



ASX ANNOUNCEMENT

31 AUGUST 2009

**TOTAL STAFFING SOLUTIONS LTD – FULL YEAR RESULTS 30 JUNE 2009**

**Highlights**

- Organic growth achieved in difficult market conditions
- Rationalisation of cost structure to ensure future growth as economy comes out of downturn
- Increase to debtor finance facility to fund growth
- Signing of agreement on 6<sup>th</sup> May 2009 for acquisition of Ultimate Skills Global, ratified at general meeting of shareholders subsequent to year end on 15<sup>th</sup> July 2009
- Announcement of merger with Humanis Group Limited to create a leading mid tier Australasian labour hire provider

**Financial**

Total Staffing Solutions today reported a consolidated loss before tax of (\$7,306,998) for the year ended 30 June 2009 from continuing operations and a net loss after tax of (\$11,459,946) including a loss from discontinued operations of (\$5,699,689)

This consolidated loss includes a number of one-off items expenses including:

- \$239,916 in one off legal costs
- \$2,433,233 in impairment charges recognized in the income statement relating to write down of goodwill and intellectual property held in OSS balance sheet
- \$311,646 in share based payment expenses including \$334,708 for 6,694,167 issued under the Deferred Consideration Performance Scheme and a net credit of \$23,062 relating to expensing of 2.5 million year 1 performance shares for Managing Director Dion Smith and credit of expense picked up previously for 2.5 million year 2 performance shares convertible to ordinary shares at 100,000:1 as per terms of the incentive scheme
- Provision for doubtful debts against trade receivables totaling \$220,481
- Provision for doubtful debt against contracts in progress of \$388,881 in OSS paid for but where the services were not delivered or made good. As at 30 June 2009 there is a pending legal claim for the amount to be recovered
- Write down of contracts in progress by \$245,180 in OSS due to severe downturn in the international recruitment market between Nov 2008 to April 2009
- Bad debt expense totaling \$308,088
- Redundancy expenses totaling \$133,192
- Loss on sale of \$5,699,689 of the 51% interest in Sstar HR International Pty Ltd, trading as MPI, reported in this financial report as a discontinued operation

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The net asset position of (\$2,076,165) includes the following:

- Strong current trade and other receivables of \$5,996,635
- Write down of goodwill of \$8,807,616 relating to loss on disposal of MPI and impairment of goodwill on acquisition of WIP from CFM Global and Eclipse Staffing
- Borrowings of only \$4,501,649 which includes \$3,462,880 as the drawdown on the debtor finance facility with Bibby
- \$6,913,303 in trade and other payables
- Post reporting date the company has successfully negotiated an increase to its debtor finance facility from \$4.0 million to \$5.0 million to enable the business to continue to grow at the projected rates and is currently negotiating a further increase to the facility to cater to increased business growth

The Board believes that the consolidated loss is indicative of the difficult economic conditions witnessed in the financial year ending 30 June 2009 and believes firmly that the corrective measures taken to rationalize the structure and cost base of the company will enable the company to enjoy growth and profitability in the financial year ending 30 June 2010.

The acquisition of Ultimate Skills Global ratified by shareholders after the reporting date, and the proposed merger with Humanis subject to shareholder and regulatory approvals will add substantial value after what has been a difficult year from an economic condition viewpoint.

#### **TSS Recruitment**

- \$48,415,849 in revenue for the financial year
- Extremely robust sales pipeline – with good mix of national and local clients
- Substantial reduction and consolidation of overhead costs to adjust to economic slowdown
- Partnering with Indigenous Services Australia (ISA) to increase Indigenous Placements

#### **Offshore Staff Solutions**

- International recruitment extremely hard hit between Nov 2008 and April/May 2009
- Significant reduction in overhead costs
- Repositioning of brand, post reporting date with acquisition of Ultimate Skills Global
- OSS to be integrated into Ultimate Skills Global and be the platform for international and permanent recruitment under the Ultimate Skills banner

#### **Mining People International**

- Discontinued operation, majority interest sold during the year to consolidate group's cash position

## Outlook

The board is confident that an exciting period of growth lies forward for the group. Having taken several restructuring and consolidation measures to guide the company through the general economic uncertainty of the 2009 financial year, the board is very confident that the acquisition of Ultimate Skills Global (ratified at a shareholder's meeting on 15<sup>th</sup> July 2009) and the proposed merger with the Humanis Group (pending shareholder and regulatory approvals) will lead to the creation of a leading mid tier Australasian labour hire provider.

**APPENDIX 4E  
PRELIMINARY FINAL REPORT  
TOTAL STAFFING SOLUTIONS LTD**

ABN 42 009 296 324

**Results for Announcement to the Market  
Financial Year Ended ('current period') – 30 June 2009  
('previous corresponding period' – 30 June 2008**

		<b>\$A</b>
Revenue from continuing operations	Up 194% to	51,192,713
Revenue from discontinued operations		11,831,653
Total revenue from continued and discontinued operations		63,024,366
Net profit/(loss) after tax from continuing operations	Down 26% to	(5,760,257)
Profit/(loss) from continuing and discontinued operations after tax attributable to members	Down 208% to	(11,459,946)
Net profit after tax attributable to members	Down 208% to	(11,459,946)

The company does not propose to pay any dividends.

	<b>Current Period</b>	<b>Previous Corresponding Period</b>
<b>Earnings per share from loss from continuing operations attributable to the ordinary equity holders of the company</b>		
Basic EPS	(0.05) Cents	(0.05) cents
Diluted EPS	(0.05) Cents	(0.05) cents
<b>Earnings per share from loss attributable to the ordinary equity holders of the company</b>		
Basic EPS	(0.10) Cents	(0.05) cents
Diluted EPS	(0.10) Cents	(0.05) cents
<b>NTA Backing</b>		
Net tangible asset backing per ordinary security	(0.014) cents	0.004 cents
<b>Net Asset Backing</b>		
Net asset backing per ordinary security	(0.014) cents	0.08 cents

**The Appendix 4E is based on accounts that are in the process of being audited**

For the profit commentary and other significant information needed by an investor to make an informed assessed of Total Staffing Solutions Ltd results please refer to the accompanying Total Staffing Solutions Ltd investor commentary



