**APPENDIX 4E**
**PRELIMINARY FINAL REPORT**
**BLUESTONE GLOBAL LIMITED**
ABN 42 009 296 324
Results for Announcement to the Market
Financial Year Ended ('current period') – 30 June 2013
('previous corresponding period') – 30 June 2012

| | | $ |
|---|---|---|
| Revenue from ordinary activities | Down 15% to | 280,690,507 |
| Loss after tax from ordinary activities | Up 69% to | (54,949,337) |
| Loss after tax attributable to owners | Up 67% to | (54,733,360) |

The company does not propose to pay any dividends.

| | Current Period | Previous Corresponding Period |
|---|---|---|
| **Earnings per share from loss from continuing operations attributable to the ordinary equity holders of the company** | | |
| **Basic EPS** | **(14.03) Cents** | **(13.05) Cents** |
| **Diluted EPS** | **(14.03) Cents** | **(13.05) Cents** |
| **Earnings per share from loss attributable to the ordinary equity holders of the company** | | |
| **Basic EPS** | **(13.98) Cents** | **(13.14) Cents** |
| **Diluted EPS** | **(13.98) Cents** | **(13.14) Cents** |
| **Net Tangible Backing** | | |
| Net tangible asset backing per ordinary security | **(8.85) cents** | **(7.93) cents** |
| **Net Asset Backing** | | |
| Net asset backing per ordinary security | **(3.44) cents** | **12.12 cents** |

| | Current Period | Previous Corresponding Period |
|---|---|---|
| Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share | **391,639,839** | **249,160,911** |
| Number of ordinary shares at reporting date used as the denominator in calculating net tangible and net asset backing per share | **433,734,507** | **282,820,778** |

The preliminary final report is based on financial statements that are in the process of being audited. At this stage, based on the facts as they stand, an emphasis of matter paragraph or modified audit opinion is likely to be required in respect of the entity's going concern assessment.

**Details of entities where control has been gained or lost during the period**

In March 2013, Westaff NZ Limited, a fully owned subsidiary of the group, entered into an agreement with an unrelated third party for the sale of its labour hire and recruitment business in New Zealand effective 1 January 2013.

**APPENDIX 4E**
**PRELIMINARY FINAL REPORT**
**BLUESTONE GLOBAL LIMITED**

| **Consolidated Statement of Comprehensive Income**<br>For the financial year ended 30 June 2013 | | | |
|---|---|---|---|
| | **Note** | **2013**<br>**$** | **2012**<br>**$** |
| **Continuing operations** | | | |
| Revenue | 2 | 280,690,507 | 329,235,251 |
| Other income | 3 | 6,188 | 2,288,506 |
| Raw materials, work in progress and finished goods used | | (20,063,918) | (12,040,145) |
| Employee benefits expense | 4 | (252,899,106) | (294,855,280) |
| Depreciation and amortisation | 4 | (3,735,269) | (8,406,827) |
| Travel and recruitment expenses | 4 | (1,145,917) | (3,133,981) |
| Impairment losses | 4 | (34,329,770) | (18,721,000) |
| Finance costs | 4 | (9,551,086) | (7,440,510) |
| Other expenses | 4 | (13,902,355) | (15,285,674) |
| **Loss before income tax from continuing operations** | | (54,930,726) | (28,359,660) |
| Income tax expense | | (18,611) | (4,159,475) |
| **Loss for the year from continuing operations** | | (54,949,337) | (32,519,135) |
| **Discontinued operations** | | | |
| Profit for the year from discontinued operations | | 215,977 | (221,018) |
| **Loss for the year** | | (54,733,360) | (32,740,153) |
| **Other comprehensive income/(loss) for the year** | | | |
| **Items that may be re-classified subsequently to profit/(loss)** | | | |
| Exchange differences on translation of foreign operations | | (18,504) | (13,669) |
| **Total comprehensive loss for the year** | | (54,751,864) | (32,753,822) |
| Loss is attributable to: | | | |
| Non controlling interests | | - | (6,656) |
| Owners of Bluestone Global Limited | | (54,733,360) | (32,733,497) |
| | | (54,733,360) | (32,740,153) |
| Total comprehensive income attributable to : | | | |
| Non controlling interests | | - | (6,656) |
| Owners of Bluestone Global Limited | | (54,751,864) | (32,747,166) |
| | | (54,751,864) | (32,753,822) |

