

We started off
with a blank canvas...



| REVENUE | EBT | NPAT | EPS |
|------------------------------|----------------------------|----------------------------|-------------------------------|
| + 34.7% | + 92.3% | + 100% | + 65.9% |
| 2005 - 43.8M 2006 - 59.0M | 2005 - 2.6M 2006 - 5.0M | 2005 - 1.8M 2006 - 3.6M | 2005 - 8.50c 2006 - 13.20c |

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...with the vision of painting a picture of success internationally.

Currently in Australia and Asia... and in the future the U.K.



A company that has
layer upon layer of
definition.





Different levels and types of recruitment require very different approaches – hence we are building a stable of businesses, each accurately pitched at their particular market.

In Watermark Search, we have an enviable reputation for successfully completing senior management assignments, fuelled by our image in the marketplace, helping us attract top calibre executive talent.

Ambition has crafted strong brand awareness at the middle management level. Our marketing and advertising style is attractive to both candidates and clients in several specialist disciplines.

At AccountAbility we have quickly gained a name for innovation and a friendly, slightly irreverent approach that fits the clerical/young professional space. During the year, we launched Love* Recruitment as an extension of AccountAbility. Love* is a specialist in the large administration and secretarial area.

In Queensland, McGinty Recruitment has a tremendously strong history and an impeccable pedigree in senior, middle management and support recruitment.

A company that is a
reflection of the right
blend of people.





Despite the dramatic increase in our brand profile, it is still critical for us to recruit and retain top class teams of people across our network of offices. Ambition believes in encouraging our employees to be at their creative best because it is an efficient and motivated employee who brings in revenues by serving clients well. One of our top business focuses is to take care of our own team, empower them with the right skills and work environment and create a positive workplace.

Our consultants are the public face for all the Group's companies and, quite simply, they are unsurpassed. They are well trained and stable groups of people who respond quickly to our clients needs.

The consultants are supported by researchers and candidate services functions – once again we feel we are at world's best standards in these areas. Finally, we have outstanding staff in our support functions 'enabling' the front-office.

And we now have the 'snowball effect' in play – our current outstanding people are attracting new outstanding people to get on board.

A company
that is broadening
and deepening
its service offering.

August 1999 – Opened for business

November 1999 – Listed on ASX

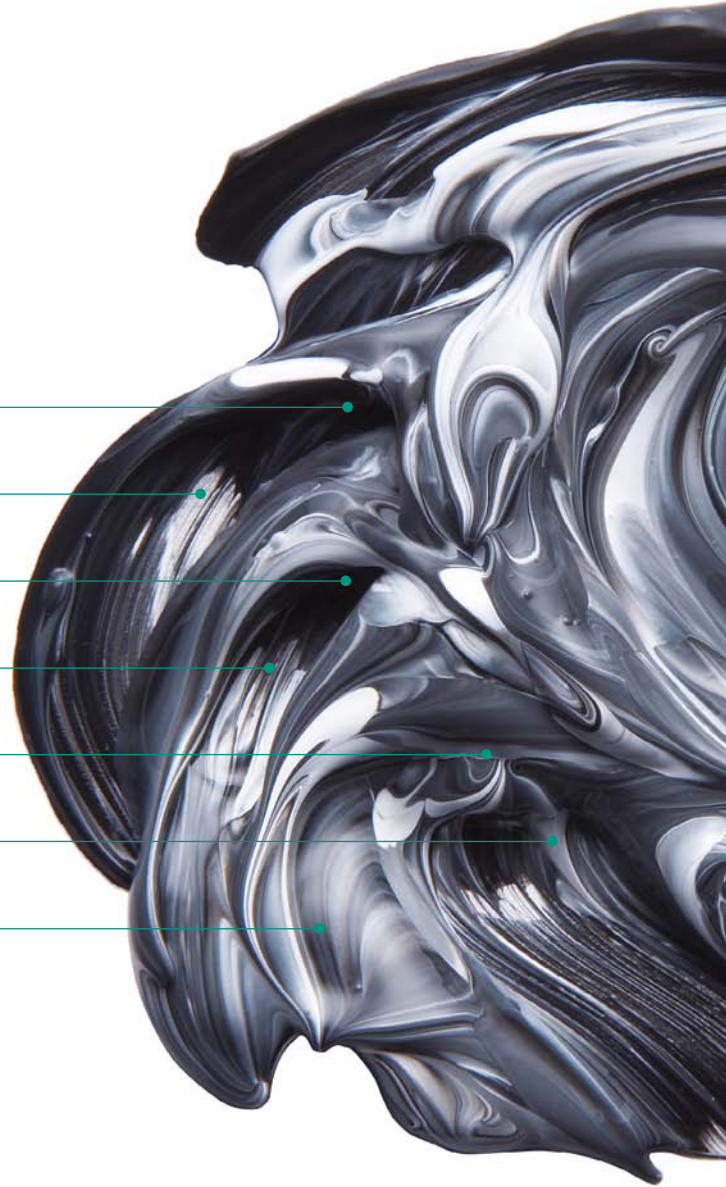
April 2000 – Acquired Computemp IT Contracting

February 2001 – Opened in Hong Kong

June 2003 – Opened in Melbourne

July 2003 – Opened in Parramatta

October 2003 – Launched marketing recruitment in Hong Kong



Our aim is to have a revenue mix that is robust due to its breadth, and also to gain increasing leverage from our relatively fixed central overheads. Presently, we are in Asia-Pacific, the region with the world's most exciting economic growth prospects. In the future, we plan to also be active in the U.K – this is the second biggest recruitment market in the world and one with intrinsic links to, and synergies with, Australia.

Ambition Group's strategy is to generate revenue purely from recruitment and contracting. Further, we are seeking to become experts in

a select number of the larger disciplines across a growing network of offices.

Within this framework there is vast potential for growth which we are exploiting. During the last twelve months, as well as growing revenue from every existing business, we have opened a finance/ accounting business in Singapore, a banking operations team in Melbourne, IT recruitment in Hong Kong and also launched Love* to be our dedicated administration/ secretarial recruitment division. Each of these has the opportunity to be significant businesses in their own right.



October 2004 – Launched AccountAbility

January 2005 – Acquired McGinty

March 2005 – Opened Chatswood office of AccountAbility

September 2005 – Acquired Watermark Search

August 2006 – Launched Love*

October 2006 – Opened in Singapore

November 2006 – Launched IT recruitment in Hong Kong

December 2006 – Opened banking operations in Melbourne

A company that has a strong platform for growth...

a cohesive board, outstanding executive management and a responsive shared-services infrastructure.



Clients are rightly demanding. Our markets evolve quickly. Business units must be able to respond fast.

As such, we have assembled a responsive shared services infrastructure. This team provides payroll/contractor care, IT&T, credit, training, marketing, management information, forecasting and

related functions in a timely manner to all our businesses, including new acquisitions and start-ups.

The philosophy behind this approach is to enable business units to concentrate on clients and candidates rather than the back office as well as to gain economies of scale.



Chairman's introduction



Nick Waterworth
Executive Chairman

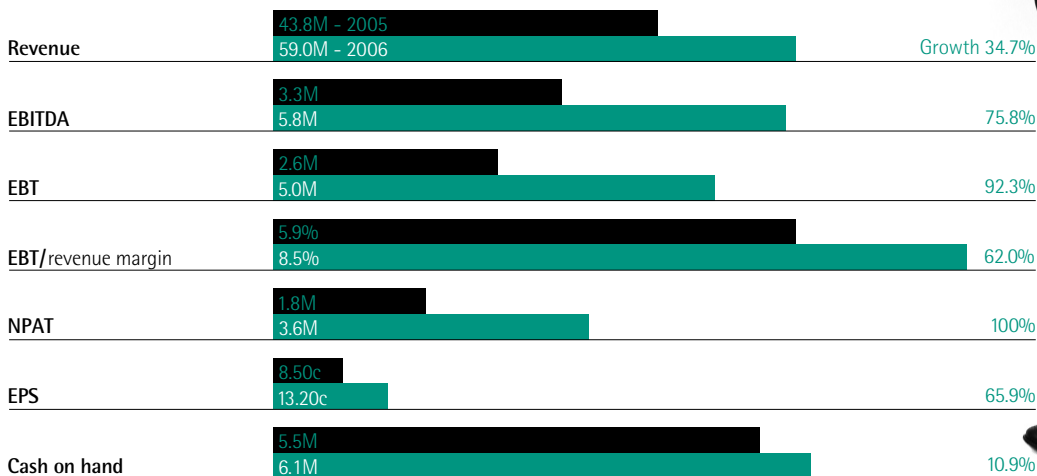
A record year 2006 was the best ever year for our company. We continued to grow revenue, profits and earnings per share, achieving improved results and greater market share in every business unit, be it an acquisition or a division we commenced organically.

This growth has been fuelled by a strong demand for labour across the Asia-Pacific region and our structural alignment with the burgeoning requirement from employers for specialist recruitment services and the formation by Ambition of close working partnerships with our key clients. One of the highlights shown in the table below is that we have achieved quite significant increases in all our key metrics but have not used cash in doing so – indeed, your company is now generating sufficient working capital not only to fund future organic growth but also pay dividends to our loyal shareholders.

Long-term objectives My colleague, Paul Lyons, will discuss our short-term tactics in his review but I feel it worthwhile reiterating our longer-term strategies and aspirations. Whilst we are satisfied with our recent performance, one of the most encouraging aspects is the fact that we still have a very small market share in each of our businesses with huge opportunities for considerable expansion. Some of the market-leaders in recruitment have less than ten percent share of their segment and yet are generating profits in excess of ten fold of Ambition.

So, we are pushing ahead with all of our existing businesses as well as actively exploring our long-term aim to be a leading player in the U.K, Asia and Australia. Our existing Asian and Australian operations are well placed and would be very well complimented by a presence in the U.K. The globalisation of the workforce and the large numbers of white collar workers taking advantage of working holiday schemes result in many thousands of people moving between Australia, the U.K and Asia – this is a significant opportunity for a specialised recruiter, especially in the areas of accounting, finance and information technology. It would also broaden the career paths available to our own people resulting in an even higher level of retention.

In conclusion The recent past has been good for Ambition and the future looks very exciting – we thank you for your support and look forward to reporting further progress in 12 months time.