Dion Smith  
Managing Director

31 August 2009

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<b>Consolidated Income Statement</b>			
For the financial year ended 30 June 2009			
	<b>Note</b>	<b>2009</b> \$	<b>2008</b> \$
Revenue from continuing operations	4	51,192,713	17,399,777
Employee benefits expense	5	(50,139,926)	(17,488,227)
Depreciation and amortisation	5	(190,234)	(88,762)
Travel and recruitment	5	(1,672,178)	(379,752)
Share based payment expense	5	(311,646)	(1,898,437)
Loss on disposal of asset		-	(5,331)
Impairment losses	5	2,433,233	-
Finance costs	5	(517,043)	(193,110)
General & administrative expenses	5	(3,235,451)	(2,353,415)
<b>Loss before income tax</b>		(7,306,998)	(5,007,457)
Income tax benefit	6	1,546,741	420,937
		-	
Loss from continuing operations		(5,760,257)	(4,586,520)
Profit/(loss) from discontinued operations		(5,699,689)	866,211
<b>Net Loss for the year</b>		(11,459,946)	(3,720,309)
Loss is attributable to:			
Equity holders of Total Staffing Solutions Ltd		(11,459,946)	(4,144,750)
Minority Interest		-	424,441
		(11,459,946)	(3,720,309)

Notes to the Preliminary Final Report are included on pages 6 to 40

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<b>Consolidated Balance Sheet</b>			
As at 30 June 2009			
	<b>Note</b>	<b>2009</b> \$	<b>2008</b> \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8	268,175	426,640
Trade and other receivables	9	5,996,635	8,986,555
Prepayments and other current assets	10	6,704	586,340
<b>Total current assets</b>		<b>6,271,514</b>	<b>9,999,535</b>
<b>Non-current assets</b>			
Receivables	12	-	41,416
Other financial assets	11	187,000	-
Property, plant and equipment	14	478,742	970,831
Deferred tax asset	13	2,670,512	777,760
Intangible assets	15	-	8,807,616
<b>Total non-current assets</b>		<b>3,336,254</b>	<b>10,597,623</b>
<b>Total assets</b>		<b>9,607,768</b>	<b>20,597,158</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	16	6,913,303	7,844,072
Provisions	18	268,981	475,448
Borrowings	17	4,435,894	2,868,482
<b>Total current liabilities</b>		<b>11,618,178</b>	<b>11,188,002</b>
<b>Non-current liabilities</b>			
Borrowings	17	65,755	1,002,206
<b>Total non-current liabilities</b>		<b>65,755</b>	<b>1,002,206</b>
<b>Total liabilities</b>		<b>11,683,933</b>	<b>12,190,208</b>
<b>Net assets</b>		<b>(2,076,165)</b>	<b>8,406,950</b>
<b>EQUITY</b>			
Contributed Equity	19	13,272,828	11,453,047
Reserves	20	366,023	506,437
Retained earnings	21	(15,715,016)	(4,231,018)
<b>Capital &amp; Reserves attributable to equity holders of Total Staffing Solutions Ltd</b>		<b>(2,076,165)</b>	<b>7,728,466</b>
Minority Interest		-	678,484
<b>Total Equity</b>		<b>(2,076,165)</b>	<b>8,406,950</b>

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<b>Consolidated Cashflow Statement</b>			
For the financial year ended 30 June 2009			
	<b>Note</b>	<b>2009</b> \$	<b>2008</b> \$
<b>Cash flows from operating activities</b>			
Cash receipts from customers		61,083,081	19,759,129
Cash paid to suppliers and employees		(63,429,264)	(21,533,253)
Interest received		24,650	44,530
Interest paid		(537,323)	(199,910)
Deposit paid		(24,162)	(59,478)
Fringe benefits tax paid		(24,983)	(63,713)
Income tax paid		-	(384,510)
<b>Net cash inflow/(outflow) from operating activities</b>	22	<b>(2,908,001)</b>	<b>(2,437,205)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant & equipment		(174,343)	(530,956)
Payment for acquisition of business		-	(5,152,771)
Payment for intellectual property		-	(110,000)
Disposal of discontinued operations, net of cash disposed off		1,047,988	-
<b>Net cash inflow/(outflow) from investing activities</b>		<b>873,645</b>	<b>(5,793,727)</b>
<b>Cash flows from financing activities</b>			
Share issue costs		-	889,409
Proceeds from borrowings		750,000	-
Repayment of borrowings		(1,500,000)	-
Proceeds from issue of shares		1,227,648	5,850,000
Sundry loans		133,845	(42,283)
Finance payment in respect of lease		(43,836)	(43,862)
Proceeds from commercial bills		-	1,500,000
<b>Net cash inflow/(outflow) from financing activities</b>		<b>567,657</b>	<b>6,374,446</b>
Net increase/(decrease) in cash and cash equivalents		(1,466,699)	(1,856,486)
Cash and cash equivalents at the beginning of the period		(1,728,006)	128,480
<b>Cash and cash equivalents at end of period</b>		<b>(3,194,705)</b>	<b>(1,728,006)</b>

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<b>Statement of Recognised Income and Expense</b>			
For the financial year ended 30 June 2009			
	<b>Note</b>	<b>2009</b> \$	<b>2008</b> \$
<b>Net (expense)/ income recognised directly in equity</b>			
Loss for the year		(11,459,946)	(3,720,309)
<b>Total recognised income and expense for the year</b>		(11,459,946)	(3,720,309)
<b>Total recognised income and expense for the year attributable to:</b>			
<b>Equity holders of Total Staffing Solutions Ltd</b>		(11,459,946)	(4,144,750)
<b>Minority Interest</b>		-	424,441
		(11,459,946)	(3,720,309)

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**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**

*Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investments.

*Critical Accounting Estimates*

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

**(b) Principles of consolidation**

*Subsidiaries*

The consolidated financial statements comprise the financial statements of Total Staffing Solutions 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 date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same period as the parent, using consistent accounting policies.

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.

**(c) Foreign currency translation**

The functional and presentation currency of Total Staffing Solutions group is Australian dollars (A\$).

Foreign currency translations 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 balance sheet 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 income statement, except for the differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

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

**(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 labor 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 three phases at the time employment is offered on commencement of employment and on completion of probation.

Interest revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the carrying amount of the financial asset.

**(e) Impairment of Assets**

At each reporting date the Company assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount determined and impairment losses are recognized in the income statement 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 cost 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 borrowings in current liabilities on the balance sheet.