Notes to the Preliminary Final Report are included on pages 6 to 22

**APPENDIX 4E**
**PRELIMINARY FINAL REPORT**
**BLUESTONE GLOBAL LIMITED**

**Consolidated Statement of Financial Position**
For the financial year ended 30 June 2013

| | Note | 2013<br>$ | 2012<br>$ |
|---|---|---|---|
| **ASSETS** | | | |
| | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 5 | 1,219,154 | 1,669,831 |
| Trade and other receivables | 6 | 28,011,908 | 43,207,097 |
| Inventories | 7 | 1,295,740 | 2,321,209 |
| Prepayments and other current assets | 8 | 1,351,613 | 1,658,677 |
| Intangible assets | 11 | 11,000,000 | 11,000,000 |
| **Total current assets** | | 42,878,415 | 59,856,814 |
| | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 7,159,599 | 9,608,330 |
| Other financial assets | | 404,691 | - |
| Other assets | | 19,121 | 63,332 |
| Intangible assets | 11 | 12,442,102 | 45,698,278 |
| Investment in joint venture | 10 | 360,000 | - |
| **Total non-current assets** | | 20,385,513 | 55,369,940 |
| **Total assets** | | 63,263,928 | 115,226,754 |
| | | | |
| **LIABILITIES** | | | |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 16,453,134 | 26,923,101 |
| Interest bearing liabilities | 13 | 19,013,282 | 35,657,946 |
| Provisions | 14 | 15,533,774 | 16,198,168 |
| Financial liabilities | 19 | 9,000,000 | - |
| **Total current liabilities** | | 60,000,190 | 78,779,215 |
| | | | |
| **Non-current liabilities** | | | |
| Interest bearing liabilities | 13 | 17,395,439 | 1,541,094 |
| Provisions | 14 | 783,244 | 572,911 |
| Other liabilities | | 23,760 | 48,813 |
| **Total non-current liabilities** | | 18,202,443 | 2,162,818 |
| **Total liabilities** | | 78,202,633 | 80,942,033 |
| | | | |
| **Net assets/(liabilities)** | | (14,938,705) | 34,284,721 |
| | | | |
| **EQUITY** | | | |
| Contributed equity | 15 | 91,583,905 | 87,103,125 |
| Reserves | 16 | 1,690,621 | 661,467 |
| Accumulated losses | 17 | (108,213,231) | (53,479,871) |
| **Capital and reserves attributable to owners of Bluestone Global Limited** | | (14,938,705) | 34,284,721 |
| | | | |
| **Total equity/(deficit)** | | (14,938,705) | 34,284,721 |

Notes to the Preliminary Final Report are included on pages 6 to 22

**APPENDIX 4E**
**PRELIMINARY FINAL REPORT**
**BLUESTONE GLOBAL LIMITED**

**Consolidated Statement of Cash flows**
For the financial year ended 30 June 2013

| | Note | 2013<br>$ | 2012<br>$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from customers | | 326,685,266 | 334,437,369 |
| Cash paid to suppliers and employees | | (326,910,305) | (335,314,976) |
| Interest received | | 4,914 | 12,127 |
| Interest paid | | (5,574,569) | (5,044,567) |
| **Net cash outflow from operating activities** | | (5,794,694) | (5,910,047) |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (2,534,118) | (2,487,919) |
| Proceeds from disposal of plant and equipment | | 11,000 | 132,525 |
| Payment for acquisition of subsidiaries, net of cash acquired | 18 | (1,233,334) | (9,398,320) |
| Outflow from disposal of business/subsidiary, net of cash disposed | | (117,607) | (130,446) |
| **Net cash outflow from investing activities** | | (3,874,059) | (11,884,160) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 17,665,548 | 8,468,713 |
| Repayment of borrowings | | (11,886,432) | (12,103,398) |
| Proceeds from issue of shares, net of costs | 15 | 3,828,113 | 23,377,424 |
| Finance lease payments | | (372,002) | (1,043,414) |
| **Net cash inflow from financing activities** | | 9,235,227 | 18,699,325 |
| Net increase/(decrease) in cash and cash equivalents | | (433,526) | 905,118 |
| Effects of exchange rate changes on the balances of cash held in foreign currencies | | (17,151) | (2,945) |
| Cash and cash equivalents at the beginning of the period | 5 | 1,669,831 | 767,658 |
| **Cash and cash equivalents at end of period** | 5 | 1,219,154 | 1,669,831 |

Notes to the Preliminary Final Report are included on pages 6 to 22

**Consolidated Statement of Changes in Equity**
**for the year ended 30 June 2013**

| | Issued capital $ | Accumulated losses $ | Share based payments reserves $ | Share option reserves $ | Other capital reserve | Foreign currency translation reserves $ | Owners of Bluestone Global Ltd $ | Non-controlling interest $ | Total equity $ |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2011** | 59,853,721 | (20,719,434) | 255,015 | 257,647 | - | 135,534 | 39,782,483 | - | 39,782,483 |
| Loss for the year | - | (32,733,497) | - | - | - | - | (32,733,497) | (6,656) | (32,740,153) |
| **Other comprehensive income for the year** | | | | | | | | | |
| Foreign currency translation differences | - | - | - | - | - | (13,669) | (13,669) | - | (13,669) |
| **Total comprehensive income for the year** | - | (32,733,497) | - | - | - | (13,669) | (32,747,166) | (6,656) | (32,753,822) |
| Re-classification of reserve from retained earnings | - | (26,940) | - | - | 26,940 | - | - | - | - |
| Non-controlling interest with respect to Springsure Mining Pty Limited on sale | - | - | - | - | - | - | - | 6,656 | 6,656 |
| **Transactions with owners in their capacity as owners** | | | | | | | | | |
| Issued capital net of transaction costs | 27,167,424 | - | - | - | - | - | 27,167,424 | - | 27,167,424 |
| Deferred tax effect credit/(liability) recognised in equity | 81,980 | - | - | - | - | - | 81,980 | - | 81,980 |
| **Balance at 30 June 2012** | 87,103,125 | (53,479,871) | 255,015 | 257,647 | 26,940 | 121,865 | 34,284,721 | - | 34,284,721 |
| Loss for the year | - | (54,733,360) | - | - | - | - | (54,733,360) | - | (54,733,360) |
| **Other comprehensive income for the year** | | | | | | | | | |
| Foreign currency translation differences | - | - | - | - | - | (18,504) | (18,504) | - | (18,504) |
| **Total comprehensive loss for the year** | - | (54,733,360) | - | - | - | (18,504) | (54,751,864) | - | (54,751,864) |
| Share-based payments | - | - | 1,047,658 | - | - | - | 1,047,658 | - | 1,047,658 |
| Shares issued to director (note 15) | 76,000 | - | - | - | - | - | 76,000 | - | 76,000 |
| **Transactions with owners in their capacity as owners** | | | | | | | | | |
| Issued capital net of transaction costs (note 15) | 4,404,780 | - | - | - | - | - | 4,404,780 | - | 4,404,780 |
| **Balance at 30 June 2013** | 91,583,905 | (108,213,231) | 1,302,673 | 257,647 | 26,940 | 103,361 | (14,938,705) | - | (14,938,705) |

Notes to the Preliminary Final Report are included on pages 6 to 22

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of this preliminary final report are set out below and the report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E, and the recognition and measurement requirements of Australian Accounting Standards. These policies have been consistently applied to all the years presented, unless otherwise stated.