Managing Director's review



A large & growing industry The tremendous value of human capital to organisations is being better understood and gaining significantly more attention at board and senior management level. In Australia alone, placement and contracting is a \$16b industry with strong growth prospects. Demand is moving ahead partly because of the robust nature of Australian and international economic performance, but also through structural change. This is driven firstly by the 'boomers' leaving the workforce and the shortage of trained people coming through to replace them; and secondly, with more organisations utilising contract labour for project management and peak work periods on a long-term basis (for example in industries such as transport, utilities, telecommunications and financial services) the temporary placement segment is expanding rapidly.

Major population centres Ambition's business model is to build a sustainable white-collar recruitment business based in major population centres, focused on the larger disciplines such as accounting, banking/finance, information technology, administration and sales/marketing. This puts us close to head offices of corporations, financial institutions and government bodies, being the major employers in our areas of expertise.

Over the last 12 months we have been working on broadening the services offered from our existing network of offices in Hong Kong, Singapore and the east coast of Australia. For example, we have recently launched IT recruitment into Hong Kong. Indeed, that particular initiative is part of a wider strategy to grow the importance of our information technology business.

The skills shortage Let me state at the outset that the present, and predicted, demand/supply balance in Ambition's areas of operation is ideal from our perspective – in the white collar sector, there is a shortage of the best people, however it is not so acute that people simply cannot be found.

What has become apparent is that employers are seeking recruiters with highly specialised approaches in various niches. As market dynamics have evolved, so has our approach. Print and electronic media advertising for candidates continues to work but is producing nowhere near enough quality people to satisfy the demand from our clients. All of our businesses have responded by implementing candidate services teams dedicated to sourcing new talent to help fulfil this escalating demand as well as providing added-value to our existing candidates.

Contracting Contracting represents 62% of our business and contracting revenue grew by 28% over 2005 – it is a critical area for us and one that is undergoing structural growth rather than simply being driven by the strong cycle. Some of the factors applying here are:

- search by some employers for more flexibility in employment of labour to cover peaks and troughs and special contracts;
- concentration by some major companies on their core business and resultant 'outsourcing' of activities outside their core competency;
- 'outsourcing' of some routine/regular work by employers particularly at times when permanent workforce are on leave;
- the shortage of skilled and trained staff in certain occupations and industries;
- the choice by some employees to not be tied to one employer for long periods;
- a desire to 'try before you buy' – a period of contracting before committing to a permanent arrangement can be ideal for both employer and employee.

Strength at the core Many recruitment businesses who are unable to effectively make a serious investment in an efficient shared services infrastructure do not have the resources or management experience for planning, vision and leadership.

At Ambition we are empowering our business units with a skilled team providing support in payroll, cash management, analysis/planning, information technology, telecommunications, property and marketing/advertising.

This provides us with strong economies of scale and frees up the businesses to concentrate on client and candidate services.

The house of brands The decentralised approach to the day-to-day management of our businesses and branding them to appeal to their individual needs is proving to be a real advantage over the 'one-stop shops'.

Watermark Search International, a member of Transearch International, became part of the Group in September 2005 and produced a strong performance during the year. We are adding partners, consultants and researchers in order to further increase the revenue from this, our senior executive business.

Ambition Accounting & Finance and Ambition Information Technology in Australia both yielded good results in 2006. Growth in finance was especially strong in Melbourne and in the Western Suburbs of Sydney.

During 2006, the board took the decision to increase the proportion of the Group's revenue coming from information technology. We moved ahead by hiring a Managing Director to lead this division and to broaden our services from being purely based in Sydney.

AccountAbility, our offering focused on the large accounts clerical space, had a year of tremendous growth. Once again, specialisation is the key with the whole of our effort pitched at the market up to \$60,000 – clients and candidates alike are responding to our unique brand approach and expertise in this segment.

During 2006, we launched Love*. This new business is part of our strategy to broaden our revenue base and is dedicated to being the most innovative player in administration/secretarial recruitment – results are already very encouraging.

In Queensland, McGinty had its best ever year. Whilst the labour shortage in this state is acute, McGinty enjoys such an enviable reputation that it attracts a strong flow of candidates enabling it to service its diverse client base. Once again, there was considerable interplay and cross-fertilisation between McGinty and the businesses in the southern states.

This was our sixth year of activity in Asia and another year of successful, sustainable expansion. Our largest office in Asia is in Hong Kong and results were excellent on the back of our terrific standing in the business community. We added 'on the ground' resources in Singapore and are benefitting from a number of Preferred Supplier Agreements that cover both Hong Kong and Singapore. Our prospects in this state are most promising.

The best team in town One of the most positive impacts of our growth is the increasing breadth of career paths we can offer our people – a tremendous contributor to our enviable retention rates. Overall, our team is extremely talented and performing at a consistently high level.



Paul Lyons
Group Managing Director

Board of Directors

Nick Waterworth Nick is Executive Chairman and Co-Founder of Ambition. He has responsibility for business development, including acquisitions, as well as formulating strategy and growth plans, alongside handling investor relations. Operationally, Nick works with the directors of AccountAbility, Love*, McGinty and Watermark on expanding these businesses. Nick has been in executive recruitment for 27 years and has experience in Australia, New Zealand and the UK.

Paul Lyons Paul is Group Managing Director and Co-Founder of Ambition and has responsibility for the day-to-day operations of Ambition in Australia and Asia. Paul is active in the development and execution of a strategic blueprint for, and further expansion of, our Asian business. He manages the operations in Australia and also sets marketing and branding direction for the Group. Paul is a Chartered Accountant and CPA and has 25 years recruitment experience in Australia, Asia and the UK.

Paul Young Paul is Executive Director and Co-Founder of Baron Partners. Paul is also Chairman of Tidewater Investments Ltd, Deputy Chairman of Thomas and Coffey and a Director of Sapex Ltd. Paul has been involved in advisory assignments to the recruitment sector for a number of years and provides significant guidance to Ambition regarding corporate finance, capital raising and capital management matters. Paul is also Deputy Chairman of Peter Lehmann Wines Limited and a Non-Executive Director of Cordukes Limited and Trent Capital Limited.

Andrew Adamovich Andrew is a Non-Executive Director of Ambition and, having lived and worked in Hong Kong and China for many years, supplies much input on Asia and the expansion of our business in this region. Andrew is a founder and director of Riverland Capital Ltd., an investment holding company. He is also a director of G2 Therapies Limited, ASX-listed Hostworks Group, and Amara Enterprises Limited. Previously Andrew was Director at Equity Partners Asia Limited, and Associate with the Zurich Centre Group. Andrew has wide-ranging business experience and a background in direct investment.

Ambition Group Business overview

Sydney CBD
& Parramatta

ambition

Areas of Business

- Commerce accounting
- Banking & finance
- Information technology

- Sydney is the Group's largest office. We also have an office in Sydney's Western Suburbs servicing major corporations in manufacturing, logistics, pharmaceuticals and retail etc.
- All divisions have a strong presence in contracting / interim solutions as well as permanent hire.
- We operate from senior management down to young professional level.

Sydney CBD &
Chatswood

AccountAbility

Areas of Business

- Commerce accounts support
- Banking & finance accounts
- Banking operations
- Credit management

- AccountAbility specialises in clerical and junior accounting positions. Offices are in Sydney and also in Chatswood, the latter servicing the North Shore, Northern Beaches and Western Suburbs.
- Temporary jobs vary from 1 day up to a year; permanent roles from TAFE graduates up to those with several years experience.

Sydney

Watermark

Areas of Business

- Commerce & industry
- Banking & finance
- Government & not-for-profit

- Watermark Search International is one of Australia's leading executive search practitioners.
- CEO, CIO, CFO and other senior searches are conducted for clients in commerce & industry, government and financial services.
- Watermark has its own in-house research team.

Sydney

love*

Areas of Business

- Administrators
- Customer service
- Personal assistants
- Executive assistants

- Love* specialises in permanent and temporary roles across a wide variety of industries.
- Clients are both small and large enterprises; the commonality is the need for top calibre talent.

Melbourne

ambition

- Areas of Business
- Commerce accounting
 - Banking & finance
 - Information technology

- Our Melbourne office specialises in finance, accounting and information technology appointments in both commerce and the finance sector.
 - We resource for roles from graduates up to the senior management level.
 - Alongside the CBD we service clients in the Eastern and Western Suburbs.
-

Hong Kong

ambition

- Areas of Business
- Commerce accounting
 - Banking & finance
 - Marketing & media
 - Information technology
 - Human resources

- Ambition is one of the leading recruiters in the Hong Kong market.
 - We have a strong portfolio of multinational and finance sector clients on Hong Kong Island, a diverse range in Kowloon plus a growing number in mainland China.
-

Singapore

ambition

- Areas of Business
- Commerce accounting
 - Banking & finance

- We specialise in accounting and banking appointments at mid and senior levels.
 - Candidates are both sourced locally as well as from other Asian cities & Australia.
 - We also handle some roles in the rapidly growing neighbouring countries.
-

Group Services

ambition

- Areas of Business
- Payroll & contractor care
 - Credit
 - Business development
 - Financial control
 - ASX reporting
 - Web development

- This is the central 'platform' that is the catalyst for the Group's growth.
 - The mission of this team is to provide leadership and business support for the operating units.
-

Brisbane



- Areas of Business
- Executive
 - Accounting
 - Accounts office support
 - Human resources

- The Group is represented in Brisbane by the 100% owned McGinty Recruitment.
 - Operations are broadly-based although the key types of role filled include executive appointments, senior financial executives, human resources and accounts support.
 - McGinty enjoys a tremendous market reputation and a high level of repeat business.
-

Financial Report

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Corporate Governance Statement

Compliance with ASX Best Practice Recommendations

Except as disclosed below, the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ending 31 December 2006.

The Board and management of Ambition Group Limited recognise the benefits of independence, and support the ASX guidelines in this regard. However, it is not appropriate or effective for Ambition, a small listed entity, to expand the size of the Board and its Committees to the extent required to meet the following recommendations:

- 2.1 Majority of the board should be independent
- 2.2 The chairperson should be an independent director
- 2.4 The board should have a nomination committee
- 4.3 Structure of the audit committee

The ASX definition of substantial shareholder is used for the purpose of this statement.

