574
- tax assets not brought to account	188	355
Less tax effect of:		
- overseas tax differential	(278)	(260)
- under/(over) provision in prior period	112	(157)
Income tax expense/(income) attributable to profit before tax	**989**	**401**

4. Earnings per share

	Number '000	Number '000
Weighted average number of ordinary shares outstanding during the period used in calculation of basic EPS	63,785	58,008
Potential number of ordinary shares which have been treated as dilutive	1,749	1,775
Total potential ordinary shares	**65,534**	**59,783**
Basic earnings/(losses) per share (cents per share)	3.02	(13.07)
Diluted earnings/(losses) per share (cents per share)	2.94	(13.07)

2,686,694 Treasury shares (2009: 3,156,631) relating to long term incentive plans for senior management have not been included in the above Earnings per share calculations in accordance with IAS 33.

5. Intangible assets

	31 Dec 2010 $'000	31 Dec 2009 $'000
Computer software – at cost	1,244	978
Web development – at cost	690	691
Accumulated amortisation	(1,566)	(1,285)
	368	**384**

6. Trade and other receivables

	31 Dec 2010 $'000	31 Dec 2009 $'000
Trade debtors	10,381	9,363
Provision for impairment	(329)	(202)
Other debtors	1,856	1,022
	11,908	**10,183**

7. Net tangible assets

Net tangible asset backing per ordinary share	$0.16	$0.14

8. Contributed equity

67,170,954 (2009: 67,170,954) fully paid ordinary shares

	Number '000	Number '000
Balance at the beginning of the year	67,171	52,549
Employee share plan issues	-	81
Share placements	-	14,541
Balance at the end of the period	**67,171**	**67,171**

9. Segment reporting

	Australia		Asia		Europe		Group		Consolidated Entity	
	31 Dec 2010 $'000	31 Dec 2009 $'000	31 Dec 2010 $'000	31 Dec 2009 $'000	31 Dec 2010 $'000	31 Dec 2009 $'000	31 Dec 2010 $'000	31 Dec 2010 $'000	31 Dec 2010 $'000	31 Dec 2009 $'000
(a) Revenue										
External revenue	62,404	56,014	10,671	7,607	24,852	23,222	-	-	97,927	86,843
Interest revenue	101	18	-		1	15	-	-	102	33
Total segment revenue	**62,505**	**56,032**	**10,671**	**7,607**	**24,853**	**23,237**	**-**	**-**	**98,029**	**86,876**
(b) Result										
Profit/(loss) before income tax	3,980	1,857	1,765	686	(568)	(7,163)	(2,278)	(2,560)	2,899	(7,180)
Income tax (expense)/income	(1,338)	(837)	(334)	(332)	-	-	683	768	(989)	(401)
Profit/(loss) after income tax	**2,642**	**1,020**	**1,431**	**354**	**(568)**	**(7,163)**	**(1,595)**	**(1,792)**	**1,910**	**(7,581)**
(c) Other										
Impairment of non-current assets and onerous contracts	-	1,887	-	-	-	5,125	-	-	-	7,012

There have been no changes in basis of segmentation or basis of segmental profit or loss since the previous financial report.

10. Events subsequent to reporting date

There are no events subsequent to the report date of which we aware that would have a material impact on this report.

11. Contingent liabilities

There are no contingent liabilities.

12. Other Information

The accounting policies, estimation methods and measurement bases used in this report are consistent with those used in the annual report. This report and the accounts upon which it is based use the same accounting policies.

This report gives a true and fair view of the matters disclosed and is based on accounts which are in the process of being audited. This entity has a formally constituted audit committee.

	31 Dec 2010 $ '000	31 Dec 2009 $ '000
13. Dividends		
Franking account balance as at 31 December	1,846	1,118

The Directors have not declared a final dividend.

Nick Waterworth
Executive Chairman
17 February 2011