**(a) Basis of preparation**

*Presentation of Financial Statements*

AASB 101 Presentation of Financial Statements prescribes the contents and structure of the financial statements.

***Going Concern***

These financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The directors believe this basis of preparation is appropriate having regard to:

- Forecast cash flow from operations, recent trading results and the restructure undertaken by the company in the forth quarter of the 30 June 2013 financial year;
- The expected ongoing support of the groups's financiers;
- The capital plan of the company, including contingent access to further capital and mitigation measures to maintain liquidity.

Current borrowings include debtor finance facilities of $15.6m (2012: $23.3m). These borrowings are recorded as current liabilities to comply with accounting standards as the group does not have an unconditional right to defer settlement of the debt beyond 12 months. However, the debtor finance facilities funded against the group's ongoing trade debtor balances have a final expiry of December 2014.

**(b) Principles of consolidation**

***Subsidiaries***

The consolidated financial statements comprise the financial statements of Bluestone Global Limited and its subsidiaries at 30 June each year ("the group").

Subsidiaries are entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Potential voting rights that are currently exercisable or convertible are considered when assessing control. Consolidated financial statements include all subsidiaries from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared to the extent required, for the same period as the parent, using consistent accounting policies.

Pursuant to ASIC Class Order 98/1418, the group and all it's Australian subsidiaries entered into a deed of cross guarantee in financial year 2012. The effect of the deed is that Bluestone Global Limited has guaranteed to pay any deficiencies in the event of winding up of any of its Australian subsidiaries or if they do not meet their obligations under the terms of loans, leases or other liabilities subject to the guarantee. The Australian subsidiaries have also given a similar guarantee in the event that Bluestone Global Limited is wound up or if it does not meet its obligations under the terms of loans, leases or other liabilities subject to the guarantee.

All intercompany balances and transactions, including unrealised profits arising from intragroup transactions have been eliminated. Unrealised losses are also eliminated unless costs cannot be recovered.

***Joint Venture***

Joint venture is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The arrangement requires unanimous agreement for financial and operating decisions among the venturers. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. The financial statements of the joint venture are prepared for the same reporting period as the group. Adjustments are made, where necessary, to bring the accounting policies in line with those of the group.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(c) Foreign currency translation**
The presentation currency of Bluestone Global Limited is Australian dollars (A$).

The functional currency of the Parent and the Australian subsidiaries is Australian dollars. The functional currency of the New Zealand subsidiary is New Zealand dollars and the functional currency of the subsidiaries incorporated in the Philippines is the Peso.

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in the Statement of Comprehensive Income, except for the differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of the Statement of Financial Position;

(ii) income and expenses for each Statement of Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transactions); and
(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

**(d) Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Contracting revenue is brought to account at the contractual rate as labour hours are delivered and direct expenses incurred. Services provided but not yet billed are taken up as accrued revenue.

Permanent recruitment revenue is brought to account when the position has been filled.

Placement fees on international placements are recognised in 3 equal parts, at the time the employment is offered, when applicant's visa is approved and upon arrival of applicant into the country.

Sales of consulting and engineering services are recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised under the percentage of completion method, based on the actual service provided as a proportion of the total services to be provided.

***Sale of goods***
Sales of goods is recognised when the company has delivered the products to the customers. Sales are recorded based on the price specified in the sales contracts. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice. There were sales of goods in the financial year ended 30 June 2013.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Impairment of Assets**

At each reporting date the group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amounts are determined and impairment losses are recognised in the Statement of Comprehensive Income where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of the money and the risks specific to the asset.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

**(f) Contracts in Progress**

Contracts in progress are stated on the basis of services provided and costs incurred where candidates have been selected but have not arrived in Australia or had their visas approved. Billing of invoices is in three equal parts: candidate selection, candidate visa being approved and candidate arriving in Australia. Costs comprise visa processing fees, airfares and candidate testing fees.

**(g) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Bank overdrafts are shown within interest bearing liabilities in current liabilities on the Statement of Financial Position.

**(h) Trade and other receivables**

Trade receivables which generally have 14-60 days terms, are recognised initially at fair value and subsequently at amortised cost which is original amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable in a separate allowance account (provision for impairment of receivables). The amount of the impairment loss is recognised in the Statement of Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Comprehensive Income.

**(i) Financial Assets**

All investments and other financial assets are initially stated at cost, being the fair value of consideration given plus acquisition costs. Purchases and sales of investments are recognised on trade date which is the date on which the group commits to purchase or sell the asset. Accounting policies for each category of investments and other financial assets subsequent to initial recognition are set out below.

***(i) Loans and receivables***

Non-current loans and receivables include loans due from parties repayable no earlier than 365 days from reporting date. As these are non-interest bearing, fair value at initial recognition requires an adjustment to discount these loans using a market-rate of interest for a similar instrument with a similar credit rating. Loans and receivables are included in trade and other receivables (note 6).

**(j) Trade and Other Payables**

Trade and other payables represent liabilities for goods and services provided to the group prior to the year end and which are unpaid. They are recognised initially at fair value and subsequently at amortised cost. These amounts are unsecured and have 30-60 day payment terms.

**(k) Contributed Equity**

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(l) Goods and Services Tax**

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, payable to, the taxation authority.

