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# Full Year Results

# 30 June 2009

# Financial Summary

| | *FY 09* | *FY 08* | *Change* |
|---|---|---|---|
| Total Revenue | $317m | $367m | -14% |
| NDR (Gross Margin) | $78.5m | $104.0m | -25% |
| Underlying EBITDA[1] | $8.0m | $24.7m | -68% |
| Statutory EBITDA | $5.7m | $24.7m | -77% |
| Underlying NPAT[1&2] | $(2.8)m | $11.1m | - |
| Statutory NPAT | $(43.9)m | $1.9m | - |
| Underlying EPS[1&2] | (2.6)c | 10.5c | - |
| Operating cash flow [3] | $16.7m | $21.0m | -20% |
| Dividend | - | - | |

[1]Before significant items of $2.3m ($1.6m post-tax) largely relating to redundancy, premises relocation and refinance advisory costs.

[2]Before amortisation of intangibles ($6.3m), notional interest on deferred payments for business acquisitions under IFRS ($1.7m) and impairment of non-current assets ($32.4m).

[3] Before interest and taxation.

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# Financial Summary

- Revenue & NDR down 14% & 25% respectively

- EBITDA down 68% (before significant items of $2.3m) due to:
  - speed and extent of economic deterioration
  - impact of 29% decline in permanent revenue

- Cost reduction program to align cost base to current trading conditions and future demand (see next slide)
  - annualised $12m in savings

- Asset impairment $32m

- Cash generation, before interest and tax, $16.7m ($11.6m after tax versus $9m in corresponding period) reflecting strength of underlying business

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# Strategies in challenging economic climate: Operational

**Rigorous evaluation and cost reduction to align cost base to market:**

- Headcount reduction and payroll savings
- Premises co-location and shared services: major initiative
- Supplier re-evaluations and contract renegotiations

**Optimising performance:**

- Focus on temporary and contract business
- Market levers reviewed and focus on identified growth areas
- Client leverage opportunities continuing: won 2 national mandates for top 20 ASX companies

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# Strategies in challenging economic climate: Capital Management

**Financing:**

- Continues to operate with the support of its banker
- Bank waived covenants at 31 Dec 08 & 30 June 09
- Bank facilities positively revised post year end
  - Term facilities extended to 31 July 10
  - Covenants revised
  - Amortisation reduced
- Positive step in a comprehensive refinancing process

**Acquisition model:**

- Model responsive to challenging economic conditions
- Payments align with profitability
- Amounts owing to vendors reduced by $28.9m in FY09 and by $34.6m in total (see slide 11)

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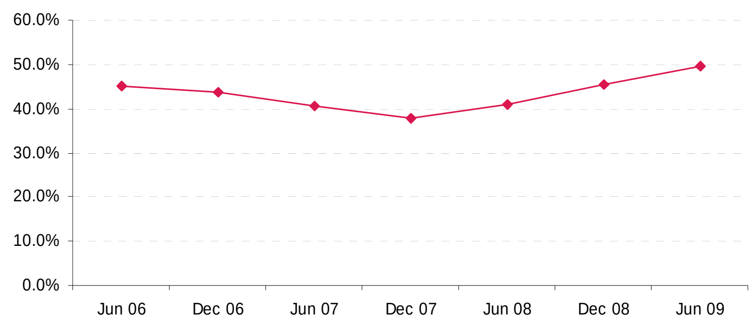
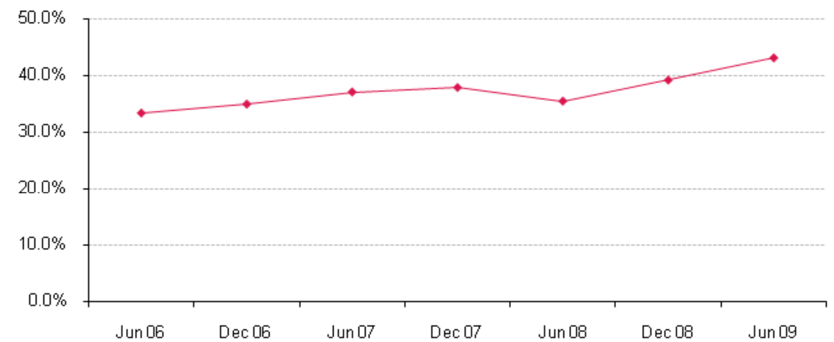
# Key operating indicators