Board composition and charter

The names of the Directors of the company are:

Nick Waterworth
Paul Lyons
Paul Young
Andrew Adamovich

The Constitution of Ambition provides that the Board may comprise a minimum of three Directors and a maximum of ten Directors. The Board shall comprise directors with broad skills and experience that will add value to the integrity and decision-making effectiveness of the Board. The Chairperson is elected by the Directors.

The Board currently comprises two executive directors, one of whom is Chairman, and two non-executive directors.

Responsibilities of the Board, either directly or through its committees, include:

- overseeing and directing the company on behalf of shareholders
- appointing and removing key executive officers
- approving operating and capital budgets
- reviewing and approving risk management & internal control systems
- reviewing and approving codes of conduct
- ensuring legal compliance
- monitoring senior management performance
- reviewing and approving key executive remuneration
- reviewing external auditor reports
- monitoring the financial performance of the group.

Corporate Governance Statement

The Board has established the following committees:

- Audit Committee
- Remuneration Committee

The Board has not established a Nomination Committee.

Responsibility for the day-to-day management of the company is delegated by the Board to the Group Managing Director assisted by the management team. The Group Managing Director manages the company in accordance with the strategy, plans and delegations approved by the Board.

Directors are expected to comply with their legal, statutory and equitable duties and obligations when discharging their responsibilities as Directors. This includes acting in good faith and with due care and diligence.

Directors must avoid conflicts wherever possible. They must disclose to the Board any actual or potential conflicts of interest, and take reasonable measures to resolve such conflicts.

Directors may access such information and seek such independent advice as they individually or collectively consider necessary to fulfil their responsibilities and permit independent judgement in decision-making.

At every Annual General Meeting one-third (or at least two) of the Directors must retire and are eligible to offer themselves for re-election. The Directors to retire are the longest in office since last being elected or re-elected.

The Chairman reviews the performance of the Board annually. The evaluation includes the Board's role, its processes and committees, and performance.

The Board may meet in person or otherwise for the despatch of business, and may regulate their meetings as they see fit. Meetings of the Board occur approximately every six weeks, and proceedings are in accordance with the rules of the Constitution of the company.

Remuneration Committee

The Committee consists of the non-executive directors, currently Paul Young and Andrew Adamovich. The Chairperson, Paul Young, is not the Chairperson of the Board. The responsibilities of the Committee include a review of and recommendation to the Board on:

- remuneration and incentive policies for the executive directors
- remuneration and incentive policies for key executives
- the company's recruitment, retention and termination policies and procedures for senior management
- incentive schemes for employees
- the remuneration framework for non-executive directors

The Committee meets once annually or as otherwise required. The meeting is minuted and the minutes tabled at the next convenient Board meeting.

Remuneration policies

A remuneration policy has been established for the Executive Chairman and Group Managing Director. The Remuneration Committee has developed the policy after consultation with an independent remuneration consultant. The policy provides for the payment of a base remuneration, including superannuation and non-cash benefits, plus a performance incentive. The performance incentive is based on the annual financial result of the Consolidated entity, and is paid annually after completion of the annual external audit of the consolidated entity's accounts.

The Executive Chairman and Group Managing Director determine the remuneration of all employees. Remuneration may consist of a base remuneration, and short-term and long-term performance incentives. The level of remuneration is set to ensure the company is able to attract and retain employees of a high calibre.

There are no schemes for retirement benefits other than statutory superannuation.

A detailed review of Director and Executive remuneration policies and structures is contained in the Remuneration Report on page 24.

Audit Committee

The committee consists of the non-executive directors, currently Paul Young and Andrew Adamovich. Both members are financially literate, with at least one member having financial expertise. The Chairperson, Paul Young, is not the Chairperson of the Board. The role & responsibilities of the Audit Committee include:

- providing a link between the external auditors and the Board
- reviewing the performance and independence of the external auditors
- assessing information from external auditors that may affect the quality of the financial reports
- reviewing the integrity of the company's financial reports with management, advisors and auditors as appropriate
- recommending for adoption by the Board interim and final financial reports and the annual report
- reviewing accounting policies adopted or any changes made or contemplated
- reviewing procedures in place to ensure compliance with laws and regulations
- reviewing procedures in place to verify the accuracy and effectiveness of accounting and financial systems and other systems of internal control and business risk management
- recommending to the Board the terms and conditions of engagement for the external auditor
- approving the scope of the external audit for Board approval
- approving all non-audit services provided by the external auditors

The Committee has the right to conduct or authorise investigations into any matter within the scope of its responsibilities.

The Committee shall meet at least twice yearly. Key executives of the company may attend the meetings by invitation. The Company Secretary shall be the secretary of the Committee. The meeting shall be minuted and the minutes tabled at the next convenient Board meeting.

Corporate Governance Statement

Code of Conduct

Ambition aims to maintain a high standard of ethical business behaviour in its dealings with clients and candidates, suppliers, and with its employees. The Board has established a Code of Conduct, which sets the standards of behaviour expected of all the group's employees.

Continuous Disclosure

Ambition's shares are listed on the Australian Stock Exchange ("ASX"), and the company is subject to the Listing Rules of the ASX. The rules relating to continuous disclosure obligations are dealt with in Chapter 3 of the ASX Listing Rules.

Where we become aware of any information concerning the company that might reasonably be expected to have an impact on the price or value of our shares, then we will immediately give that information to the ASX.

Share Trading

Employees of Ambition may only trade the company's shares during Open Periods. These periods must be advised by the Company Secretary or Chairman and generally include the 28 days immediately following:

- release to the ASX of the company's annual result;
- release to the ASX of the company's half-year result;
- the company's Annual General Meeting.

Shareholder Communication

The Chairman is responsible for communication with analysts, significant stakeholders and the business community in general. The Company Secretary is responsible for communication with the ASX and other regulatory bodies.

Ambition's primary source of communication is through its web sites, which contain details of senior management, company announcements, financial reports, and notices to shareholders.

Ambition's share registry is maintained by Computershare Investor Services. Investors may access information relating to their investment by registering on the Computershare web site.

Directors' Report

The Directors of Ambition Group Limited present their report on the company and its controlled entities for the year ended 31 December 2006.

Directors

The names of directors in office at any time during or since the end of the year are:

Nick Waterworth

Paul Lyons

Paul Young

Andrew Adamovich (appointed 1 May 2006)

Alex Adamovich and William Kocass resigned their positions on 1 May 2006.

Company Secretary

At the end of the year, Mr Geoff Hickin CPA, ACIS, FTIA held the position of Company Secretary. On 30 January 2007, Mr Hickin resigned his position as Company Secretary. As at that date, Victor Cuthell CA, BA (Hons) was appointed to the position of Company Secretary.

Principal Activities

The principal activities of the consolidated entity during the year were recruitment in the accounting, finance and information technology disciplines.

Operating Results

The results for the year have been determined based on the adoption of AIFRS, including the restatement of comparatives.

The consolidated profit of the economic entity before income tax amounted to \$5,068,439 (2005: \$2,589,333). The consolidated profit of the economic entity after income tax amounted to \$3,673,578 (2005: \$1,802,722).

Review of Operations

Strong demand for recruitment services across Ambition's businesses has produced a record result for the group. In addition to Ambition's existing businesses, results from the McGinty and Watermark acquisitions have exceeded expectations.

The group achieved revenue growth of 35% over the prior year. Profit before tax increased 96% over the prior year.

In Australia, revenue increased 35% over the prior year. The group has produced a very solid performance across its Accounting and Finance businesses, and a broadening of our reach into Information Technology is yielding pleasing results in this sector. Our Accountability business, operating in clerical sector, also contributed strongly.

In Asia, revenue increased 29% over the prior year. Our business in Hong Kong produced another year of excellent results, reflecting its strong standing in the market. Our newly opened office in Singapore is also showing encouraging progress.

Dividends Paid or Recommended

The Directors have recommended payment of a final dividend for the year of 3.5 cents per share.

Directors' Report

Financial Position

The net assets of the economic entity have increased from \$9,501,051 as at 31 December 2005 to \$16,011,287 as at 31 December 2006. The increase has largely resulted from the following factors:

- (a) strong operating performance of the group, including
- (b) positive contribution of acquisitions
- (c) share payments, including convertible notes, dividend reinvestment plan, and long term incentive plan.

Non-audit Services

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement 210: Professional Independence.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 31 December 2006:

| | |
|-------------------------------------|--------|
| Taxation services | 32,293 |
| Other general advice ⁽¹⁾ | 58,546 |
| | 90,839 |

⁽¹⁾ Includes advice regarding setup and structure of Singapore office, overseas secretarial and accounts preparation services, and advice regarding various general accounting and disclosure matters.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 31 December 2006 has been received and can be found on page 28.

Significant changes in state of affairs

There were no significant changes in the state of affairs of the parent entity during the financial year:

Adoption of Australian Equivalents to IFRS

As a result of the introduction of Australia equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those Standards.

Events subsequent to balance date

No matters or circumstances have arisen since the end of the financial year which significantly affect or may significantly affect the operations of the economic entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

Future Developments, Prospects and Business Strategies

The likely developments in the operation of the consolidated entity and the expected results of those operations in future financial years are as follows:

- (a) Continued positive contribution of McGinty Recruitment Pty Limited and Watermark Search International Pty Limited to the consolidated entity's result.
- (b) Development of the groups recruitment businesses, particularly in Asia.
- (c) Pursuit of the consolidated entity's policy of increasing market share, with a view to continued and increasing profitability.

Environmental Issues

As the consolidated entity's principal activity relates to recruitment, there are no environmental regulations with which it must comply. The group is not regulated by any significant environmental regulations under a law of the Commonwealth or of a State or Territory.