**(m) Share Based Payments**

The group provides benefits to its employees (including directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or options (“equity-settled transactions”). In addition, as part of the financial arrangements of the group, share based payments have been made.

The fair value of options and performance rights are recognised as an expense with the corresponding increase recognised in equity (share option reserve). The fair value is measured at grant date and recognised over the period during which the holder becomes unconditionally entitled to the options. Fair value is determined by an independent valuation using either of the Black–Scholes option pricing model or the Enhanced Trinomial Approach.

In determining fair value, no account is taken of any performance conditions other than those related to the share price of Bluestone Global Limited (“market conditions”). The cumulative expense recognised between grant date and vesting date is adjusted to reflect the directors’ best estimate of the number of options that will ultimately vest because of internal conditions of the options, such as the employees having to remain with the company until vesting date, or such that employees are required to meet internal sales targets.

Where the terms of the options are modified, the expense continues to be recognised from grant date as if the terms had never changed. In addition, at the date of the modification, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

Where the terms of options are cancelled, they are treated as if vesting occurred on cancellation and any unrecognised expenses are taken immediately to profit or loss. However, if new options are substituted for the cancelled options and not designated as a replacement on grant date, the combined impact of the cancellation and replacement options are treated as if they were a modification.

**(n) Leases**

Leases are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term in accordance to when the economic benefits from the lease are consumed.

Assets held under finance leases are initially recognised at the fair value at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease charges are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset in accordance with policy (w).

**(o) Business Combinations**

The group has applied the acquisition method for the business combinations disclosed (refer to note 18). The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

For every business combination, the group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or business. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(p) Intangible Assets**

***(i) Goodwill***

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the group's investment in a product/service based primarily on the source country of the candidate by each primary reporting segment.

***(ii) Non-contractual customer relationships***

Acquired non-contractual customer relationships have a finite useful life and are carried at fair value at acquisition date less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of the asset over its estimated useful life.

**(q) Fair Values**

Fair values may be used for financial asset and liability measurements and for sundry disclosures.

The carrying value less impairment allowance of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

**(r) Borrowings**

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the loans and borrowing using the effective interest method.

**(s) Convertible Notes**

The fair value of the liability portion of the convertible notes are recognised as a liability in the Statement of Financial Position. Interest is calculated on the face value of each note from the date the notes are issued and recognised in the Statement of Comprehensive Income as finance charges.

**(t) Borrowing Costs**

All borrowing costs are recognised in the Statement of Comprehensive Income as an expense as they are incurred.

**(u) Employee Benefits**

*Wages and Salaries and Annual Leave*

Liabilities for annual leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of the employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

**(v) Earnings per Share**

*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

*(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(w) Property, plant and equipment**

All property, plant and equipment is stated at historical cost less depreciation. Historical costs include expenditure that is directly attributable to the acquisition of the items.

All repairs and maintenance costs are charged to the Statement of Comprehensive Income during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line or the reducing balance method to allocate their cost over their estimated useful lives, as follows:

| | **2013** | **2012** |
|---|---|---|
| Vehicles | 5 - 8 years | 5 - 8 years |
| Furniture, fittings and equipment | 2 - 20 years | 2 - 20 years |
| Leasehold Improvements | 3 - 8 years | 3 - 8 years |

The asset's 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 or losses on disposal are determined by comparing proceeds with carrying amount. These are included in the Statement of Comprehensive Income.

**(x) Dividends**

No dividends were provided or paid during the financial year on any class of share. If any dividend had been declared, appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at reporting date a provision would have been made.

**(y) Income Tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the assets and settle the liability simultaneously.

*Tax consolidation legislation*

Bluestone Global Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Bluestone Global Limited, and the controlled entities in the tax consolidated group recognised tax assets/liabilities on a consolidated basis. These tax amounts are recorded in the parent entity's accounts.

Bluestone Global Limited only recognises deferred tax assets in relation to used tax losses where it considers these losses to be probable of realisation in the foreseeable future.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(z) Provisions**

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

**(aa) Significant accounting estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

*(i) Impairment of goodwill and other non-financial assets*

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

An impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction, less costs to sell. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for next year and with an inflationary uplift thereafter. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future revenues and cash flows. The cash flow projections are based on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the expected life of the asset or CGU.

Other non-financial assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the asset may be impaired. The amortisation period and the amortisation method for these assets are reviewed at least at the end of each reporting period. The amortisation expense is recognised in the Statement of Comprehensive Income.

The assumptions used in estimating the carrying amount of goodwill are detailed in note 11.

*(ii) Deferred tax assets*

Deferred tax assets are recognised on unused tax losses only to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. At each reporting period, this position is reassessed both in respect of unrecognised and recognised tax losses.

Where it is no longer considered probable that the tax losses will be utilised in the short term, these deferred tax assets relating to tax losses are written off.

*(iii) Provision for doubtful debts*

An estimate for doubtful debts is made when collection of the full amount is no longer probable in a separate allowance account (provision for impairment of receivables). The amount of the impairment loss is recognised in the Statement of Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Comprehensive Income.

*(iv) Mining Intangible*

The group recognised a mining intangible of $11 million as a current asset in relation to Springsure Mining Pty Ltd in 2012. This represents the right to future income in respect of the first 50 million tonnes of JORC indicated coal resource. This was classified as a current asset in 2012 on the basis that the JORC report to trigger the receipt of these funds was expected prior to 30 June 2013. Drilling delays have meant the expected timing has been reassessed and the asset is a current asset at 30 June 2013 as it is now expected to be received in the second half of the next financial year. Refer note 11.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(v) Training Rights*

As part of the sale of Springsure Mining Pty Ltd., the group re-acquired the right to supply training staff into the mine for a period of 25 years. Management has attributed a value of $1.5 million to this right and recorded it as an intangible asset in the Statement of Financial Position. This will be amortised over a period of 25 years.