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**(h) Trade and other receivables**

Trade receivables which generally have 30-90 days terms are recognised and carried at original amount less an allowance for any collectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

**(i) Investments and Other 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 Company 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.

***Loans and receivables***

Non-current loans and receivables include loans due from parties repayable no earlier than 365 days of balance sheet 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. The discount is credited to the income statement immediately and amortised using the effective interest method. Loans and receivables are included in trade and other receivables (note10) and receivables (note13).

**(j) Trade and Other Payables**

Trade and other payables represent liabilities for goods and services provided to the Company prior to the year end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms.

**(k) Contributed Equity**

Ordinary shares are classified as equity. 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. Costs directly attribute to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

**(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 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 payable 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 balance sheet.

**(m) Share Based Payments**

The Company provides benefits to employees (including directors) of the Company in the form of the share-based payment transactions, whereby employees render services in exchange for shares or options ("Equity-settled transactions").

The fair value of options is recognised as an expense with corresponding increase in equity (Share option reserve). The fair value is measured at grant date and recognised over the period during which the holder become unconditionally entitled to the options. Fair value is determined by an independent value using a Black-Scholes option pricing model.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**

In determining fair value, no account is taken of any performance conditions other than those related to the share price of TSS group ("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. No expense is recognised for options that do not ultimately vest because a market condition was not met.

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 the income statement. 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 leases 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 balance sheet 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.

**(o) Business Combinations**

The purchase method of accounting is used to account for all business combinations. Costs is measured as a fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attribute to acquisition. Where equity instruments are issued, the value of the equity instruments is their published market price as the date of exchange unless, in rare circumstances it can be demonstrated that the published price at the date of exchange is unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are initially measured at their fair values at acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill (refer note p). If the costs of acquisition are less than the group's share of the fair value of the net assets acquired, the difference is recognised in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired. Where settlement of any part of the cash consideration is deferred, the amounts payable in future is discounted to present value at the date of exchange using the entity's incremental borrowing rate as the discount rate.

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

**(p) Intangible Assets**

***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 (note 4).

**(q) Fair Values**

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

**(r) Borrowings**

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over a 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 is recognised as a liability in the balance sheet. Interest is calculated on the face value of the each note from the date the notes are issued and recognised in the income statement as finance charges.

**(t) Borrowing Costs**

Borrowing costs incurred in relation to commercial bills are amortised over the period of the borrowing. All other borrowing costs are expensed.

**(u) Employee Benefits**

***Wages and Salaries, Annual Leave and Sick Leave***

Liabilities for annual leave and vesting sick leave expected to be settled within 12 months of the reporting date are recognised in other payables 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. Liabilities for non-vesting sick leave are recognised when leave is taken and measured at the actual rate paid or payable.

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**(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 company, 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.

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

All property, plant and equipment are 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 income statement during the reporting period in which they are incurred.

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

Vehicles	5 years
Furniture, fittings and equipment	2 – 20 years
Leasehold Improvements	3 - 40 years

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 or losses on disposal are determined by comparing proceeds with carrying amount. These are included in the income statement.

**(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 balance 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

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

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.

**(z) Provisions**

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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 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) Going Concern**

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The directors believe that they will be able to raise additional capital or debt funding if required to meet increasing working capital requirements and acquisition opportunities and continue to evaluate the consolidated entity's cash requirements. The directors believe that the consolidated entity will continue as a going concern. As a result the financial report has been prepared on a going concern basis.

**(ab) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below:

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New and Revised AASB Standards	Effective for annual reporting periods beginning/ending on or after
<p><b>AASB 101:</b> Presentation of Financial Statements (Revised September 2007), AASB 2007-8 Amendments to Australian Accounting Standards &amp; Interpretations and AASB 2007-10 Further Amendments to AASBs arising from AASB 101</p> <p>The revised standard affects the presentation of changes in equity and comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other AASB standards however, it is important to note that the AASB has decided that Australian issuers must make use in financial reports of the descriptions- Statement of Financial Performance and Position rather than Balance Sheet and Income Statement and use the term "Financial Report" and not "Financial Statement." The Amending Standard updates references in various other pronouncements.</p>	Beginning 1 January 2009
<p><b>AASB 2008- 2:</b> Amendments to AASB 132 "Puttable Financial Instruments and Obligations arising on Liquidation."</p> <p>In instances where a Puttable financial instrument imposes an obligation on the entity to deliver to another party, a pro-rata share of net assets of the entity only on liquidation, the entity is permitted to classify the financial instrument as equity if the instrument meets specified requirements.</p>	Beginning 1 January 2009
<p><b>AASB 2008-3:</b> Amendments to Australian Accounting Standards Arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 &amp; 139 and interpretations 9 &amp; 107]</p> <p>Consequential amendments to other standards arising from AASB 3 (Revised) and AASB 127 (Amended)</p> <p><b>AASB 3 (Revised):</b> Business Combinations:</p> <p>Changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as re-acquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutual entities.</p>	Beginning 1 July 2009

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<p><b>AASB 127</b>(Amended): Consolidated and Separate Financial Statements:</p> <p>Changes the accounting for investments in subsidiaries. Key changes include: the re-measurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in the Income Statement; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders.</p> <p>Early adoption is only permitted for “For Profit” entities.</p>	
<p><b>2008-7:</b> Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</p> <p>[AASB 1, AASB 118, AASB 121, AASB 127 &amp; AASB 136]</p> <p>This Standard:</p> <ul style="list-style-type: none"> <li>a) amends AASB 1 to allow first-time adopters, in their separate financial statements, to use a deemed cost option for determining the cost of an investment in a subsidiary, jointly controlled entity or associate. The deemed cost of such an investment can be either its: <ul style="list-style-type: none"> <li>i. fair value (determined in accordance with AASB 139 Financial Instruments: Recognition and Measurement) at the entity’s date of transition to Australian-equivalents-to-IFRSs; or</li> <li>ii. previous GAAP carrying amount at that date.</li> </ul> <p>A first-time adopter may choose either deemed cost option to measure its investment in each subsidiary, jointly controlled entity or associate that it elects to measure using a deemed cost;</p> </li> <li>b) removes from AASB 118 the requirement to deduct dividends declared out of pre-acquisition profits from the cost of an investment in a subsidiary, jointly controlled entity or associate. Therefore, all dividends from a subsidiary, jointly controlled entity or associate are recognised by the investor as income;</li> <li>c) amends AASB 127 to require, in particular circumstances, a new parent entity established in a group reorganisation to measure the cost of its investment at the carrying amount of the share of the equity items shown in the separate financial statements of the original parent at the date of the reorganisation. The relevant circumstances include that the reorganisation involves: <ul style="list-style-type: none"> <li>i. the new parent obtaining control of the original parent through an exchange of equity instruments;</li> <li>ii. no change to the group’s assets and liabilities;</li> <li>iii. no change to the owners’ absolute and relative interests in the net assets; and</li> <li>iv. amends AASB 136 to include recognising a dividend from a subsidiary, jointly controlled entity or associate, together with other evidence, as an indication that the investment in the subsidiary, jointly controlled entity or associate may be impaired.</li> </ul> </li> </ul>	<p>Beginning 1 January 2009</p>