Information on directors

| | |
|--|---|
| <p>Nick Waterworth <i>Qualifications</i> <i>Experience</i></p> | <p>Chairman (Executive) Honours Degree in Economics (York University UK) Co-founder of Ambition Group. Appointed Chairman 26 June 2003. Board member since inception in August 1999.</p> |
| <p><i>Interest in shares</i> <i>Special responsibilities</i></p> | <p>6,268,326 ordinary shares. Responsibility for external aspects of the group including strategy formulation, acquisition search & review, shareholder and analyst communications.</p> |
| <p>Paul Lyons <i>Qualifications</i></p> | <p>Director (Executive) Honours Graduate in Accounting & Financial Administration (University of Wales), Institute of Chartered Accountants in England and Wales, Institute of Chartered Accountants in Australia, CPA Australia, member of Institute of Internal Auditors.</p> |
| <p><i>Experience</i> <i>Interest in shares</i> <i>Special responsibilities</i></p> | <p>Co-founder and Group Managing Director of Ambition Group. Board member since inception in August 1999. 5,460,751 ordinary shares. Include day-to-day responsibility for leading the recruitment business.</p> |
| <p>Paul Young <i>Qualifications</i></p> | <p>Director (Non-Executive) Honours Degree in Economics (Cambridge University, UK), Institute of Chartered Accountants in England and Wales, Fellow of Australian Institute of Company Directors.</p> |
| <p><i>Experience</i> <i>Interest in shares</i> <i>Special responsibilities</i></p> | <p>Co-Founder and Executive Director of Baron Partners Limited, Merchant Bankers, Chairman of Tidewater Investments Limited. Deputy Chairman of Peter Lehmann Wines Limited. Director of Thomas & Coffey Limited, and Sapex Limited. 1,427,652 ordinary shares. Chairman of the Audit Committee & Remuneration Committee.</p> |

Directors' Report

Andrew Adamovich

*Qualifications
Experience*

Director (Non-Executive)

University of California, Berkeley, U.S.A Bachelor of Arts
Founder and Director of Riverland Capital Limited,
Investment Company, and Amara Enterprises Limited.
Director of G2 Therapies Limited and ASX-listed
Hostworks Group Limited, and Associate with the
Zurich Centre Group.

Interest in shares

570,000 ordinary shares.

Special responsibilities

Member of the Audit Committee & Remuneration
Committee.

Remuneration Report

(a) Remuneration Policy

The remuneration policy of Ambition Group Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component, and offering specific short and long-term variable components based on key performance criteria. The board of Ambition Group Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, senior executives and shareholders.

The board's policy for determining the nature and amount of remuneration for directors and executives is as follows:

- (a) The remuneration of executive directors is set by the Remuneration Committee following independent external advice. Remuneration comprises a fixed base salary and performance incentive. The policy is subject to board approval.
- (b) Executive remuneration is determined by the Chairman and Group Managing Director, and is subject to board approval. Remuneration comprises a fixed base salary and performance incentive. Executives are also eligible to participate in the company's Long Term Incentive program.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the financial performance of the operating division for which the senior executive is responsible. The board may, at its discretion, review the performance criteria and level of incentive at times other than annually to ensure rewards are appropriate.

Executives are entitled to participate in the company's Long Term Incentive (LTI) Plan. The plan provides for the allocation of Ambition shares to executives of the company at the discretion of the Board. The shares are issued via an independent Trustee and held in trust subject to issue on the meeting of certain service and performance hurdles. The shares may vest over period of up to three years following granting, and the hurdles are applied in each vesting period.

Directors and executives receive a superannuation guarantee contribution required by the government, and do not receive any other retirement benefits. Individuals may sacrifice part of their remuneration to increase payments towards superannuation.

The annual remuneration of non-executive directors is fixed at \$30,000 per director.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

(b) Performance based remuneration

The remuneration of the executive directors and senior management includes a performance-based component. In the case of the executive directors, this component is based on the financial performance of the Group, and in the case of senior management, the performance of the operating division for which they are responsible. The determination of the performance-based component of the executive directors is periodically recommended by the Remuneration Committee for approval by the Board. Performance-based remuneration of senior management is annually recommended to the Board by the executive directors.

(c) Performance-based income as a proportion of total remuneration

Executive directors and senior management are paid performance bonuses based on set monetary figures, rather than as proportions of their salary. This has led to the proportions of remuneration related to performance varying for each individual. The level of performance-based remuneration is determined such that it provides sufficient incentive and encouragement for the individual to achieve agreed goals and objectives.

(d) Company Performance and Remuneration

The table below illustrates the relationship between remuneration policy and the company's performance.

| | 2006 | 2005 | 2004 | 2003 | 2002 | 2005/06 | Change 2004/05 |
|----------------------|-----------|-----------|---------|-----------|-----------|---------|-------------------|
| Profit before tax | 5,068,439 | 2,589,333 | 560,260 | (539,583) | (373,894) | 95.7% | 362.2% |
| Net profit after tax | 3,673,578 | 1,802,722 | 560,260 | (539,583) | (373,894) | 103.8% | 221.8% |
| Basic EPS (cents) | 13.21 | 8.50 | 3.55 | (3.54) | (2.45) | 55.4% | 139.4% |
| Diluted EPS (cents) | 13.17 | 7.07 | 3.55 | (3.54) | (2.45) | 86.3% | 99.2% |
| Dividend (cents) | 4.50 | – | – | – | – | – | – |
| Share Price (31 Dec) | 1.15 | 0.55 | 0.72 | 0.47 | 0.25 | 109.1% | (23.6)% |
| Total remuneration | 1,306,677 | 991,728 | 791,928 | 724,188 | 674,362 | 31.8% | 25.2% |

The table shows that over the last two years, Ambition's performance has increased at a greater rate than director and key executive remuneration. Remuneration growth has shown only moderate growth against significant performance increases.

(e) Employment contracts of directors and senior executives

The employment conditions of the executive directors and specified executives are formalised in contracts of employment. All executives are permanent employees of Ambition Corporate Services Pty Limited, a wholly owned group entity responsible for the employment of all personnel. The employment contracts stipulate a range of three to twelve month resignation periods. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the case, of serious misconduct, employment can be terminated without notice.

(f) Details of Remuneration

The remuneration of each director and the specified executive of the consolidated entity receiving the highest remuneration during the year was as follows:

| | Salary & Fees | Super-annuation | Cash Bonuses | Non-cash Benefits | Equity | Total |
|-----------------------------|---------------|-----------------|--------------|-------------------|--------|-----------|
| Directors | | | | | | |
| Nick Waterworth | 129,504 | 12,720 | 278,582 | 22,776 | - | 443,582 |
| Paul Lyons | 225,421 | 12,720 | 278,582 | 11,859 | - | 528,582 |
| Paul Young | 30,000 | - | - | - | - | 30,000 |
| Alex Adamovich | - | - | - | - | - | - |
| Andrew Adamovich | 20,000 | - | - | - | - | 20,000 |
| | 404,925 | 25,440 | 557,164 | 34,635 | - | 1,022,164 |
| Specified Executives | | | | | | |
| Geoff Hickin | 128,285 | 12,720 | 40,000 | 38,995 | 64,513 | 284,513 |

- (1) Andrew Adamovich was appointed 1 May 2006.
- (2) Alex Adamovich resigned 1 May 2006
- (3) Director's fees of \$10,000 payable to Alex Adamovich are donated directly to charity at his request.

Aside from the Directors, there is only one Specified Executive of the consolidated entity.

Options

| | Opening Balance | Options Lapsed | Closing Balance | Total Vested | Total Exercisable |
|-----------------------------|-----------------|----------------|-----------------|--------------|-------------------|
| Directors | | | | | |
| Nick Waterworth | 6,050,000 | (6,050,000) | - | - | - |
| Paul Lyons | 5,750,000 | (5,750,000) | - | - | - |
| Paul Young | 250,000 | (250,000) | - | - | - |
| Specified Executives | | | | | |
| Geoff Hickin | 100,000 | - | 100,000 | 100,000 | 100,000 |

There were no options granted as remuneration during the year.

Meetings of Directors

During the financial year, 7 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

| | Directors Meetings | | Audit Committee | | Remuneration Committee | |
|------------------|---------------------------|-----------------|---------------------------|-----------------|---------------------------|-----------------|
| | Number eligible to attend | Number attended | Number eligible to attend | Number attended | Number eligible to attend | Number attended |
| Nick Waterworth | 5 | 5 | - | - | - | - |
| Paul Lyons | 5 | 5 | - | - | - | - |
| Paul Young | 5 | 5 | 2 | 2 | - | - |
| Alex Adamovich | 2 | 2 | - | - | - | - |
| Andrew Adamovich | 3 | 3 | 2 | 2 | - | - |

Alex Adamovich resigned and Andrew Adamovich joined the Board on 1 May 2006.

Indemnifying officers or auditor

During the year, the economic entity paid an insurance premium of \$17,175 in respect of a contract insuring each of the Directors of the economic entity and each full time Executive Officer, against all liabilities and expenses arising as a result of work performed in their respective capacities to the extent permitted by law.

No indemnities have been given or insurance premiums paid during or since the end of the financial year in favour of the auditors of the company.

Options

As at the date of this report there are 100,000 \$0.50 options issued, granted on 5 April 2002 and expiring 4 April 2007. There were no options granted during the year.

Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

Signed in accordance with a resolution of the Board of Directors.



Nick Waterworth
Executive Chairman



Paul Young
Director

22 February 2007

Chartered Accountants
Business Advisers and Consultants

Grant Thornton 

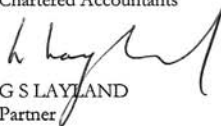
**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF AMBITION GROUP LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Ambition Group Limited for the year ended 31 December 2006, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton NSW

GRANT THORNTON NSW
Chartered Accountants


G S LAYLAND
Partner

Sydney

22 February 2007

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Income Statement

for the year ended 31 December 2006

| | Note | Consolidated Entity | | Parent Entity | |
|---------------------------------------|------|---------------------|--------------|---------------|-----------|
| | | 2006 | 2005 | 2006 | 2005 |
| | | \$ | \$ | \$ | \$ |
| Revenue | 2 | 59,054,347 | 43,835,978 | 2,500,000 | - |
| Employee benefits expense | | (16,844,906) | (11,346,455) | - | - |
| On-hired labour costs | | (28,109,337) | (22,362,345) | - | - |
| Pay-roll taxes | | (746,673) | (444,507) | - | - |
| Depreciation and amortisation expense | 3 | (449,816) | (386,215) | - | - |
| Finance costs | 3 | (398,815) | (459,272) | (398,815) | (439,956) |
| Doubtful intercompany receivables | | - | - | - | 8,373,556 |
| Advertising & marketing | | (1,890,665) | (1,992,261) | - | - |
| Computer expenses | | (331,741) | (247,952) | - | - |
| Rental expense on operating leases | | (1,222,657) | (830,217) | - | - |
| Other expenses | | (3,991,298) | (3,177,421) | - | - |
| Profit before income tax | | 5,068,439 | 2,589,333 | 2,101,185 | 7,933,600 |
| Income tax expense | 5 | (1,394,861) | (786,611) | 56,346 | 76,016 |
| Profit after income tax expense | | 3,673,578 | 1,802,722 | 2,157,531 | 8,009,616 |
| Basic earnings per share (cents) | 9 | 13.21 | 8.50 | | |
| Diluted earnings per share (cents) | 9 | 13.17 | 7.07 | | |