- Speed of downturn made it difficult to reduce cost ratios commensurately
- Medium to long term EBITDA:NDR target at 23%

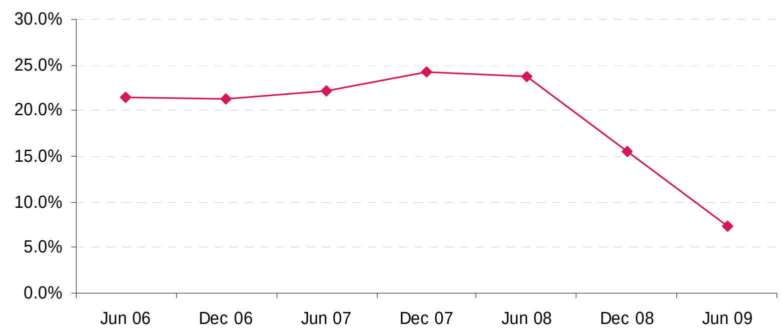
**Consultant costs to NDR:Target below 40%**




**Other costs to NDR**




**EBITDA to NDR: Target above 23%**

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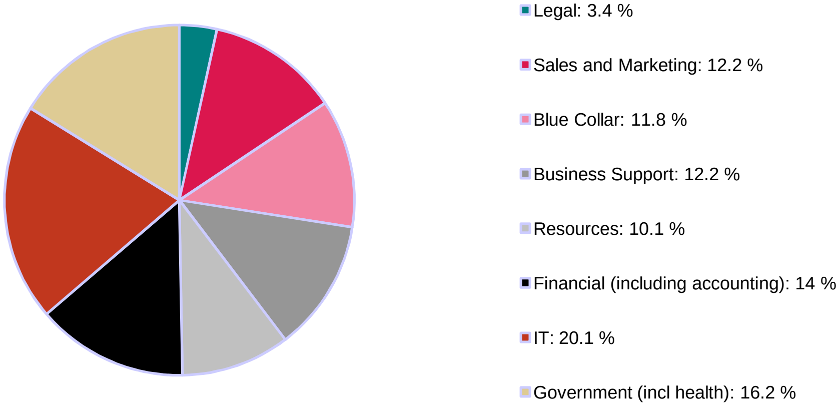
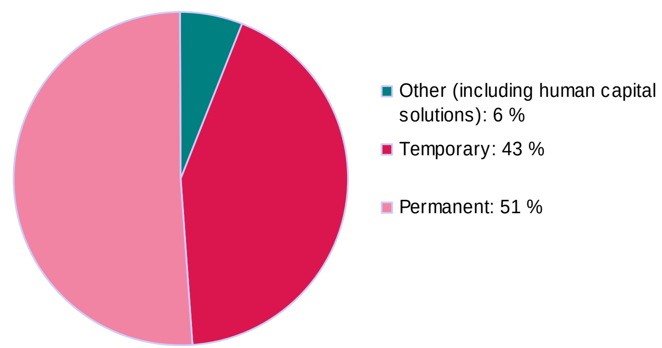
# Business profile

- DIVERSITY: spread across industry sectors helps risk mitigation
- MIX:  Mix of permanent and temporary expected to change with increasing focus on temporary and contracting placements