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<p><b>AASB 2008-8:</b> Amendments to Australian Accounting Standards – Eligible Hedged Items amends the application guidance of AASB 139: Financial Instruments: Recognition and Measurement</p> <p>The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations.</p> <p>The amendment addresses two particular situations:</p> <ul style="list-style-type: none"> <li>· the designation of a one-sided risk in a hedged item; and</li> <li>· the designation of inflation in particular situations</li> </ul> <p>Because of its limited scope, the amendment is expected to affect only those entities that designate hedging relationships in the two situations it addresses. The amendment is expected to reduce diversity in practice that exists, or is likely to occur, in those two situations.</p>	
<p><b>AASB 2008-9:</b> Amendments to AASB 1049 for Consistency with AASB 101.</p> <p>This Standard amends AASB 1049 and the accompanying Illustrative Examples, where appropriate, to:</p> <ol style="list-style-type: none"> <li>a) reflect the revised requirements in AASB 101 (September 2007), including presenting a whole of government and General Government Sector (GGS) statement of changes in equity, and using AASB 101 terminology;</li> <li>b) clarify that the whole of government operating statement disclosures referred to in paragraph 41(b)(iii) of AASB 1049 (October 2007) relate to the sector statements that are disclosed by the whole of government; and</li> <li>c) clarify that the budget information disclosure requirements in paragraph 59 of AASB 1049 (October 2007) only relate to the budgeted financial statement(s) that were initially presented to parliament.</li> </ol>	1 January 2009

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**NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Details of critical accounting estimates and assumptions about the future made by management at reporting date are set out below:

**Recruitment Income**

Recruitment income in progress has been calculated based on rates of successful completion of probation for international placements and granting of visa approvals for the past 12 months.

It is management's view that there are reliable estimates and the income in progress is accurately reflected.

**Impairment**

The group and the parent entity recognised the impairment of its goodwill and its available for resale assets for the year ended 30 June 2009. In making this significant judgment the group evaluates among other factors the extent to which the fair value of the investment is less than its costs.

**Deferred Tax Asset**

Deferred tax assets have been recognised on the basis that there will be future taxable profits against which they can be utilised. The future taxable profits are based on management estimations that sufficient suitable taxable profit will be made against which to offset the deductions.

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**NOTE 3: SEGMENT INFORMATION**

**(a) Description of segments**

**Business segments**

The consolidated entity is organised on a national basis into the following divisions by product/service type:

International recruitment – the placement of temporary and permanent workers sourced internationally.

Domestic recruitment – the placement of temporary and permanent workers sourced domestically.

Other – includes an IT consultancy division and the management of the group. None of these activities represents a separately reportable segment.

**Geographical segments**

The company operates predominantly in one geographical area, being Australia.

**(b) Primary reporting format – business segments**

2009	Domestic	International	Eliminations	Unallocated	Total Continuing Operations	Discontinued operations	Total
<b><u>Segment Revenues and Results</u></b>							
Revenue	48,923,904	1,540,764	(1,191,468)	1,434,973	50,462,993	11,819,088	62,282,081
Other Income	491,345	226,689	-	12,085	729,720	12,565	742,285
Total segment revenue	48,415,849	1,766,453	(1,191,468)	1,447,058	51,192,713	11,831,653	63,024,366
Segment Profit/(loss) before income tax	(271,012)	(3,385,232)	(104,336)	(3,547,418)	(7,306,998)	100,474	(7,206,524)
Income tax benefit	1,018,148	169,956	-	358,628	1,546,741	(141,091)	1,405,650
Segment Profit/(loss) after income tax	747,136	(3,215,276)	(104,336)	(3,188,790)	(5,760,257)	(40,617)	(5,800,874)
<b><u>Segment Asset and Liabilities</u></b>							
Assets	7,437,413	778,289	-	1,392,066	9,607,768	9,148,650	18,756,418
Liabilities	10,246,399	4,668,049	-	(3,230,515)	11,683,933	1,590,379	13,274,312
<b><u>Other Segment Information</u></b>							
Depreciation and amortization expense	121,876	24,407	43,951	-	190,234	68,426	258,660

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Acquisitions of property, plant and equipment, intangibles and non-current assets	132,310	-	-	13,175	145,485	154,514	299,999
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<b>2008</b>	<b>Domestic</b>	<b>International</b>	<b>Eliminations</b>	<b>Unallocated</b>	<b>Total Continuing Operations</b>	<b>Discontinued operations</b>	<b>Total</b>
<b><u>Segment Revenues and Results</u></b>							
Revenue	15,903,300	1,335,652	(370,721)	500,987	17,355,247	9,572,549	26,941,767
Other Income	252	-	-	30,307	30,559	13,971	44,530
Total segment revenue	15,903,552	1,335,652	(370,721)	531,294	17,399,777	9,586,520	26,986,297
Segment Profit/(loss) before income tax	(474,223)	(703,532)	-	(3,829,702)	(5,007,457)	866,211	(4,141,246)
Income tax benefit	-	-	-	420,937	420,937	-	420,937
Segment Profit/(loss) after income tax	(474,223)	(703,532)	-	(3,408,765)	(4,586,520)	866,211	(3,720,309)
<b><u>Segment Asset and Liabilities</u></b>							
Assets	7,554,429	4,977,211	(160,074)	8,225,592	20,597,158	9,148,650	29,745,808
Liabilities	6,793,364	5,758,986	716,837	(1,078,979)	12,190,208	1,590,379	13,780,587
<b><u>Other Segment Information</u></b>							
Depreciation and amortization expense	33,824	32,226	-	22,712	88,762	38,059	126,821
Acquisitions of property, plant and equipment, intangibles and non-current assets	7,184,926	2,063,034	-	125,907	9,373,867	-	9,373,867