*(vi) Financial liabilities*

On 24 December 2012, the group entered into a financing arrangement with Gleneagle Securities Nominees Pty Ltd (Gleneagle) in respect of the group's rights to proceeds under the Springsure sale and purchase agreement with Guildford, with respect to part of EPC 1674 asset of Springsure Mining Pty Ltd. The effect of this financing arrangement is that the group received $6.75 million cash on 3 January 2013 when all conditions precedent were fulfilled. The group recognised a financial liability of $9 million in respect of this arrangement being the fair value of the amount owed to Gleneagle. The effective date of the agreement was 2 January 2013.

**NOTE 2: REVENUE**

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| **From continuing operations** | | |
| Rendering of services | 280,685,593 | 329,232,065 |
| Interest income | 4,914 | 3,186 |
| | 280,690,507 | 329,235,251 |

**NOTE 3: OTHER INCOME**

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Net gain/(loss) on disposal of property, plant & equipment | (14,885) | 10,656 |
| Net gain on sale of subsidiary | - | 2,277,850 |
| Net gain on sale of business* | 21,073 | - |
| | 6,188 | 2,288,506 |

*Relates to gain on sale of labour and recruitment business in New Zealand

**NOTE 4: EXPENSES**

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| **Loss before income tax includes the following specific expenses:** | | |
| *Finance costs* | | |
| Interest paid/payable | 3,299,303 | 5,131,868 |
| Borrowing costs associated with financial liabilities | 2,948,688 | - |
| Share-based payments | 982,800 | - |
| Change in fair value of financial liabilities | 2,320,295 | 2,308,642 |
| | 9,551,086 | 7,440,510 |
| *Depreciation and amortisation* | | |
| Property, plant and equipment* | 2,054,789 | 6,442,281 |
| Intangibles | 1,680,480 | 1,964,546 |
| | 3,735,269 | 8,406,827 |

*In FY12 the group reassessed the effective life of assets acquired on the acquisition of the Total Recruitment Group. This caused an acceleration of depreciation of $4.5 million last year.

| | 2013 | 2012 |
|---|---|---|
| *Travel and recruitment* | | |
| Travel and accommodation | 636,577 | 918,498 |
| International recruitment expenses | 509,340 | 2,215,483 |
| | 1,145,917 | 3,133,981 |
| *Employee benefits expense* | | |
| Wages and salaries | 236,386,789 | 278,984,790 |
| Superannuation expense | 16,512,317 | 15,870,490 |
| | 252,899,106 | 294,855,280 |

**NOTE 4: EXPENSES (continued)**

| | 2013 $ | 2012 $ |
|---|---|---|
| *Other expenses* | | |
| Minimum lease payments – operating leases | 4,290,970 | 3,471,877 |
| Audit and accounting | 284,319 | 376,154 |
| Legal | 220,230 | 532,377 |
| Telecommunications | 2,620,586 | 2,219,773 |
| Merger and acquisition costs | - | 2,030,267 |
| Sales and marketing | 1,099,532 | 826,336 |
| HR Costs | 539,419 | 457,659 |
| Computer expenses | 708,826 | 557,959 |
| Doubtful debts expense | 1,104,122 | 617,069 |
| Other office and administration | 3,034,351 | 4,196,203 |
| | 13,902,355 | 15,285,674 |
| *Impairment losses* | | |
| Intangibles * | 31,575,695 | 18,721,000 |
| Property, plant and equipment** | 2,754,075 | - |
| | 34,329,770 | 18,721,000 |

* Refer to note 11
** Refer to note 9

**NOTE 5: CASH AND CASH EQUIVALENTS**

| | 2013 $ | 2012 $ |
|---|---|---|
| Cash at bank and in hand | 1,219,154 | 1,669,831 |

Operating cash at bank and in hand is non-interest bearing.

**(i) Financing Facilities**

The group has debtor finance facilities with Scottish Pacific Benchmark. All of these facilities are guaranteed by the other entities in the group. A registered fixed and floating charge over the assets of the group exists to secure these facilities.

These facilities allow the group to be advanced funds against its trade debtors ledger.

**NOTE 6: TRADE AND OTHER RECEIVABLES**

| | 2013 $ | 2012 $ |
|---|---|---|
| **CURRENT** | | |
| Trade debtors | 27,410,979 | 38,484,046 |
| Allowance for impairment of receivables | (1,584,980) | (1,025,680) |
| Receivable on sale of business | 520,289 | - |
| Other receivables | 1,665,620 | 5,748,731 |
| | 28,011,908 | 43,207,097 |

**NOTE 7: INVENTORIES**

| | 2013 $ | 2012 $ |
|---|---|---|
| Raw materials - at cost | 717,157 | 622,971 |
| Contracts work in progress | 578,583 | 1,698,238 |
| | 1,295,740 | 2,321,209 |

**NOTE 8: PREPAYMENTS AND OTHER CURRENT ASSETS**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Prepayments | 703,621 | 591,205 |
| Other assets | 647,992 | 1,067,472 |
| | 1,351,613 | 1,658,677 |

**NOTE 9: PROPERTY, PLANT AND EQUIPMENT**

During the year, the group reassessed the carrying value of its property, plant and equipment against its recoverable amount. As a result, an impairment loss was recognised for the year of $2,754,075. This was primarily due to the decline in activies in the Mining segment. This has been recorded within impairment losses in the Statement of Comprehensive Income.