**Industry**




**Service**

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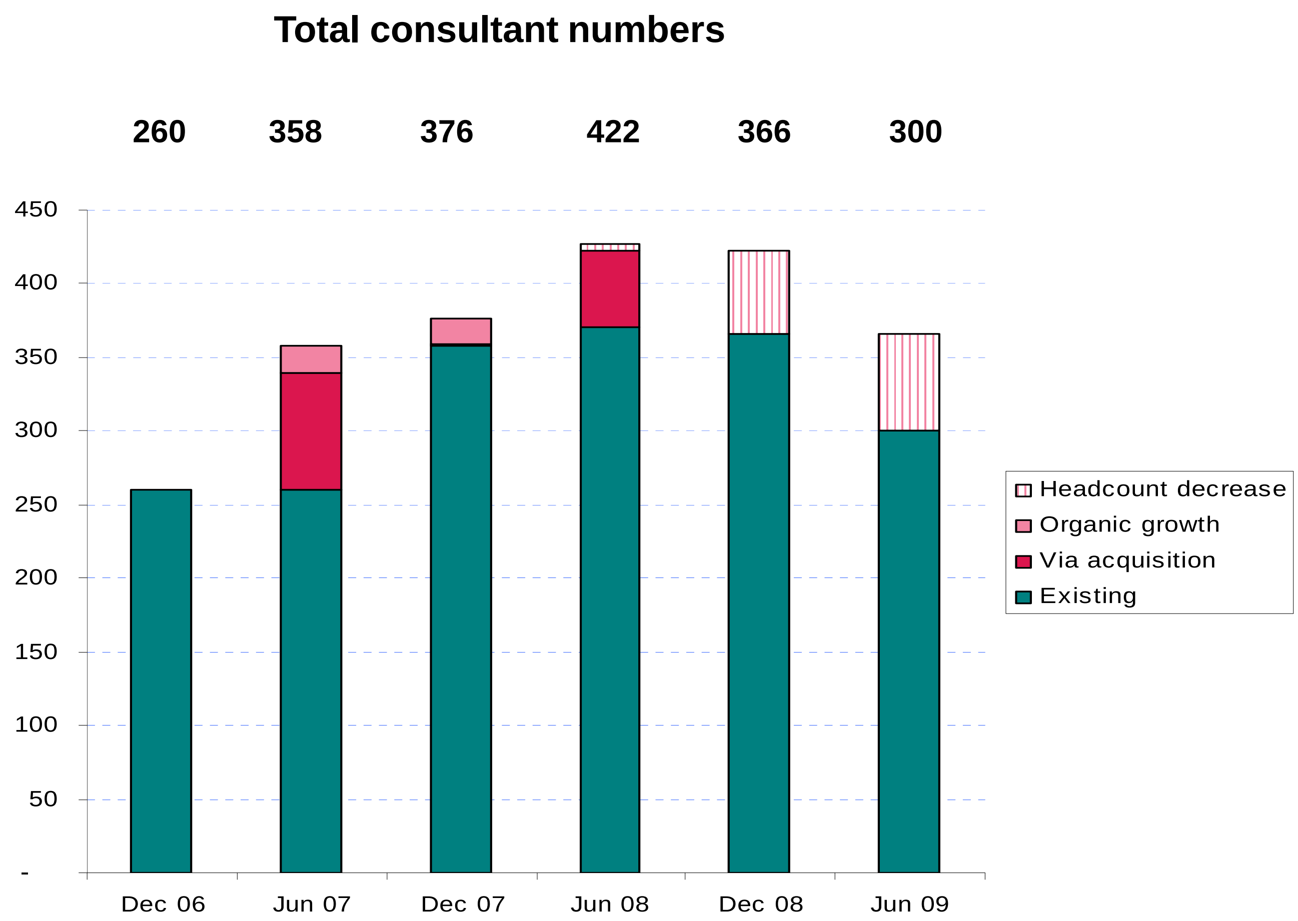
# Consultants

➢ Proactive response to trading conditions – reduction of 122 consultants in FY 09