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**NOTE 4: REVENUE**

	<b>2009</b>	<b>2008</b>
	\$	\$
<b>From continuing operations</b>		
Rendering of services	50,937,123	17,238,952
Interest income	12,085	30,559
Sales of goods	243,505	130,266
	51,192,713	17,399,777
<b>From discontinued operations</b>		
Rendering of services	11,819,088	9,572,549
Interest Income	12,565	13,971
(note 7)	11,831,653	9,586,520

**NOTE 5: EXPENSES**

	<b>2009</b>	<b>2008</b>
	\$	\$
<b>Loss before income tax includes the following specific expenses:</b>		
<i>Finance Costs</i>		
Interest paid/payable	517,043	193,110
	517,043	193,110
<i>Depreciation</i>		
Leasehold Improvements	24,826	8,968
Equipment under finance lease	21,702	35,561
Plant & equipment	143,706	44,233
	190,234	88,762
<i>Employee benefits expense</i>		
Wages & salaries	46,519,891	15,635,857
Superannuation expense	3,595,052	1,778,657
Other employee benefits expense	24,983	63,713
	50,139,926	17,488,227

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	2009	2008
	\$	\$
<i>General &amp; administrative expenses</i>		
Minimum lease payment – operating leases	580,696	367,520
Audit & Accounting	113,844	52,363
Legal	336,218	207,611
Telecommunications	360,111	338,256
Applicant Advertising	196,394	340,544
Other	1,648,188	1047,221
	<u>3,235,451</u>	<u>2,353,415</u>
<i>Travel &amp; Recruitment</i>		
Travel & Accommodation	357,918	242,733
Recruitment	886,086	137,219
Selling Expenses	428,174	-
	<u>1,672,178</u>	<u>379,952</u>
<i>Impairment Losses- Financial assets (note(a))</i>		
Intangibles assets	2,433,233	-
	<u>2,433,233</u>	<u>-</u>
<i>Share based payment expenses</i>		
10,000,000 ordinary shares issued to the Managing Director for nil consideration	-	1,500,000
6,694,167 ordinary shares issued under the deferred consideration performance scheme	334,708	-
2,500,000 performance shares issued to the Managing Director for nil consideration	109,750	-
Cancellation of performance shares for not achieving performance milestone	(132,812)	-
5,000,000 performance shares issued to the Managing Director for nil consideration	-	398,437
	<u>311,646</u>	<u>1,898,437</u>

**(a) Impairment**

At 30 June 2009 the Company assessed the carrying value of its goodwill and intangibles and determined that the carrying amount exceeded its recoverable amount given the current economic downturn had a significant impact on the principal activities of the subsidiaries involved.

As 30 June 2009 the parent company assesses that the amount due from some of its subsidiaries were impaired. A

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provision of \$2,380,542 was made against the full balance receivable.

**NOTE 6: INCOME TAX EXPENSE**

	2009	2008
	\$	\$
<b>(a) Components of tax benefit</b>		
Current tax benefit	108,950	(580,079)
Deferred tax – origination and reversal of temporary differences	(1,655,691)	159,142
	(1,546,741)	(420,937)
<b>(b) Reconciliation of the effective tax rate</b>		
Loss from continuing operations before income tax expense	(13,006,689)	(4,141,246)
Tax at the Australian tax rate of 30% (2008: 30%)	(3,902,007)	(1,242,374)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	2,511,935	92,764
Tax effect of movement in deferred tax items	149,664	159,142
Adjustments in respect of previous deferred income tax	(228,489)	-
Share based payments	(77,844)	569,531
Income tax expense/(benefit)	(1,546,741)	(420,937)

**(c) Tax consolidation legislation**

The entities of the group have not yet entered into a tax consolidation arrangement, it is anticipated that the tax consolidation will be implemented in the financial year ending 30 June 2010.

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**NOTE 7: DISCONTINUED OPERATIONS**

**(a) Description**

On 22 December 2008 the Company entered into an agreement with the minority shareholders of its controlled subsidiary Sstar HR International Pty Ltd, trading as Mining People International, for the sale of the Company's 51% interest in Mining People International for consideration of \$1,200,000. The sale was approved by the shareholder on 23 February 2009, and settlement of the sale occurred on 27 February 2009. Sstar HR International Pty Ltd is reported in this financial report as a discontinued operation.

**(b) Financial performance and cash flow information from discontinued operations**

	<b>2009</b>
	<b>\$</b>
Revenue	11,831,653
Expenses	<u>(11,731,179)</u>
Profit before income tax	100,474
Income tax expense	<u>141,091</u>
Loss after income tax of discontinued operations	<u>(40,617)</u>
Loss on sale of division before income tax	(5,699,689)
Income tax expense	<u>-</u>
Loss on sale of division after income tax	<u>(5,699,689)</u>
Loss from discontinued operations	<u><u>(5,740,306)</u></u>
Net cash outflows from operating activities	-
Net cash outflows from investing activities	<u>1,047,988</u>
Net decrease in cash used by the division	<u><u>1,047,988</u></u>

**(c) Details of the sale of the division**

Consideration received :	
Cash	<u>1,200,000</u>
Total disposal consideration	<u>1,200,000</u>
Carrying amount of net assets sold	<u>(6,899,689)</u>
Loss on sale before income tax	(5,699,689)
Income tax expense	<u>-</u>
Loss on sale after income tax	<u><u>(5,699,689)</u></u>

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**(d) The carrying amounts of assets and liabilities at the date of sale (27 February 2009) were :**

	<b>2009</b>
	<b>\$</b>
Property, plant & equipment	497,506
Trade Receivables	2,006,841
Other non current assets	6,644,303
<b>Total assets</b>	<u>9,148,650</u>
Trade creditors and payables	1,315,203
Provisions	275,176
<b>Total liabilities</b>	<u>1,590,379</u>
Net assets	7,558,271
Minority Interest	658,581
<b>Net assets attributable to equity holders</b>	<u>6,899,690</u>

**NOTE 8: CASH AND CASH EQUIVALENTS**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and in hand	268,175	426,640

Operating cash at bank and in hand is non-interest bearing. Excess cash is held in an interest bearing account and when the balance is in excess of \$10,000 earns interest at floating rates.