**NOTE 10: INVESTMENT IN JOINT VENTURE**

On 31 July 2012, the group announced that it entered into a joint venture with HCMI Group, a Singapore-based recruitment company. Through the wholly owned subsidiary, Humanis Philippines Inc., the group has entered into agreements to acquire 50% of an HCMI Group entity, HCMI International Ltd, for consideration of 6,000,000 fully paid Humanis shares, at a deemed issue price of 20 cents per share. Bluestone also has the option to acquire the remaining 50% of the joint venture upon certain revenue milestones being reached. The joint venture provides the group with access to HCMI's global recruitment network and will expand the group's international candidate pool.

The group has accounted for this transaction as a joint venture.

As at 30 June 2013, no trading activity had occurred under the joint arrangement. The financial information of the group's investment in HCMI is provided below:

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Carrying value of investment in joint venture: | | |
| Goodwill | 360,000 | - |
| Investment in joint venture | 360,000 | - |
| | | |
| **Share of joint venture's revenue and profit:** | | |
| Revenue | - | - |
| Profit | - | - |
| | - | - |

**NOTE 11: INTANGIBLE ASSETS**

| | 2013 | 2012 |
|---|---|---|
| **CURRENT** | $ | $ |
| | | |
| **Mining Intangible*** | | |
| Opening written down value | 11,000,000 | - |
| Additions | - | 11,000,000 |
| Net book amount | 11,000,000 | 11,000,000 |

*Refer note 1 (aa) *(iv)*

**NON-CURRENT**

| | 2013 | 2012 |
|---|---|---|
| **Goodwill** | | |
| Opening written down value | 33,939,141 | 41,968,498 |
| Additions - Acquisitions | - | 12,446,867 |
| Disposals | - | (2,525,445) |
| Impairment losses | (28,105,481) | (18,721,000) |
| Adjustments to provisional accounting | - | 770,221 |
| Net book amount | 5,833,660 | 33,939,141 |

**NOTE 11: INTANGIBLE ASSETS (continued)**

| | | |
|---|---|---|
| **Non-contractual customer relationships** | | |
| Opening written down value | 10,274,137 | 5,933,683 |
| Additions - Acquisitions | - | 1,063,000 |
| Adjustments to provisional accounting | - | 5,227,000 |
| Accumulated amortisation | (1,620,481) | (1,949,546) |
| Impairment losses | (3,470,214) | - |
| Net book amount | 5,183,442 | 10,274,137 |
| | | |
| **Training rights**** | | |
| Additions | 1,485,000 | 1,500,000 |
| Accumulated amortisation | (60,000) | (15,000) |
| Net book amount | 1,425,000 | 1,485,000 |
| | | |
| Closing net book amount | 12,442,102 | 45,698,278 |

**Refer note 1 (aa) *(v)*

***(a) Impairment testing of goodwill and intangible assets***

Goodwill acquired through business combinations with indefinite useful lives have been allocated to three CGUs, for impairment testing as follows.
- Labour Hire unit
- Mining unit
- International unit

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction, less costs to sell. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next year and with an inflationary uplift thereafter. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future revenues and cash flows. The cash flow projections are based on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the expected life of the asset or CGU.

*Key assumptions used in the value in use calculation:*
The calculation of value in use is most sensitive to the following assumptions:
- Discount rates - management has considered the impact of the time value of money and the risk inherent in the cash flows. Management utilised discount rates of 22.90% to 24.30% for the Labour Hire and Mining CGU, and 24.05% to 29.02% for International.
- Growth rates - detailed budgets were formed for each of the CGUs, this resulted in considerable revenue growth in FY 2014 compared to FY 2013, with a 3% growth rate thereafter.
- Margins - detailed budgets were formed for each of the CGUs, this resulted in a margin reduction in FY 2014 compared to FY 2013, with a consistent margin thereafter.

***(b) Sensitivity analysis***

For the Labour Hire and International units, management believes that no reasonably possible change in any of the above assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

For the Mining Services unit, the estimated recoverable amount is equal to the carrying value. However, any adverse changes in the assumptions noted above, would result in a further impairment to property, plant and equipment.

**NOTE 11: INTANGIBLE ASSETS (continued)**

***(c) Impairment***

In performing their impairment assessment, the group has taken into consideration current ongoing economic uncertainty and adopted a conservative view of the longer term outlook and as a result management has recognised an impairment charge of $31,575,695. This includes impairment of goodwill of $28,105,481 and impairment of non-contractual customer relationships of $3,470,214. This has been recorded within impairment losses in the Statement of Comprehensive Income.

***(d) Mining intangible***

It is expected that a JORC Report stating at least 50 million tonnes of indicated coal resource will be received in the next 12 months. Should this not be received, an impairment will be required to this balance and a corresponding reduction would be required to the contingent payable of $11m recorded as a current liability. This would result in a Nil impact to the Statement of Comprehensive Income.

**NOTE 12: TRADE AND OTHER PAYABLES**

| | **2013** | **2012** |
|---|---|---|
| | **$** | **$** |
| Trade payables | 2,323,431 | 1,250,307 |
| Payroll liabilities | 8,936,270 | 17,403,768 |
| Other payables and accruals | 5,193,433 | 8,269,026 |
| | 16,453,134 | 26,923,101 |

**NOTE 13: INTEREST BEARING LIABILITIES**

| | **2013** | **2012** |
|---|---|---|
| | **$** | **$** |
| **CURRENT** | | |
| Finance lease liability | 183,465 | 282,584 |
| Debtor finance facility | 15,598,796 | 23,285,228 |
| Statutory liabilities | 3,231,021 | 12,090,134 |
| | 19,013,282 | 35,657,946 |
| **NON CURRENT** | | |
| Finance lease liability | 322,325 | 443,146 |
| Borrowings from related parties | 800,000 | 800,000 |
| Statutory liabilities | 16,121,285 | - |
| Other borrowings | 151,829 | 297,948 |
| | 17,395,439 | 1,541,094 |