# Underlying profitability = best indicator of performance

| 12 months ended 30 June | 2009 $M | 2008 $M | Change % |
|---|---|---|---|
| **Revenue** | **316.8** | **367.4** | **-13.8** |
| **NDR (Gross margin)** | **78.5** | **104.0** | **-24.5** |
| **EBITDA** (Excludes significant items of $2.3m) | **8.0** | **24.7** | **-67.6** |
| Depreciation | (1.1) | (1.1) | |
| **EBIT** | **6.9** | **23.6** | **-70.8** |
| Finance costs – amortisation | (2.1) | (0.2) | |
| Finance costs – interest/charges | (6.9) | (4.2) | |
| **Profit Before Tax** | **(2.1)** | **19.2** | |
| Tax | 0.6 | (5.7) | |
| Cash interest on vendor liabilities | (1.3) | (2.4) | |
| **Profit After Tax** | **(2.8)** | **11.1** | |
| **Profit attributable to equity holders** | **(2.8)** | **11.1** | |
| **EPS (cents)** | **(2.6)** | **10.5** | |

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# Financial position

| | | 30/06/09 $M | 30/06/08 $M | Change % |
|---|---|---|---|---|
| **Cash** | | 3.0 | 1.2 | +150 |
| **Receivables** | | 36.3 | 50.8 | -29 |
| **Intangibles - goodwill** | Impairment testing undertaken [i] | 68.0 | 129.1 | -47 |
| **Intangibles – other** | | 12.9 | 18.9 | -32 |
| **Other assets** | | 10.7 | 10.6 | +1 |
| **Total Assets** | | **130.9** | **210.6** | **-38** |
| **Current Liabilities** | | | | |
| **Trade payables** | | 21.0 | 24.3 | -14 |
| **Deferred vendor consideration - debt funded** | Vendor liabilities reducing [ii] | 2.3 | 14.0 | -84 |
| **Deferred vendor consideration - cash funded** | | 5.3 | 5.4 | -2 |
| **Borrowings – working capital** | | 24.4 | 21.5 | +13 |
| **Borrowings – acquisitions debt** | Bank borrowings re-classified to current [iii] | 23.0 | 0.0 | - |
| **Non Current Liabilities** | | | | |
| **Deferred vendor consideration - debt funded** | Vendor liabilities reducing [ii] | 1.4 | 11.1 | -87 |
| **Deferred vendor consideration - cash funded** | | 10.3 | 34.7 | -70 |
| **Borrowings – acquisitions debt** | | 24.5 | 36.9 | -34 |
| **Other liabilities** | | 3.3 | 3.4 | -3 |
| **Total Liabilities** | | **115.5** | **151.3** | **-24** |
| **Net Assets** | | **15.4** | **59.3** | **-74** |
| **Net Asset backing (cents)** | | **14.1** | **55.7** | |

i Goodwill balances have been subject to impairment testing. $32m has been written off in the period. Further reduction from decline in vendor liabilities (ii). Balance 47% of 08 levels.

ii Vendor liabilities linked to profitability and liabilities have reduced by $28.9m. (see next slide) Payments have also peaked (see slide 12).

iii Classified as current as due for repayment within the next 12 months at year end . This facility has been extended to 31 July 2010 post year end.