**(a) Reconciliation to Cash Flow Statement**

The above figures are reconciled to the cash at the end of the financial year as shown in the statement of cash flows as follows:

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	124,855	287,848
Term deposit	143,320	138,792
Debtor Finance Facility	(3,462,880)	(2,154,646)
<b>Balance per statement of cashflows</b>	<u>(3,194,705)</u>	<u>(1,728,006)</u>

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The term deposits with National Australia Bank secure bank guarantees for rental leases.

**(b) Financing Facilities**

TSS Recruitment Pty Ltd had a debtor finance facility with the National Australia Bank Limited and this was paid out and replaced by Bibby Financial Services on 25 February 2009. This facility is guaranteed by Offshore Staff Solutions Pty Ltd and Total Staffing Solutions Ltd. A registered fixed and floating charge over the assets of the group exists to secure this facility.

The facility allows TSS Recruitment Pty Ltd to be advanced funds against its trade debtor's ledger.

National Australia Bank Limited has provided an equipment lease facility in relation to computer equipment and holds security over the assets subject to the lease.

**NOTE 9 : TRADE AND OTHER RECEIVABLES**

	2009	2008
	\$	\$
<b>CURRENT</b>		
Trade Debtors	6,056,880	6,386,183
Provision for impairment of receivables (note (a))	(270,481)	(116,623)
	5,786,399	6,269,560
Other receivables	179,410	256,238
Contract in progress	20,600	2,460,757
Amounts other than trade debts receivable from related parties	10,226	-
Loans to subsidiaries	-	-
	5,996,635	8,986,555

The average credit period for invoiced services is 30 days. Based on reference to past default experience no allowance has been made for estimated irrecoverable amounts.

**(a) Impaired trade receivables**

As at 30 June 2009 the current trade receivables of the Group with a nominal value of \$270,480 (2008- \$116,623) were impaired. The amount of the provision was \$270,480 (2008- \$116,623). The individually impaired receivables mainly relate to clients who are in difficult economic situations and it was assessed that the receivables are unlikely to be recovered.

**(b) Past due but not impaired**

Included in the group's trade receivables balance are debtors with a carrying amount of \$850,481 which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 55 days.

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	2009	2008
	\$	\$
<b>Ageing of past due but not impaired</b>		
30-60 days	343,947	902,850
60-90 days	136,615	201,210
90-120 days	68,859	50,000
Over 120 days	301,060	82,035
	850,481	1,236,095

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade facility from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

**(c) Other receivables**

These amounts arise from transactions outside the usual operating activities of the Group. No interest will be charged for late repayment and no collateral are obtained for these financial assets.

**(d) Foreign exchange and interest rate risk.**

Information about the Groups' and the parent entity's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 2.

**(e) Fair value and credit risk**

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of the receivables mentioned above.

**NOTE 10: PREPAYMENTS AND OTHER CURRENT ASSETS**

	2009	2008
	\$	\$
Prepayments	6,704	201,830
Other	-	384,510
	6,704	586,340

Other current assets relates to income tax installment payments made to the Australian Tax office.

**NOTE 11: OTHER FINANCIAL ASSETS (NON-CURRENT)**

	2009	2008
	\$	\$
Investment in unlisted controlled entities at cost	187,000	-

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On 6 May 2009 Total Staffing Solutions Ltd signed an agreement to acquire the shares in Ultimate Skills Group, a Perth-based international recruitment company. The consideration for the transaction comprised an issue of 11,000,000 fully paid ordinary shares in payment of a non-refundable deposit. The issue of these shares was subsequently ratified at a general meeting of shareholders on 15<sup>th</sup> July 2009 as a part of the approval of the acquisition of Ultimate Skills Global as per resolution outlined in the notice of meeting. The shares have been valued at the average market price of TSF shares on 26 June 2009 being the date of issue.

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**NOTE 12: RECEIVABLES**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>NON CURRENT</b>		
Other receivables	-	41,416
	-	41,416

**(a) Other receivables**

These amounts arise from transactions outside the usual operating activities of the Group. No interest will be charged for late repayment and no collateral are obtained for these financial assets.

**(b) Impaired receivables and receivables past due**

None of the non-current receivables are impaired or past due but not impaired.

**(c) Fair values**

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their value.

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**NOTE 13: DEFERRED TAX ASSET**

**Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
	\$	\$	\$	\$	\$	\$
Trade And Other Receivables	(81,144)	(631,039)	6,180	-	(74,964)	(631,039)
Other	-	23,687	-	-	-	23,687
Trade and Other Payables	(473,902)	637,316	-	-	(473,902)	637,316
Employee Benefits Payables	(80,694)	57,813	-	-	(80,694)	57,813
Borrowing Costs	(1,438,813)	-	1,438,813	-	-	-
Business Related Costs	(1,541)	-	-	-	(1,541)	-
Tax Losses	(235,775)	(285,458)	-	-	(235,775)	(285,458)
Tax (assets)/liabilities	(1,803,636)	(580,079)	-	-	(1,803,636)	(580,079)
Set off of tax	<b>(4,115,505)</b>	<b>(777,760)</b>	<b>(1,444,993)</b>	-	<b>(2,670,512)</b>	<b>(777,760)</b>
Net Tax (assets/liabilities)	1,444,993	-	1,444,993	-	-	-
	<b>(2,670,512)</b>	<b>(777,760)</b>	-	-	<b>(2,670,512)</b>	<b>(777,760)</b>

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Movement in temporary differences during the previous year	Balance 1 July 2007	Recognised in income	Recognised in equity	Balance 30 June 2008
	\$	\$	\$	\$
Trade and other receivables	-	(631,039)	-	(631,039)
Other	-	23,687	-	23,687
Trade and other payables	-	637,316	-	637,316
Employee Benefits	-	57,813	-	57,813
Business related costs	-	71,365	(356,823)	(285,458)
Tax losses	-	(580,079)	-	(580,079)
	-	(420,937)	(356,823)	(777,760)

Movement in temporary differences during the current year	Balance 1 July 2008	Recognised in income	Recognised in equity	Discontin'u'd operations	Balance 30 June 2009
	\$	\$	\$	\$	\$
Trade and other receivables	(631,039)	556,075	-	-	(74,964)
Other	23,687	(6,593)	-	(17,094)	-
Trade and other payables	637,316	(1,111,218)	-	-	(473,902)
Employee Benefits	57,813	(138,507)	-	-	(80,694)
Borrowing costs	-	(1,541)	-	-	(1,541)
Business related costs	(285,458)	(2,243)	51,926	-	(235,775)
Tax losses	(580,079)	(951,663)	-	(271,894)	(1,803,636)
	(777,760)	(1,655,690)	51,926	(288,988)	(2,670,512)

**Unrecognised deferred tax assets**

	30-Jun-09	30-Jun-08
	\$	\$
Deferred tax assets have not been recognised in respect of the following items		
Provision for impairment on investments	149,664	-
Tax Losses	1,690,673	-
	1,840,337	-

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The tax losses do not expire under current legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the company can utilise the benefits.