**NOTE 14: PROVISIONS**

| | **2013** | **2012** |
|---|---|---|
| | **$** | **$** |
| **CURRENT** | | |
| Restructuring costs (a) | 1,495,475 | 680,121 |
| Employee benefits (b) | 2,508,832 | 2,661,675 |
| Deferred consideration on acquisition of subsidiary (c) | 416,667 | 1,796,372 |
| Contingent consideration on acquisition of subsidiary (d) | 11,112,800 | 11,060,000 |
| | 15,533,774 | 16,198,168 |
| **NON CURRENT** | | |
| Restructuring costs (a) | 221,968 | - |
| Employee benefits (b) | 561,276 | 520,111 |
| Contingent consideration on investment in subsidiary (d) | - | 52,800 |
| | 783,244 | 572,911 |

**NOTE 14: PROVISIONS (continued)**

**(a) Restructuring costs**

Provision for restructuring costs is made up of the total lease costs committed till expiration due to the closure of the branches and make good on the premises and employee redundancies.

**(b) Employee benefits**

The current provision for employee benefits includes all employee leave entitlements expected to be paid within the next 12 months. The non-current portion includes all employee leave entitlements not required to be paid within the next 12 months.

**(c) Deferred consideration on acquisition of subsidiary**

Provision for deferred consideration includes payments for the acquisition of subsidiaries which are due to be settled within 12 months.

**(d) Contingent consideration on acquisition of subsidiary**

Current provision for contingent consideration includes $11 million which was recognised as part of the original acquisition of Springsure Mining Pty Ltd as the group considers that it is probable that the full amount will be paid. The amount is expected to be payable within 12 months subject to an indication of a JORC standard coal resource of up to 50Mt in the region. The amount is payable in cash or Bluestone shares at TheChairmen1's election.

**NOTE 15: CONTRIBUTED EQUITY**

| | No. of Shares | $ |
|---|---|---|
| **Balance at 1 July 2011** | 159,447,762 | 59,853,721 |
| Placement of shares | 99,206,349 | 25,000,000 |
| Less: Cost of raising equity | - | (1,622,576) |
| Issue to vendor under share sale agreement (refer note 18) | 24,166,667 | 3,790,000 |
| Deferred tax effect credit/(liability) recognised in equity | - | 81,980 |
| **Balance at 30 June 2012** | 282,820,778 | 87,103,125 |
| Placement of shares | 140,713,729 | 4,221,412 |
| Less: Cost of raising equity | - | (393,299) |
| Issue to vendor under share sale agreement - TRG | 1,666,667 | 216,667 |
| issue to vendor under share sale agreement - HCMI (refer to note 10) | 6,000,000 | 360,000 |
| Shares issued to director | 2,533,333 | 76,000 |
| **Balance at 30 June 2013** | 433,734,507 | 91,583,905 |

The funds from the placement of shares were used to:

(a) reduce borrowings; and

(b) raise general working capital.

**NOTE 16: RESERVES**

| | 2013 $ | 2012 $ |
|---|---|---|
| Share based payments reserves | 1,302,673 | 255,015 |
| Share option reserves | 257,647 | 257,647 |
| Other capital reserves | 26,940 | 26,940 |
| Foreign currency translation reserves | 103,361 | 121,865 |
| | 1,690,621 | 661,467 |

**NOTE 17: RETAINED EARNINGS**

| | 2013 $ | 2012 $ |
|---|---|---|
| Balance as at 1 July | (53,479,871) | (20,719,434) |
| Net loss for the year | (54,733,360) | (32,733,497) |
| Reclassification of capital reserve from retained earnings | - | (26,940) |
| Balance at 30 June | (108,213,231) | (53,479,871) |

**NOTE 18: BUSINESS COMBINATIONS**

There were no new acquisitions for the 30 June 2013 financial year. Provisional accounting done for the 2012 annual accounts for the following acquisitions have now been finalised.

***DLA Consultants Pty Ltd***

On 31 January 2012, the group acquired DLA Consultants Pty Ltd, an award winning specialist insurance and financial services recruitment company, based in Melbourne, Victoria.

Details of the purchase consideration, net assets acquired and goodwill, are as follows:

| **Purchase consideration :** | **$** |
|---|---|
| **On Settlement** | |
| Cash paid | 23,361 |
| **Contingent Settlement** | |
| *Due in 12 months from date of acquisition* | |
| Cash | 60,000 |
| *Due in 24 months from date of acquisition* | |
| Cash | 52,800 |
| **Total consideration** | 136,161 |

Assets and Liabilities acquired, are as follows :

| | Carrying Value $ | Fair Value $ |
|---|---|---|
| Cash and cash equivalents/(overdrafts) | (2,143) | (2,143) |
| Trade and other receivables | 158,311 | 158,311 |
| Prepayments | 9,103 | 9,103 |
| Property, plant and equipment | 17,079 | 17,079 |
| Net deferred tax asset | 17,237 | 17,237 |
| Trade and other payables | (136,318) | (136,318) |
| Accruals | (16,002) | (16,002) |
| Provisions | (9,992) | (9,992) |
| Fair value of net identifiable assets acquired | 37,275 | 37,275 |
| | | |
| Add : Goodwill arising on acquisition | | 98,886 |
| Consideration paid | | 136,161 |

| The cash outflow on acquisition to date is as follows: | |
|---|---|
| - Net cash acquired with the subsidiary | (2,143) |
| - Total cash payment | 23,361 |
| Net cash outflow | 21,218 |

**NOTE 18: BUSINESS COMBINATIONS (continued)**

***Gnomic Exploration Services***

On 16 April 2012, the group acquired the business of Gnomic Exploration Services Pty Ltd, a mining personnel and recruitment services company, based in Townsville, Queensland.