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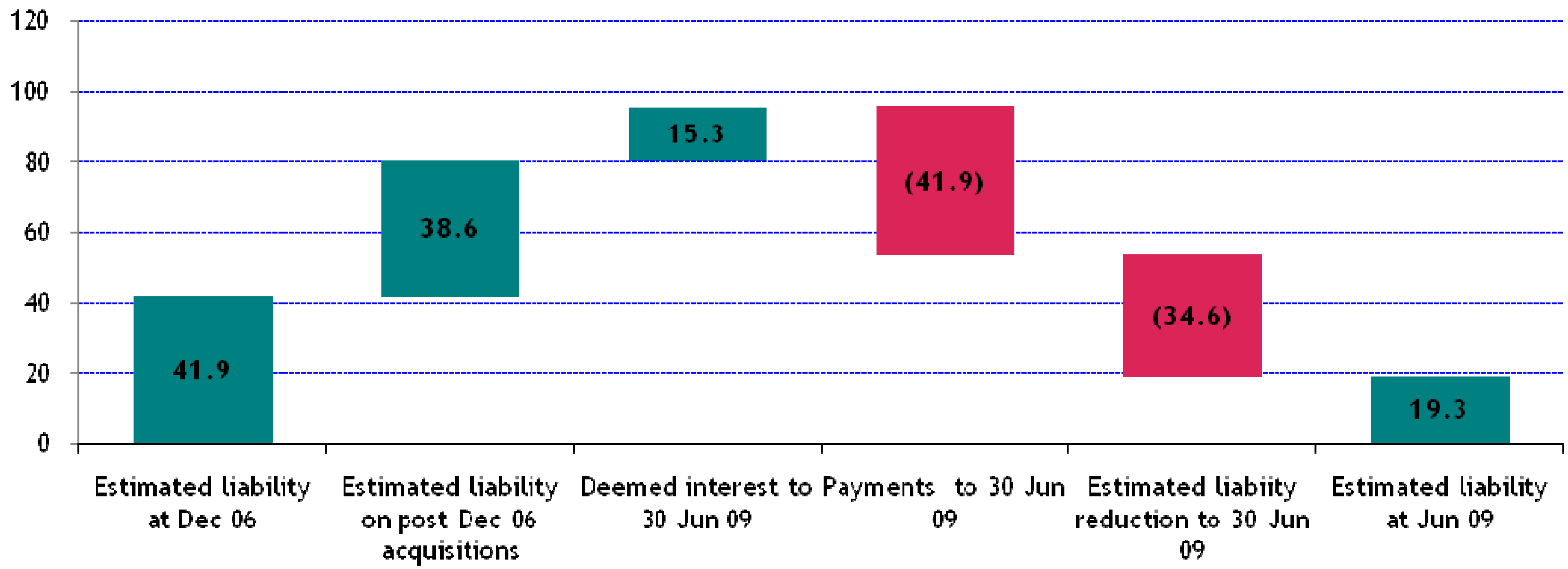
# Vendor liability

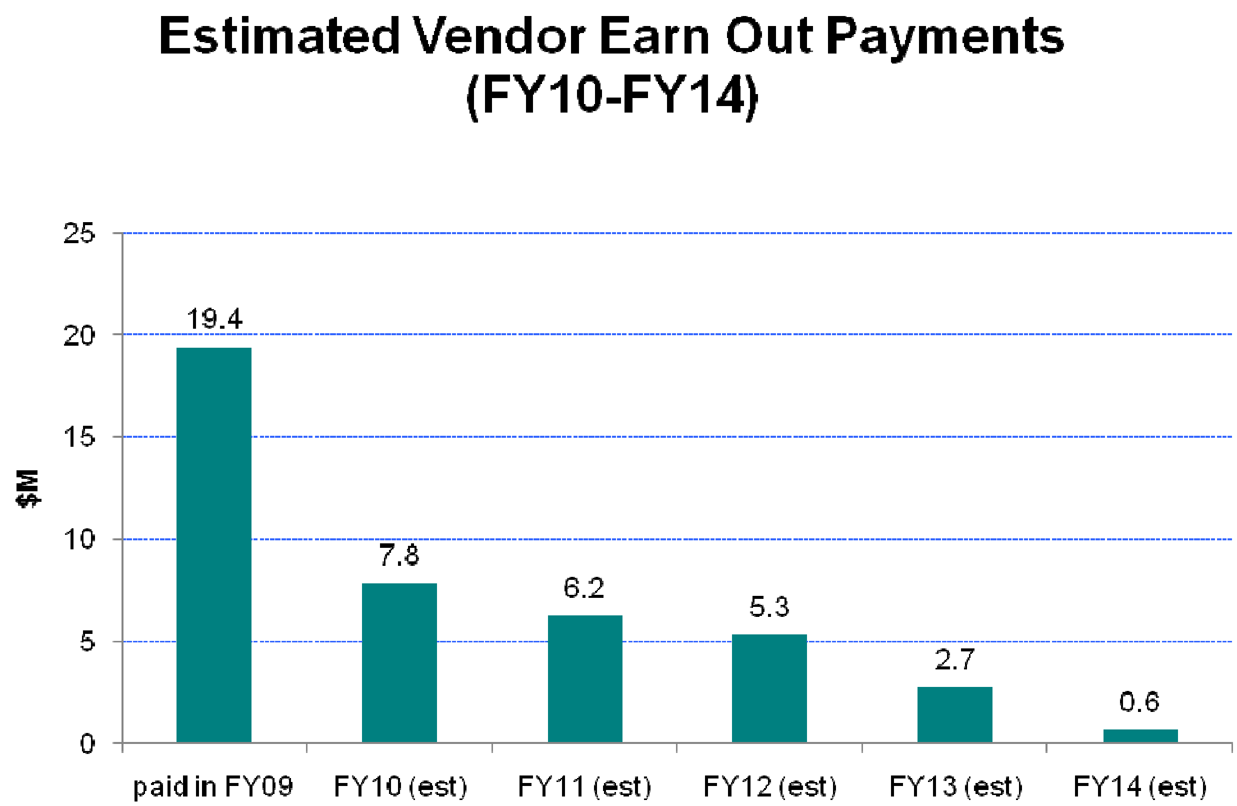
- Vendor liabilities have reduced by $34.6 million in total ($28.9m in FY09) as a result of the linkage of liabilities to profitability