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**NOTE 14 : PROPERTY, PLANT AND EQUIPMENT**

	Leasehold Improvements	Plant & Equipment	Equipment under finance lease	Motor vehicles	TOTAL
	(at cost)	(at cost)	(at cost)	(at cost)	(at cost)
	\$	\$	\$	\$	\$
<b>Gross Carrying Amount</b>					
Balance as at 1 July 2007	-	85,214	-	-	85,214
Additions	205,587	325,369	172,297	-	703,253
Disposals	-	(20,281)	-	-	(20,281)
Acquisitions through business combinations	75,133	516,449	-	44,530	636,112
Balance as at 30 June 2008	280,720	906,751	172,297	44,530	1,404,298
Additions	66,952	78,532	-	-	145,484
Asset disposal off through sale of subsidiary	(188,186)	(550,878)	-	(44,530)	(783,594)
Balance as at 30 June 2009	159,486	434,405	172,297	-	766,188
<b>Accumulated Depreciation &amp; Amortisation</b>					
Balance as at 1 July 2007	-	12,687	-	-	12,687
Disposals	-	(13,694)	-	-	(13,694)
Depreciation from acquisitions through business combinations	4,985	289,412	-	13,256	307,653
Depreciation Expense	8,968	79,073	35,561	3,219	126,821
Balance as at 30 June 2008	13,953	367,478	35,561	16,475	433,467
Depreciation from asset disposal off through sale of subsidiary	(13,953)	(305,827)	-	(16,475)	(336,255)
Depreciation Expense	-	127,210	63,024	-	190,234
Balance as at 30 June 2009	-	188,861	98,585	-	287,446
<b>Net Book Value</b>					
As at 30 June 2008	280,720	717,890	73,712	44,530	970,831
As at 30 June 2009	159,486	245,544	73,712	-	478,742



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**NOTE 16: TRADE AND OTHER PAYABLES**

	2009	2008
	\$	\$
Trade Payables	388,669	875,138
Deferred Work in progress liability	-	864,000
Other Payables	6,524,634	6,104,934
	<u>6,913,303</u>	<u>7,844,072</u>

**(a) Amounts not expected to be settled within the next 12 months**

Other payables include accruals for statutory payments and the entire amount will be settled within the next 12 months.

**(b) Risk exposure**

Information about the Group's and the parent entity's exposure to foreign exchange risk is provided in note 2.

**(c) Deferred Work in progress Liability**

Deferred work in progress liability related to the remaining payments under the CFM Global acquisition and this has been offset against amount due from them.

**NOTE 17: BORROWINGS**

	Note	2009	2008
		\$	\$
<b>CURRENT</b>			
Commercial Bills		-	670,000
Finance lease liability		43,836	43,836
Borrowings from a subsidiary		-	-
Borrowings from a related entity		929,178	-
Debtor finance facility		3,462,880	2,154,646
		<u>4,435,894</u>	<u>2,868,482</u>
<b>NON CURRENT</b>			
Commercial Bills		-	830,000
Finance lease liability		65,755	109,591
Borrowings from a related entity		-	62,615
		<u>65,755</u>	<u>1,002,206</u>

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**(a) Commercial Bills**

The commercial bill facility with the National Australia Bank Limited was repaid in full when the group entered into a new debtor finance arrangement with Bibby Financial Services on 25 February 2009.

**(b) Secured liabilities and assets**

TSS Recruitment Pty Ltd has a debtor finance facility with Bibby Financial Services which is guaranteed by Offshore Staff Solutions Pty Ltd and Total Staffing Solutions Ltd. A registered fixed and floating charge over the assets of the group exists to secure this facility. The facility allows TSS Recruitment Pty Ltd to be advanced funds against its trade debtor's ledger.

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**NOTE 18: PROVISIONS**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Taxation	-	20,393
Employee Benefits	268,981	455,055
	<u>268,981</u>	<u>475,448</u>

The current provision for employee benefits includes all employee leave entitlements. The entire amount is presented as current as the group expects all its employees to take the full amount of accrued leave or require payment within the next 12 months.

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**NOTE 19: ISSUED CAPITAL**

	<b>2009</b>	<b>2008</b>
	<b>Shares</b>	<b>Shares</b>
Ordinary Shares fully paid	143,214,663	103,520,496

<b>Date</b>	<b>Details</b>	<b>No of Shares</b>	<b>Issue Price</b>	<b>\$</b>
01-July-2007	Opening balance	47,212,734		359,822
30-July-2007	Issue of shares to Managing Director	6,500,000	0.15	975,000
02-August-2007	Issue of shares to seed capitalists	853,334	0.15	128,000
10-August-2007	Issue of shares to seed capitalists	130,000	0.15	19,500
17-August-2007	Issue of shares to seed capitalists	50,000	0.15	7,500
21-August-2007	Issue of shares to seed capitalists	100,000	0.15	15,000
30-August-2007	Issue of shares to Managing Director	3,500,000	0.15	525,000
03-September-2007	Issue of shares to seed capitalists	1,270,000	0.15	190,500
05-September-2007	Issue of shares to seed capitalists	866,667	0.15	130,000
10-September-2007	Issue of shares to seed capitalists	286,667	0.15	43,000
12-September-2007	Issue of shares to seed capitalists	670,000	0.15	100,500
25-September-2007	Issue of shares to seed capitalists	366,666	0.15	55,000
10-October-2007	Issue of shares to seed capitalists	333,333	0.15	50,000
11-October-2007	Issue of shares to seed capitalists	740,000	0.15	111,000
15-October-2007	Cancellation of shares Mr C Singleton	(3,500,000)	-	-
10-January-2008	Initial Public Offering	20,000,000	0.25	5,000,000
10-January-2008	Issues of shares to vendors under share sale agreement	13,535,252	0.25	3,383,813
10-January-2008	Issue of shares to brokers – IPO	1,200,000	0.25	300,000
10-January-2008	Cost associated with options issued to Lead Manager and issue sponsor			(108,000)
08-May-2008	Issues of shares to vendors under share sale agreement	9,405,843	0.1063	1,000,000
	Less: transaction costs arising on share issue			(1,189,411)
	Deferred tax credit recognised directly in equity			356,823
30-June-2008	Balance	103,520,496		11,453,047
14-October-2008	Issues of shares to vendors under share sale agreement	7,929,343	-	719,855
24-December-2008	Placement of shares	13,050,000	0.05	652,500
24-December-2008	Issue of shares under deferred consideration performance share scheme	6,694,167	0.05	334,708
24-December-2008	Issue of shares as a result of achievement of performance milestone	2,500,000	0.15	375,000
24-February-2009	Placement of shares	1,950,000	0.05	97,500
11-March-2009	Share buyback under share sale agreement	(7,929,343)	-	(719,856)