Details of the purchase consideration, net assets acquired and goodwill, are as follows:

| | |
|---|---|
| **Purchase consideration :** | **$** |
| **On Settlement** | |
| Cash paid | 500,000 |
| **Deferred Settlement** | |
| *Payable within 12 months from date of acquisition* | |
| Cash | 250,000 |
| *Payable between 12 and 24 months from date of acquisition* | |
| Cash | 250,000 |
| **Total consideration** | 1,000,000 |

Assets and Liabilities acquired, are as follows :

| | Carrying Value | Fair Value |
|---|---|---|
| | **$** | **$** |
| Property, plant and equipment | 50,000 | 50,000 |
| Fair value of net identifiable assets acquired | 50,000 | 50,000 |
| Add : Goodwill arising on acquisition | | 950,000 |
| Consideration paid | | 1,000,000 |

| | |
|---|---|
| The cash outflow on acquisition to date is as follows: | |
| - Net cash acquired with the subsidiary | - |
| - Total cash payment | 833,333 |
| Net cash outflow | 833,333 |

**Analysis of cash flows on acquisitions for the year ended 30 June 2013:**

| | |
|---|---|
| | **$** |
| Deferred payment on acquisition of Gnomic Exploration Services | 333,334 |
| Deferred payment on acquisition of Total Recruitment Group | 900,000 |
| | 1,233,334 |

**NOTE 19: FINANCIAL LIABILITIES**

On 24 December 2012, the group entered into a financing arrangement with Gleneagle Securities Nominees Pty Ltd (Gleneagle) in respect of the group's rights to proceeds under the Springsure sale and purchase agreement with Guildford, with respect to part of EPC 1674 asset of Springsure Mining Pty Ltd. Under the Guildford sale and purchase agreement, the group could receive up to $9 million in cash or Guildford shares upon receipt of a JORC report indicating a coal resource of between 50 and 100 million tonnes. This amount is not included in the mining right intangible included as at 30 June 2013. The effect of this financing arrangement is that the group received $6.75 million cash on 3 January 2013 when all conditions precedent were fulfilled. The group recognised a financial liability of $9 million in respect of this arrangement being the fair value of the amount due to Gleneagle on 31 December 2013 in the event that the JORC report is not received by this date. Accordingly, the financial liability has been recognised as a current liability. 21,000,000 options were issued at an exercise price of 5 cents, valued at 0.0073 cents using the Black Scholes model.

## NOTE 20: SEGMENT INFORMATION

For management purposes, the group is organised into business units based on the services that it provides and has three reportable segments, as follows:

**Labour Hire segment**
This division is involved in the placement of temporary and permanent workers domestically and overseas.

**Mining segment**
This division is involved in providing solutions to the resources sector including the delivery of skilled labour, operations of mining sites, maintenance of plant and equipment and the provision of critical spares and consumables.

**International segment**
This division is involved in the placement of temporary and permanent workers in Australia, sourced internationally.

### (a) Segment information provided to the Chief Operating Decision Maker

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating EBITDA. Group financing costs and income taxes are managed on a group basis and are not allocated to operating segments. The information presented to the Chief Operating Decision Maker does not report on segment assets and liabilities and as such is not presented in this report. The Chief Operating Decision Maker is the Executive Chairman of the group. Segment information provided to the Chief Operating Decision Maker for the year ended 30 June 2013 and 30 June 2012 is as follows:

| 2013 | Labour Hire | Mining | International | Total segments | Adjustments and eliminations | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Revenue** | | | | | | |
| External customers | 207,241,285 | 71,557,227 | 1,828,738 | 280,627,250 | 63,257 | 280,690,507 |
| Inter-segment | - | - | 564,629 | 564,629 | (564,629) | - |
| **Total revenue** | 207,241,285 | 71,557,227 | 2,393,367 | 281,191,879 | (501,372) | 280,690,507 |
| **STATUTORY EBITDA** | (1,818,790) | 17,974 | (130,967) | (1,931,783) | (5,382,818) | (7,314,601) |

| 2012 | Labour Hire | Mining | International | Total segments | Adjustments and eliminations | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Revenue** | | | | | | |
| External customers | 252,736,011 | 71,790,327 | 4,708,913 | 329,235,251 | - | 329,235,251 |
| Inter-segment | - | - | 1,045,333 | 1,045,333 | (1,045,333) | - |
| **Total revenue** | 252,736,011 | 71,790,327 | 5,754,246 | 330,280,584 | (1,045,333) | 329,235,251 |
| **STATUTORY EBITDA** | 6,658,324 | 2,006,093 | 974,584 | 9,639,001 | (3,430,324) | 6,208,677 |

* Results of the discontinued operations is included in the Adjustments and eliminations column.

## NOTE 21: CONTINGENT LIABILITIES

**Fatality at ResCo Engineering Workshop**

Following an incident at the Muswellbrook workshop in March 2012 resulting in an employee fatality an investigation was undertaken by the Police, Coroner and WorkCover NSW, in which ResCo Engineering Services assisted the authorities with their investigation.

Proceedings have now commenced against ResCo Engineering Services Pty Limited by NSW WorkCover in relation to this case. However, at this time it is premature to estimate or determine any financial impact facing the Corporation until the Brief of Evidence is received from NSW WorkCover in support of the proceedings. ResCo Engineering Services Pty Limited has no previous convictions with respect to Workplace Health and Safety within NSW. The first notice to appear for this case is scheduled for September 23rd 2013 and appropriate notice has also been provided to the Corporation's Public Liability insurer for this matter.

## NOTE 22: SUBSEQUENT EVENTS

There have been no material subsequent events from 30 June 2013 to the date of lodgement of this report.