**Analysis of vendor liabilities**



# Vendor payment profile

- Payments to vendors have peaked and are expected to more than halve in FY10 [i]




i Estimated vendor earn out payments at future value of $22.6m.
Balance sheet (Vendor earn out liabilities) at present value of $19.3m.

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# Outlook

**Short term**

- Underlying operational profit Q4 FY09
- Cost base aligned to market conditions and current demand
- Focusing on identified growth sectors
- Cautious of short term outlook

**Long term**

- Skills shortage will continue to be an issue for employers due to permanent demographic change
- Well-established specialist recruitment firms will have the edge

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# Appendices

# Statutory profitability

| 12 months ended 30 June | 2009 $M | 2008 $M | Change % |
|---|---|---|---|
| **Revenue** | **316.8** | **367.4** | **-13.8** |
| **NDR (Gross margin)** | **78.5** | **104.0** | **-24.5** |
| **EBITDA** Includes significant items of $2.3m → | **5.7** | **24.7** | **-76.9** |
| Depreciation | (1.1) | (1.1) | |
| Amortisation | (6.3) | (6.1) | |
| **EBIT** | **(1.7)** | **17.5** | |
| Notional Interest on vendor liabilities | (3.0) | (7.2) | |
| Finance costs – amortisation | (2.1) | (0.2) | |
| Finance costs – interest/charges | (6.9) | (4.2) | |
| Impairment of goodwill | (32.4) | (0.0) | |
| **Profit/Loss Before Tax** | **(46.1)** | **5.9** | |
| Tax | 2.2 | (4.1) | |
| **Profit/Loss After Tax** | **(43.9)** | **1.8** | |
| | | | |
| **Profit attributable to equity holders** | **(43.9)** | **1.9** | |
| **EPS (cents)** | **(40.7)** | **1.8** | |

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# Reconciliation of statutory to underlying

Underlying NPAT adjusts for significant items, AIFRS-required amortisation, notional interest on vendor liabilities and goodwill impairment

| 12 months ended 30 June | 2009 $M | 2008 $M |
|---|---|---|
| **Statutory NPAT** | **(43.9)** | **1.8** |
| Significant items | 2.3 | 0.0 |
| Non cash items | | |
| Add back: Amortisation of identifiable intangible assets | 6.3 | 6.1 |
| Notional interest on vendor liabilities | 3.0 | 7.2 |
| Impairment of goodwill | 32.4 | 0.0 |
| Deduct: Cash interest on vendor liabilities | (1.3) | (2.4) |
| Tax effect | (1.6) | (1.6) |
| **Underlying NPAT** | **(2.8)** | **11.1** |

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