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

Balance Sheet

as at 31 December 2006

| | Note | Consolidated Entity | | Parent Entity | |
|--------------------------------------|------|---------------------|-------------------|-------------------|-------------------|
| | | 2006 \$ | 2005 \$ | 2006 \$ | 2005 \$ |
| Current Assets | | | | | |
| Cash and cash equivalents | 10 | 6,093,484 | 5,474,841 | - | - |
| Trade and other receivables | 11 | 8,633,832 | 6,028,804 | - | - |
| Other current assets | 12 | 110,103 | 36,278 | - | - |
| Total Current Assets | | 14,837,419 | 11,539,923 | - | - |
| Non-Current Assets | | | | | |
| Financial assets | 13 | 1,555 | 222,133 | 19,933,002 | 17,334,481 |
| Property, plant and equipment | 14 | 842,167 | 691,565 | - | - |
| Intangible assets | 15 | 11,201,624 | 9,049,537 | - | - |
| Deferred tax assets | 16 | 947,971 | 810,249 | - | - |
| Total Non-Current Assets | | 12,993,317 | 10,773,484 | 19,933,002 | 17,334,481 |
| Total Assets | | 27,830,736 | 22,313,407 | 19,933,002 | 17,334,481 |
| Current Liabilities | | | | | |
| Trade and other payables | 17 | 10,045,948 | 7,411,145 | - | 65,824 |
| Current tax liabilities | 16 | 917,631 | 188,047 | - | 91,407 |
| Short-term provisions | 18 | 300,481 | 224,815 | - | - |
| Interest bearing liabilities | 19 | - | 2,540,835 | - | 2,540,835 |
| Total Current Liabilities | | 11,264,060 | 10,364,842 | - | 2,698,066 |
| Non-Current Liabilities | | | | | |
| Trade and other payables | 17 | - | 2,311,114 | - | - |
| Deferred tax liabilities | 16 | 363,784 | - | - | - |
| Long-term provisions | 18 | 191,605 | 136,400 | - | - |
| Total Non-Current Liabilities | | 555,389 | 2,447,514 | - | - |
| Total Liabilities | | 11,819,449 | 12,812,356 | - | 2,698,066 |
| Net Assets | | 16,011,287 | 9,501,051 | 19,933,002 | 14,636,415 |
| Equity | | | | | |
| Issued capital | | 19,024,822 | 15,578,173 | 19,024,822 | 15,578,173 |
| Foreign Currency Reserve | | (317,864) | (15,466) | - | - |
| Retained earnings | | (2,695,671) | (6,061,656) | 908,180 | (941,758) |
| Total Equity | | 16,011,287 | 9,501,051 | 19,933,002 | 14,636,415 |

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

Statement of Changes in Equity

for the year ended 31 December 2006

| | Consolidated Entity | | | |
|---|--------------------------|----------------------------|--------------------------------------|-------------|
| | Ordinary Shares \$ | Retained Earnings \$ | Foreign Currency Reserve \$ | Total \$ |
| Balance as at 1 January 2005 | 11,087,120 | (7,864,378) | (153,260) | 3,069,482 |
| Adjustment arising from translation of foreign controlled entity's financial statements | - | - | 137,794 | 137,794 |
| Income recognised directly in equity | - | - | 137,794 | 137,794 |
| Profit attributable to members of parent entity | - | 1,802,722 | - | 1,802,722 |
| Total recognised income for the period | - | 1,802,722 | 137,794 | 1,940,516 |
| Shares issued under Share Purchase Plan | 433,500 | - | - | 433,500 |
| Share placements | 3,935,544 | - | - | 3,935,544 |
| Shares vesting under employee share plans | 122,009 | - | - | 122,009 |
| Balance at 31 December 2005 | 15,578,173 | (6,061,656) | (15,466) | 9,501,051 |
| Adjustment arising from translation of foreign controlled entity's financial statements | - | - | (302,398) | (302,398) |
| Income recognised directly in equity | - | - | (302,398) | (302,398) |
| Profit attributable to members of parent entity | - | 3,673,578 | - | 3,673,578 |
| Total recognised income for the period | - | 3,673,578 | (302,398) | 3,371,180 |
| Convertible notes converted | 2,528,415 | - | - | 2,528,415 |
| Shares issued under Dividend Reinvestment Plan | 78,762 | - | - | 78,762 |
| Share placements | 221,838 | - | - | 221,838 |
| Shares vesting under employee share plans | 617,634 | - | - | 617,634 |
| | 19,024,822 | (2,388,078) | (317,864) | 16,318,880 |
| Dividends paid | - | (307,593) | - | (307,593) |
| Balance at 31 December 2006 | 19,024,822 | (2,695,671) | (317,864) | 16,011,287 |

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

Statement of Changes in Equity

for the year ended 31 December 2006

| | Parent Entity | | | Total \$ |
|---|--------------------------|----------------------------|--------------------------------------|-------------|
| | Ordinary Shares \$ | Retained Earnings \$ | Foreign Currency Reserve \$ | |
| Balance as at 1 January 2005 | 11,087,120 | (8,951,374) | – | 2,135,746 |
| Profit attributable to members of parent entity | – | 8,009,616 | – | 8,009,616 |
| Total recognised income for the period | – | 8,009,616 | – | 8,009,616 |
| Shares issued under Share Purchase Plan | 433,500 | – | – | 433,500 |
| Share placements | 3,935,544 | – | – | 3,935,544 |
| Shares vesting under employee share plans | 122,009 | – | – | 122,009 |
| Balance at 31 December 2005 | 15,578,173 | (941,758) | – | 14,636,415 |
| Profit attributable to members of parent entity | – | 2,157,531 | – | 2,157,531 |
| Total recognised income for the period | – | 2,157,531 | – | 2,157,531 |
| Convertible notes converted | 2,528,415 | – | – | 2,528,415 |
| Shares issued under Dividend Reinvestment Plan | 78,762 | – | – | 78,762 |
| Share placements | 221,838 | – | – | 221,838 |
| Shares vesting under employee share plans | 617,634 | – | – | 617,634 |
| | 19,024,822 | 1,215,773 | – | 20,240,595 |
| Dividends paid | – | (307,593) | – | (307,593) |
| Balance at 31 December 2006 | 19,024,822 | 908,180 | – | 19,933,002 |

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

Cash Flow Statement

for the year ended 31 December 2006

| | Note | Consolidated Entity | | Parent Entity | |
|---|--------------|---------------------|--------------------|---------------|----------|
| | | 2006 | 2005 | 2006 | 2005 |
| | | \$ | \$ | \$ | \$ |
| Cash flows from operating activities | | | | | |
| Receipts from customers | | 61,320,124 | 45,116,521 | - | - |
| Payments to suppliers and employees | | (56,802,620) | (41,660,142) | - | - |
| Interest received | | 120,207 | 73,161 | - | - |
| Income tax paid | | (216,023) | (267,444) | - | - |
| Finance costs paid | | (299,784) | (289,265) | - | - |
| Net cash provided by operating activities | 22(a) | 4,121,904 | 2,972,831 | - | - |
| Cash flows from investing activities | | | | | |
| Payments to acquire plant and equipment | | (416,393) | (351,744) | - | - |
| Payments for the acquisition of businesses | 28 | (3,206,081) | (2,754,596) | - | - |
| Payments to acquire other non-current assets | | (110,553) | (209,882) | - | - |
| Net cash used by investing activities | | (3,733,027) | (3,316,222) | - | - |
| Cash flows from financing activities | | | | | |
| Proceeds from the issue of equity securities | | 228,829 | 4,008,500 | - | - |
| Costs of issuing securities | | (6,991) | (114,456) | - | - |
| Dividends paid | | (307,593) | - | - | - |
| Net cash used by financing activities | | (85,755) | 3,894,044 | - | - |
| Net increase in cash held | | 303,122 | 3,550,653 | - | - |
| Cash at the beginning of financial year | | 5,474,841 | 1,786,181 | - | - |
| Effect of exchange rates on cash holdings in foreign currencies | | 315,521 | 138,007 | - | - |
| Cash at the end of financial year | 10 | 6,093,484 | 5,474,841 | - | - |

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

Notes to the Financial Statements

1. Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers the economic entity of Ambition Group Limited and controlled entities, and Ambition Group Limited as an individual parent entity. Ambition Group Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Ambition Group Limited and Controlled Entities, and Ambition Group Limited as an individual parent entity, complies with all Australian Equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

Accounting Policies

(a) Principles of Consolidation

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

A list of controlled entities is contained in Note 20 to the financial statements. All controlled entities have a December financial year-end.

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

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

(b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or non-allowable items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Ambition Group Limited and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. Ambition Group Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The group has notified the ATO that it has formed an income tax consolidated group to apply for the tax year 30 June 2004 onwards.

The consolidated group has entered into a tax sharing arrangement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(c) Revenue Recognition

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

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

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

Contracting revenue is recognised when the services are provided.

(d) Plant & Equipment

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

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

(e) Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

| | |
|------------------------|-----------|
| Leasehold improvements | 20% |
| Plant & equipment | 25% – 30% |

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(f) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, that are transferred to entities in the economic entity are classified as finance leases.

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

Leased assets are depreciated on a straight-line basis over their estimated useful lives.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged on a straight-line basis.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis

(g) Financial Instruments

i. Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

ii. Available-for-sale financial assets

Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

iii. Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

iv. Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

v. Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(h) Impairment of Assets

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

(i) Intangibles

i. Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and 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.

ii. Web development costs

Web development costs are recognised at cost of acquisition. They have a definite life and are carried at cost less any accumulated amortisation and any impairment losses. Web development costs are amortised over their useful life of no more than 3 years.

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

(j) Foreign Currency Transactions & Balances

i. Functional and presentation currency

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

ii. Transactions and balances

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

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

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

iii. Group companies

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

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

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(k) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(l) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) Cash and Cash Equivalents

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

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

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

(o) Share Based Payments

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

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

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

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

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

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

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

(p) Borrowing Costs

Borrowing costs attributable to the deferred purchase liability on acquisitions are added to the cost of the acquisition, and brought to account over the deferred payment period. All other borrowing costs are recognised as expenses in the period in which they are incurred.