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26-June-2009	Issues of shares to vendors under share sale agreement	11,000,000	0.017	187,000
26-June-2009	Issues of shares to vendors under share sale agreement	4,500,000	0.05	225,000
30-June-2009	Deferred tax liability recognised directly in equity			(51,926)
30-June-2009	Balance	143,214,663		13,272,828

Ordinary shares are entitled to participate in dividends and the proceeds on winding up of the company in proportion to the number and amounts paid on the shares held. Every ordinary shareholder present at a meeting in person or by proxy is entitled to one vote on a show of hands or by poll.

**NOTE 20: RESERVES**

	<b>2009</b>	<b>2008</b>
	\$	\$
Share based reserves	108,375	506,437
Share Option reserves	257,648	-
	366,023	506,437

**NOTE 21: RETAINED EARNINGS**

	<b>2009</b>	<b>2008</b>
	\$	\$
Balance as at 1 July	(4,231,018)	86,268
Retained earnings from discontinued operations	(254,040)	-
Adjustment for sale of subsidiary	229,988	-
Net loss for the year	(11,459,946)	(4,144,750)
Balance as at 30 June	(15,715,016)	(4,231,018)

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**NOTE 22: NOTES TO THE CASHFLOW STATEMENT**

	2009 \$	2008 \$
<b>Reconciliation of loss after income tax to net cash flow from operating activities</b>		
Loss for the year	(11,459,946)	(3,720,308)
Recognition of investment impairment	2,433,233	-
Loss on disposal of subsidiary	5,699,689	-
Depreciation and amortisation	255,220	126,821
Issue of shares for nil consideration	341,646	1,898,437
Change in operating assets (net of impact from purchase of controlled entity)		
- increase/(decrease) in trade creditors	(448,561)	1,075,847
- increase /(decrease)in employee provisions	(186,074)	455,055
- (increase)/decrease in deferred tax	(1,892,752)	(777,760)
- increase /(decrease) in accrued expense	465,275	6,516,379
- increase/(decrease) in capitalized IPO costs	-	(889,409)
- increase /(decrease) in tax liability	(556,023)	-
-(increase)/decrease in trade debtors	212,680	(6,120,660)
- increase/(decrease) in other payables	(777,846)	887,563
- (increase)/decrease in work-in-progress	2,440,157	(2,251,207)
-(increase)/decrease in prepayments and other debtors	565,301	(213,264)
	<hr/>	<hr/>
Net cash outflow from operating activities	2,908,001	(2,437,205)

**NOTE 23: CONTROLLED ENTITIES**

The Consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note.

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2009 %	2008 %
Offshore Staff Solutions Pty Ltd	Australia	Ordinary	100	100
TSS Recruitment Pty Ltd	Australia	Ordinary	100	100
Deltanet Support Services Pty Ltd	Australia	Ordinary	100	-

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**NOTE 24: SUBSEQUENT EVENTS**

On 6<sup>th</sup> May 2009, TSS had signed an agreement to acquire shares in Ultimate Skills Global Pty Ltd ('USG'); a Perth based international recruitment business. Ultimate Skills is a market leading international human capital provider whose primary aim is to help companies overcome skills shortages by relocating international candidates to shortage areas.

The transaction includes:

- 1) The retention of all existing senior USG staff
- 2) All relevant intellectual property including client database and brand names

The Ultimate Skills acquisition will further strengthen the position of TSS as the industry leader in the provision of skilled labour from overseas. A significant benefit of the transaction is that USG has its own offices in the Philippines for sourcing purposes. The management experience and systems and processes being acquired will integrate with the existing structures to ensure the continued growth and development of the TSS recruitment business.

The acquisition was ratified at a shareholders meeting on 15<sup>th</sup> July 2009.

On 28<sup>th</sup> August 28, 2009 TSS signed a Merger Agreement to acquire all of the shares comprising Humanis Group Limited.

Humanis is an Australian owned business that in 2008 acquired Westaff Australia Pty Ltd and Westaff New Zealand Pty Ltd, one of the largest blue collar providers in Australia and New Zealand. For the 2009 financial year, management of Humanis Group Limited has unaudited revenue of approximately \$109 million.

The merger is subject to a number of conditions precedent including (but not limited to):

- 1) The approval of TSS shareholders at an extraordinary general meeting; and
- 2) Regulatory approvals including ASX and ASIC approval

A detailed Explanatory Memorandum will be prepared, which will contain an Independent Experts Report providing an opinion as to whether the terms of the merger are fair and reasonable.

Humanis under the agreement has the right to appoint three directors to the board, according to ASX guidelines.

The Merger is unanimously recommended by both the Boards of TSS and Humanis and each Director intends to vote their respective shareholdings in favour of the Merger.

The merged company will be a leading mid tier Australasian labour hire provider and the major advantages of the merger include the ability to:

- create and enhance TSS's blue collar labour hire divisions through the integration of TSS's Australian, and Westaff's Australian and New Zealand operations.

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- increase the sales lead generation capacity for UltimateSkills by means of collegial working relationships with Westaff; and
- enhance the ability to obtain operational scale and cost efficiencies through the delivery of homogenous services to customers and supplier procurement systems.

Bryan Gardiner, Chairman of TSS said of the merger, “this is a significant step forward for the company and we are very proud of the labour hire business we have built over the past two years. To now merge with such an iconic brand as Westaff which is known for quality customer service makes us confident that the greater economies of scale will greatly benefit our customers and shareholders.”

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