(q) Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(r) Critical accounting estimates and judgements

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

The group reflects a liability for the deferred purchase payments for the McGinty Recruitment Pty Limited and Watermark Search International Pty Limited acquisitions. The deferred purchase liabilities are based on estimates of the profit after tax of each entity for each payment period.

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

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

No impairment has been recognised for goodwill in relation to acquisitions for the period ended 31 December 2006.

(s) Changes in accounting standards

Directors have considered all pending Australian Accounting Standards issued between the previous financial report and the current reporting date, and believe they have no significant impact to either the parent or the economic entity.

| | Consolidated Entity | | Parent Entity | |
|-----------------------------------|---------------------|------------|---------------|------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| 2. REVENUE | | | | |
| Operating Activities | | | | |
| Recruitment services revenue | 58,934,141 | 43,762,817 | - | - |
| Dividends received – intercompany | - | - | 2,500,000 | - |
| Interest received | 120,206 | 73,161 | - | - |
| | 59,054,347 | 43,835,978 | 2,500,000 | - |
| Non-operating activities | | | | |
| Total Revenue | 59,054,347 | 43,835,978 | 2,500,000 | - |

3. PROFIT FROM ORDINARY ACTIVITIES

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

Expenses

Finance costs

| | | | | |
|-------------------------------|---------|---------|---------|---------|
| - other persons | 187,819 | 264,036 | 187,819 | 244,720 |
| - deferred purchase liability | 210,996 | 195,236 | 210,996 | 195,236 |
| | 398,815 | 459,272 | 398,815 | 439,956 |

Depreciation of non-current assets

| | | | | |
|--|---------|---------|---|---|
| - plant and equipment | 353,479 | 303,206 | - | - |
| Depreciation of other non-current assets | | | | |
| - web site | - | 17,753 | - | - |
| Amortisation of software | 96,337 | 65,256 | - | - |
| | 449,816 | 386,215 | - | - |

Share-based payments expense

| | | | | |
|---|-----------|---------|---|-------------|
| Rental expense on operating leases | 628,913 | 122,009 | - | - |
| - minimum lease payments | 1,222,657 | 830,217 | - | - |
| Provision for diminution of investments | - | - | - | (8,373,556) |

| | Consolidated Entity | | Parent Entity | |
|---|---------------------|---------|---------------|---------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| 4. DIVIDENDS | | | | |
| <i>Recognised Amounts</i> | | | | |
| Fully Paid Ordinary Shares | | | | |
| Interim franked dividend of 1.0 cent per share franked at a rate of 30% | 307,593 | - | 307,593 | - |
| <i>Unrecognised Amounts</i> | | | | |
| Fully Paid Ordinary Shares | | | | |
| Final franked dividend of 3.5 cents per share franked at a rate of 30% | 1,090,600 | - | 307,593 | - |
| Adjusted franking account balance | 1,117,528 | 371,639 | 1,117,528 | 371,639 |
| Impact on franking account of dividends not recognised | (467,400) | - | (467,400) | - |
| Income tax consequences of unrecognised dividends | - | - | - | - |

On 22 February 2007 the directors declared a fully franked final dividend of 3.5 cents per share in respect of the year ending 31 December 2006. The record date for determining entitlements is 6 March 2007 and payment date is 22 March 2007.

Ambition has a Dividend Reinvestment Plan (DRP) which provides for the company to issue ordinary shares in lieu of cash payment of the dividend to shareholders who elect to, and are eligible to participate in accordance with the rules of the DRP. The DRP share price is calculated at a 5% discount to the weighted average price of the five trading days preceding (and including) the record date.

| | Consolidated Entity | | Parent Entity | |
|--|---------------------|----------------|------------------|-----------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| 5. INCOME TAX EXPENSE | | | | |
| <i>(a) The components of tax expense comprise:</i> | | | | |
| Current tax | 1,302,010 | 1,140,242 | (56,346) | (76,016) |
| Deferred tax | 137,735 | (367,333) | - | - |
| Recoupment of prior year losses | - | (36,849) | - | - |
| Under (over) provision in respect of prior years | (44,884) | 50,551 | - | - |
| | 1,394,861 | 786,611 | (56,346) | (76,016) |
| <i>(b) The prima facie tax on the profit before income tax is reconciled to income tax as follows:</i> | | | | |
| Income tax calculated at 30% of operating profit: | | | | |
| - economic entity | 1,520,532 | 776,800 | - | - |
| - parent entity | - | - | 630,355 | 2,380,080 |
| - other members of the income tax consolidated net of intercompany transactions | - | - | 1,140,827 | 558,095 |
| Add tax effect of: | | | | |
| - share based payments | - | 38,723 | - | - |
| - other non-deductible expenses | 84,689 | 60,401 | - | 55,971 |
| - non deductible interest on deferred consideration | 63,299 | 58,571 | 63,299 | - |
| - tax assets not brought to account | - | 50,551 | - | - |
| Less tax effect of: | | | | |
| - provision for diminution written back | - | - | - | (2,512,067) |
| - overseas tax differential | (228,775) | (161,586) | - | - |
| - adjustment to tax losses brought forward | - | (36,849) | - | - |
| - dividend from wholly owned subsidiary | - | - | (750,000) | - |
| - overprovision in prior period | (44,884) | - | - | - |
| | 1,394,861 | 786,611 | 1,084,481 | 482,079 |
| Allocation of income tax benefit to wholly-owned subsidiaries under the tax sharing agreement | - | - | (1,140,827) | (558,095) |
| | 1,394,861 | 786,611 | (56,346) | (76,016) |
| Applicable weighted average effective tax rates | 28% | 30% | -3% | -1% |
| Balance of franking account at year end adjusted for franking credits arising from payment of income tax | 1,117,528 | 371,639 | 1,117,528 | 371,639 |

6. DIRECTORS AND KEY MANAGEMENT PERSONNEL REMUNERATION

(a) Names and positions held of parent entity directors and specified executives in office at any time during the financial year are:

Consolidated Entity Directors

| | |
|------------------|--|
| Nick Waterworth | Executive Chairman |
| Paul Lyons | Group Managing Director |
| Paul Young | Non-Executive Director |
| Andrew Adamovich | Non-Executive Director (appointed 1 May 2006) |
| Alex Adamovich | Non-Executive Director (resigned 1 May 2006) |
| William Kocass | Alternate Non-Executive Director to Alex Adamovich (resigned 1 May 2006) |

Specified Executives

| | |
|--------------|-------------------------|
| Geoff Hickin | Chief Financial Officer |
|--------------|-------------------------|

Aside from the Directors, there is only one Specified Executive in the consolidated entity.

(b) Remuneration of Directors & Specified Executives

| | Primary | | Post Employment | | Equity | | Total |
|-----------------------------|---------------|-------------------|-----------------|--------|--------|---------|-----------|
| | Salary & Fees | Non-cash benefits | Incentives | Super | Shares | Options | |
| 2006 | | | | | | | |
| Directors | | | | | | | |
| Nick Waterworth | 129,504 | 22,776 | 278,582 | 12,720 | - | - | 443,582 |
| Paul Lyons | 225,421 | 11,859 | 278,582 | 12,720 | - | - | 528,582 |
| Paul Young | 30,000 | - | - | - | - | - | 30,000 |
| Alex Adamovich | - | - | - | - | - | - | - |
| Andrew Adamovich | 20,000 | - | - | - | - | - | 20,000 |
| | 404,925 | 34,635 | 557,164 | 25,440 | - | - | 1,022,164 |
| Specified Executives | | | | | | | |
| Geoff Hickin | 128,285 | 38,995 | 40,000 | 12,720 | 64,513 | - | 284,513 |
| 2005 | | | | | | | |
| Directors | | | | | | | |
| Nick Waterworth | 131,742 | 21,673 | 151,989 | 11,585 | - | - | 316,989 |
| Paul Lyons | 225,585 | 12,830 | 151,989 | 11,585 | - | - | 401,989 |
| Paul Young | 30,000 | - | - | - | - | - | 30,000 |
| Alex Adamovich | - | - | - | - | - | - | - |
| | 387,327 | 34,503 | 303,978 | 23,170 | - | - | 748,978 |
| Specified Executives | | | | | | | |
| Geoff Hickin | 129,420 | 38,995 | 40,000 | 11,585 | 22,750 | - | 242,750 |

Director's fees of \$10,000 payable to Alex Adamovich in 2006 are donated to charity at his request.

Remuneration Options

There were no options granted as remuneration during the financial year.

Shareholdings

Number of shares held directly, indirectly or beneficially by parent entity Directors and Specified Executives:

| | Opening Balance | Received as Remuneration | Net Change Other | Closing Balance |
|-----------------------------|--------------------|-----------------------------|---------------------|--------------------|
| Directors | | | | |
| Nick Waterworth | 6,126,840 | - | 141,486 | 6,268,326 |
| Paul Lyons | 5,460,751 | - | - | 5,460,751 |
| Paul Young | 1,325,460 | - | 102,192 | 1,427,652 |
| Andrew Adamovich | - | - | 570,000 | 570,000 |
| Specified Executives | | | | |
| Geoff Hickin | 487,500 | 25,000 | - | 512,500 |

Nick Waterworth and Paul Lyons have a relevant interest in 5,237,500 shares held by Carefully Considered Investments Pty Limited.

Shares issued to Executives under the Long Term Incentive Plan are subject to vesting provisions in accordance with the terms of the plan.

Options Holdings

Number of options held directly, indirectly or beneficially by parent entity Directors and Specified Executives:

| | Opening Balance | Options Lapsed | Closing Balance | Total Vested | Total Exercisable |
|-----------------------------|--------------------|-------------------|--------------------|-----------------|----------------------|
| Directors | | | | | |
| Nick Waterworth | 6,050,000 | (6,050,000) | - | - | - |
| Paul Lyons | 5,750,000 | (5,750,000) | - | - | - |
| Paul Young | 250,000 | (250,000) | - | - | - |
| Specified Executives | | | | | |
| Geoff Hickin | 100,000 | - | 100,000 | 100,000 | 100,000 |

| | 2006 | 2005 | 2004 |
|--|-----------|-----------|-----------|
| Number of convertible notes held directly, indirectly or beneficially by parent entity Directors and Specified Executives: | 1,000,000 | 1,000,000 | 1,000,000 |
| Convertible Notes Held by Directors | 130,486 | 130,000 | 130,000 |
| Convertible Notes Held by Specified Executives | 869,514 | 870,000 | 870,000 |

Convertible Notes Holdings

Number of convertible notes held directly, indirectly or beneficially by parent entity Directors and Specified Executives:

| | Opening Balance | Received as Remuneration | Converted | Closing Balance |
|------------------|-----------------|--------------------------|-----------|-----------------|
| Directors | | | | |
| Nick Waterworth | 130,486 | - | (130,486) | - |
| Paul Young | 130,000 | - | (130,000) | - |
| Alex Adamovich | 570,000 | - | (570,000) | - |

The Company's Convertible Notes matured on 30 September 2006.

Remuneration Practices

The company's policy for determining the nature and amount of emoluments of board members and senior executives is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience and responsibilities, and the overall performance of the company. The contracts for service between the company, specified directors, and specified executives are on a continuing basis, the terms of which are not expected to change in the immediate future. There are no schemes for retirement benefits other than statutory superannuation.

The Remuneration Committee determines the remuneration structure for the Executive Chairman and Group Managing Director, after consultation with an external remuneration consultant. No directors' fees are paid to the Executive Chairman or Group Managing Director. Remuneration may consist of base remuneration including superannuation and non-cash benefits, plus a performance incentive. The performance incentive is based on the annual financial result of the consolidated entity, and is paid annually after completion of the external audit of the consolidated entity's annual accounts.

Remuneration of senior executives is determined by the Executive Chairman and Group managing Director, and ratified by the Remuneration Committee. Remuneration may consist of base remuneration, including superannuation and non-cash benefits, plus a performance incentive. Performance may take the form of short-term bonuses measured against agreed outcomes or an entitlement to shares in Ambition subject to vesting provisions. Vesting provisions are based on length of service and overall company performance.

The aggregate remuneration that may be paid to Non-Executive Directors is \$200,000. This remuneration may be divided amongst the Non-Executive Directors in such fashion as the Board may determine. There has been no change in the amounts payable to individual Non-Executive Directors since inception. Notice of any proposed increase in Non-Executive Director's aggregate remuneration and the total amount of remuneration payable to Non-Executive Directors as a result of the proposed increase must be given to members in the notice convening the general meeting at which the increase is to be proposed.

7. EMPLOYEE SHARE AND OPTION PLANS

Sharesave Plans

The "Exempt Sharesave Plan" is open to all Australian employees and enables the purchase of shares up to a maximum of \$1,000 in any one year. Shares are acquired at the beginning of each quarter at market rates. Shares cannot be sold for a period of three years. The plan has no vesting requirements. Seventeen employees participated in the plan during the financial year.

The "Deferred Sharesave Plan" is open to all Australian employees and enables the purchase of shares with a minimum value of \$3,000. Shares are acquired at the beginning of each quarter at market rates. Vested shares can be sold quarterly after an initial holding period of twelve months. No employees participated in the plan during the financial year. The Sharesave Plans are operated in accordance with the terms of the plan Trust Deeds. An external Trustee appointed by the Board is responsible for the management and administration of the plans. The company pays all expenses incurred by the plan Trustee in operating the plans. The plan has no vesting requirements.

Long Term Incentive Plan

The employee Long Term Incentive (LTI) Plan is a component of the Deferred Sharesave Plan, and is offered to senior employees on a selective basis at the discretion of the Board. The LTI comprises a periodic offer of shares which vest over periods of up to three years, subject to the meeting of service and performance criteria.

An employee's full entitlement to shares is issued on acceptance of the company's offer and held by the Trustee subject to the meeting of vesting conditions. Unvested shares are disclosed as Treasury Shares (Note 21) and are brought to account as an expense over the vesting period as service and performance criteria are met.

| | 2006 | 2005 |
|--|-----------|-----------|
| LTI shares issued at the beginning of the year | 1,337,045 | 1,337,045 |
| Issued during the year | 1,975,000 | - |
| Transferred during the year | (25,000) | - |
| LTI shares issued at the end of the year | 3,287,045 | 1,337,045 |

Share Option Plan

The "Employee Share Option Plan" (ESOP) offers shares to selected employees at the discretion of the Board. The objectives of the plan are to assist in the recruitment, reward, retention, and motivation of employees. No employees were granted options under the plan during the financial year.

The options granted under ESOP, which are not listed on the ASX, do not give any right to participate in dividend or rights issues until shares are allotted pursuant to the exercise of the relevant options. The number of shares issued on exercise of options will be adjusted for bonus issues made prior to the exercise of the options. The exercise price is fixed by the Board prior to the grant of options, and the options may be subject to other restrictions on exercise as may be determined by the Board prior to the grant of the options.

Details of employee shares options granted under ESOP are as follows:

| | 2006 | 2005 |
|--|-----------|-----------|
| \$1.00 options granted 25.06.02, expiring 24.06.06 | - | 300,000 |
| \$0.50 options granted 05.05.02, expiring 04.04.07 | 100,000 | 100,000 |
| | 100,000 | 400,000 |
| Total number issued to employees during the period | - | - |
| Total number issued to employees since commencement of the scheme | 1,040,000 | 1,040,000 |
| Total number cancelled since commencement of the scheme due to termination of employment | 940,000 | 640,000 |

| | Consolidated Entity | | Parent Entity | |
|---|---------------------|---------|---------------|------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| 8. AUDITOR'S REMUNERATION | | | | |
| Remuneration of the auditor of the consolidated entity for: | | | | |
| Audit services | | | | |
| - Australian firm | 76,500 | 64,600 | - | - |
| - overseas practices of the Australian firm | 17,065 | 11,559 | - | - |
| Taxation services | | | | |
| - Australian firm | 27,735 | 41,991 | - | - |
| - overseas practices of the Australian firm | 4,558 | 6,305 | - | - |
| Other services | | | | |
| - Australian firm | 58,546 | 46,378 | - | - |
| - overseas practices of the Australian firm | - | - | - | - |
| | 184,404 | 170,833 | - | - |

| | Consolidated Entity | | Parent Entity | |
|---|---------------------|------------|---------------|------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| 9. EARNINGS PER SHARE | | | | |
| Basic earnings per share (cents per share) | 13.21 | 8.50 | | |
| Diluted earnings per share (cents per share) | 13.17 | 7.07 | | |
| Earnings used in calculation of basic EPS | 3,673,578 | 1,802,722 | | |
| Potential earnings on options | 2,131 | 201,250 | | |
| Earnings used in calculation of dilutive EPS | 3,675,709 | 2,003,972 | | |
| Weighted average number of ordinary shares outstanding during the period used in calculation of basic EPS | 27,817,609 | 21,208,576 | | |
| Potential number of ordinary shares which have been treated as non-dilutive | 100,000 | 7,150,000 | | |
| Total potential ordinary shares | 27,917,609 | 28,358,576 | | |
| 10. CASH | | | | |
| Cash at bank | 6,076,342 | 5,457,699 | - | - |
| Deposits at call | 17,142 | 17,142 | - | - |
| | 6,093,484 | 5,474,841 | - | - |
| 11. RECEIVABLES | | | | |
| Current | | | | |
| Trade debtors | 8,429,770 | 5,757,966 | - | - |
| Other debtors | 204,062 | 270,838 | - | - |
| | 8,633,832 | 6,028,804 | - | - |
| 12. OTHER ASSETS | | | | |
| Current | | | | |
| Prepayments | 110,103 | 36,278 | - | - |

| | Consolidated Entity | | Parent Entity | |
|---|---------------------|----------------|----------------|------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| 13. FINANCIAL ASSETS | | | | |
| Term deposits to secure bank guarantees | - | 220,578 | - | - |
| Shares in listed corporations – at fair value | 1,555 | 1,555 | - | - |
| Investment in subsidiaries – at cost | - | - | 19,933,002 | 17,334,481 |
| | 1,555 | 222,133 | 19,933,002 | 17,334,481 |
| 14. PROPERTY, PLANT AND EQUIPMENT | | | | |
| Leasehold improvements – at cost | 789,716 | 697,723 | - | - |
| Accumulated depreciation | (521,107) | (389,302) | - | - |
| | 268,609 | 308,421 | - | - |
| Plant & equipment – at cost | 1,224,685 | 844,432 | - | - |
| Accumulated depreciation | (651,127) | (461,288) | - | - |
| | 573,558 | 383,144 | - | - |
| Total property, plant and equipment | 842,167 | 691,565 | - | - |
| | Leasehold | Plant & | Total | |
| | Improvements | Equipment | | |
| Movements in carrying amounts | | | | |
| Consolidated entity: | | | | |
| Balance at the beginning of the year | 308,452 | 383,113 | 691,565 | |
| Foreign exchange movement | (14,342) | 5,020 | (9,322) | |
| Depreciation expense | (144,888) | (208,591) | (353,479) | |
| Additions | 119,387 | 394,016 | 513,403 | |
| Carrying amount at the end of the year | 268,609 | 573,558 | 842,167 | |

Notes to the Financial Statements

| | Consolidated Entity | | Parent Entity | |
|--|---------------------|-----------|---------------|------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| 15. INTANGIBLE ASSETS | | | | |
| Goodwill – at cost | 10,972,636 | 8,826,640 | - | - |
| Computer software – at cost | 355,259 | 267,626 | - | - |
| Web development | 62,849 | 39,929 | - | - |
| Accumulated amortisation | (189,120) | (84,658) | - | - |
| | 11,201,624 | 9,049,537 | - | - |
| | Goodwill | Software | Web | Total |
| Movements in carrying amounts | | | | |
| Consolidated entity: | | | | |
| Balance at the beginning of the year | 8,826,640 | 182,968 | 39,929 | 9,049,537 |
| Foreign exchange movement | - | (1,315) | - | (1,315) |
| Change in estimate of deferred consideration | 2,145,996 | - | - | 2,145,996 |
| Additions | - | 80,823 | 22,920 | 103,743 |
| Amortisation | - | (96,337) | - | (96,337) |
| Carrying amount at the end of the year | 10,972,636 | 166,139 | 62,849 | 11,201,624 |

Intangible assets other than goodwill have finite useful lives. The current amortisation charges in respect of intangible assets are included under depreciation and amortisation expense per the Income Statement. Goodwill has an infinite life.

The change in deferred consideration arises from revised estimates of profit from acquisitions.

Impairment Disclosures

Goodwill is allocated to cash-generating units in Australia as follows:

| | 2006 | 2005 |
|------------------------|------------|-----------|
| | \$ | \$ |
| Recruitment | | |
| - McGinty Recruitment | 3,909,214 | 3,540,710 |
| - Watermark Search | 5,842,867 | 4,065,375 |
| - Computemp Technology | 1,220,555 | 1,220,555 |
| | 10,972,636 | 8,826,640 |

The recoverable amount of each cash-generating unit is determined on a value-in-use basis

| | Consolidated Entity | | Parent Entity | |
|---|---------------------|-----------|---------------|------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| 16. TAX | | | | |
| <i>(a) Liabilities</i> | | | | |
| Current | | | | |
| Income Tax | 917,631 | 188,047 | - | - |
| Non-Current | | | | |
| Deferred tax liability comprises: | | | | |
| - share based payments | 363,784 | - | - | - |
| | 363,784 | - | - | - |
| <i>(b) Assets</i> | | | | |
| Non-Current | | | | |
| Deferred tax assets comprise: | | | | |
| - Provisions | 947,971 | 671,192 | - | - |
| - Tax losses | - | 139,057 | - | - |
| | 947,971 | 810,249 | - | - |
| <i>(c) Reconciliations</i> | | | | |
| <i>(i) Gross Movements</i> | | | | |
| Opening balance | 810,249 | 1,154,934 | - | - |
| Charge to income statement | 185,251 | (344,685) | - | - |
| Share based payments opening adjustment against current tax liability | (130,594) | - | - | - |
| Share based payments current year deduction against current tax liability | (280,719) | - | - | - |
| Closing balance | 584,187 | 810,249 | - | - |
| <i>(ii) Deferred Tax Liability</i> | | | | |
| The movement in deferred tax liability for each temporary difference during the year is as follows: | | | | |
| Share based payments | | | | |
| - Opening balance | - | - | - | - |
| - Charged to income statement | (47,529) | - | - | - |
| - Opening adjustment against current tax liability | 130,594 | - | - | - |
| - Current year deduction against current tax liability | 280,719 | - | - | - |
| - Closing balance | 363,784 | - | - | - |

| | Consolidated Entity | | Parent Entity | |
|---|---------------------|-----------|---------------|--------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| 16. TAX (continued) | | | | |
| <i>(c) Reconciliations</i> | | | | |
| <i>(iii) Deferred Tax Asset</i> | | | | |
| The movement in deferred tax asset for each temporary difference during the year is as follows: | | | | |
| Provisions | | | | |
| - Opening balance | 810,249 | 382,726 | - | - |
| - Charged to income statement | 137,722 | 288,466 | - | - |
| - Closing balance | 947,971 | 671,192 | - | - |
| Tax losses | | | | |
| - Opening balance | 139,057 | 772,208 | - | - |
| - Utilised against current tax liability | (139,057) | (633,151) | - | - |
| - Closing balance | - | 139,057 | - | - |
| 17. TRADE & OTHER PAYABLES | | | | |
| Current | | | | |
| Trade payables | 6,247,546 | 5,074,768 | - | 65,824 |
| McGinty purchase liability | 1,827,001 | 1,261,377 | - | - |
| Watermark purchase liability | 1,971,401 | 1,075,000 | - | - |
| | 10,045,948 | 7,411,145 | - | 65,824 |
| Non-Current | | | | |
| McGinty purchase liability | - | 1,373,350 | - | - |
| Watermark purchase liability | - | 937,764 | - | - |
| | - | 2,311,114 | - | - |

| | Consolidated Entity | | Parent Entity | |
|--|---------------------|-----------|---------------|-----------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| 18. PROVISIONS | | | | |
| Current | | | | |
| Employee benefits | 300,481 | 224,815 | - | - |
| Non-current | | | | |
| Employee benefits | 191,605 | 136,400 | - | - |
| Aggregate employee benefits liability | 492,086 | 361,215 | - | - |
| Employee Entitlements | | | | |
| Balance at 1 January 2006 | 361,215 | 190,152 | - | - |
| Additional provisions | 1,006,236 | 635,244 | - | - |
| Amounts used | (875,365) | (464,181) | - | - |
| Balance at 31 December 2006 | 492,086 | 361,215 | - | - |
| 19. INTEREST BEARING LIABILITIES | | | | |
| 10% Convertible Notes maturing 30 September 2006 | | | | |
| Current | | | | |
| Unsecured liabilities | - | 2,540,835 | - | 2,540,835 |

| | Country of Incorporation | Parent Entity Interest % | |
|--|-----------------------------|--------------------------|------|
| | | 2006 | 2005 |
| 20. CONTROLLED ENTITIES | | | |
| Parent Entity | | | |
| Ambition Group Limited | Australia | - | - |
| Controlled Entity | | | |
| Ambition Recruit Pty Limited | Australia | 100 | 100 |
| Ambition Interactive Pty Limited | Australia | 100 | 100 |
| Ambition Property Services Pty Limited | Australia | 100 | 100 |
| Ambition Corporate Services Pty Limited | Australia | 100 | 100 |
| People with Ability Pty Limited | Australia | 100 | 100 |
| Contracting Employment Services Pty Limited | Australia | 100 | 100 |
| McGinty Recruitment Pty Limited | Australia | 100 | 100 |
| Watermark Search International Pty Limited | Australia | 100 | 100 |
| The Ambition Group Limited | New Zealand | 100 | 100 |
| The Ambition Group Limited | UK | 100 | 100 |
| Ambition Direct Limited | UK | 100 | 100 |
| Ambition Recruitment International Limited | Ireland | 100 | 100 |
| The Ambition Group Limited | Hong Kong | 100 | 100 |
| Ambition Employee Share Managers Pty Limited | Australia | 50 | 50 |
| Ambition Group Singapore PTE Limited | Singapore | 100 | - |

| | Consolidated Entity | | Parent Entity | |
|--|---------------------|-------------------|-------------------|-------------------|
| | 2006 No. | 2005 No. | 2006 No. | 2005 No. |
| 21. CONTRIBUTED EQUITY | | | | |
| 31,160,006 (2005 : 25,440,409) fully paid ordinary shares of \$1.00 each | | | | |
| <i>(a) Ordinary Shares</i> | | | | |
| At the beginning of the year | 25,440,409 | 16,458,409 | 25,440,409 | 16,458,409 |
| Share Purchase Plan issue | - | 867,000 | - | 867,000 |
| Employee share plan issues | 1,960,680 | - | 1,960,680 | - |
| Shares issued to Director under the DESP | 40,378 | - | 40,378 | - |
| Convertible Notes conversions | 3,372,553 | - | 3,372,553 | - |
| Dividend reinvestment plan | 345,986 | - | 345,986 | - |
| Private share placements | - | 8,115,000 | - | 8,115,000 |
| | 31,160,006 | 25,440,409 | 31,160,006 | 25,440,409 |
| Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. | | | | |
| At the shareholders meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. | | | | |
| Approval for the issue of securities under the Deferred Employee Share Plan (DESP) was obtained under ASX Listing Rule 10.1.4. | | | | |
| <i>(b) Options</i> | | | | |
| Balance at beginning of the year | 7,150,000 | 8,050,000 | 7,150,000 | 8,050,000 |
| Options issued during the year | - | - | - | - |
| Options expired during the year | (7,050,000) | (900,000) | (7,050,000) | (900,000) |
| Employee options cancelled | - | - | - | - |
| Balance at reporting date | 100,000 | 7,150,000 | 100,000 | 7,150,000 |
| Exercisable at \$1.00 expiring 24.06.06 | - | 300,000 | - | 300,000 |
| Exercisable at \$1.50 expiring 30.09.06 | - | 6,750,000 | - | 6,750,000 |
| Exercisable at \$0.50 expiring 04.04.07 | 100,000 | 100,000 | 100,000 | 100,000 |
| | 100,000 | 7,150,000 | 100,000 | 7,150,000 |
| <i>(c) Treasury Shares</i> | | | | |
| Balance at beginning of the year | 610,558 | 1,014,447 | 610,558 | 1,014,447 |
| Issued during the year | 1,975,000 | - | 1,975,000 | - |
| Vested or disposed of during the year | (961,457) | (403,889) | (961,457) | (403,889) |
| Balance at reporting date | 1,624,101 | 610,558 | 1,624,101 | 610,558 |
| <i>(d) Convertible debt securities</i> | | | | |
| Balance at the end of the year | - | 2,540,835 | - | 2,540,835 |

| | Consolidated Entity | | Parent Entity | |
|--|---------------------|------------------|---------------|-------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| 22. CASH FLOW INFORMATION | | | | |
| <i>(a) Reconciliation of Cash Flow from Operations with Profit from ordinary activities after income tax</i> | | | | |
| Profit from ordinary activities after income tax | 3,673,578 | 1,802,722 | 2,157,531 | 8,009,616 |
| Non-cash flows in profit from ordinary activities | | | | |
| - Amortisation of intangible assets | 96,337 | 65,256 | - | - |
| - Amortisation of web site | - | 17,753 | - | - |
| - Depreciation | 353,479 | 303,206 | - | - |
| - Accrued capital expenditure | - | - | - | - |
| - Accrued interest payable | - | 3,560 | - | - |
| - Income tax expense | 1,394,861 | 786,611 | (56,346) | - |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries: | | | | |
| - Decrease (Increase) in trade and term debtors | (2,604,332) | (2,374,047) | (2,101,185) | (8,009,616) |
| - Decrease (Increase) in prepayments | (73,825) | 50,491 | - | - |
| - Decrease (Increase) in other debtors | 84,476 | (72,307) | - | - |
| - Increase (Decrease) in trade creditors & accruals | 1,066,459 | 2,218,523 | - | - |
| - Increase (Decrease) in provisions | 130,871 | 171,063 | - | - |
| Cash flows used in operations | 4,121,904 | 2,972,831 | - | - |

(b) Non-cash financing and investing activities

88,586 shares were issued in relation to the company's Dividend Reinvestment Plan

3,363,030 shares were issued on conversion of expiring Unsecured Convertible Notes

(c) Credit standby arrangements

The consolidated entity has a loan facility of \$1.2 million for a period of five years. Interest rates are variable and subject to market rates at the time funds are drawn. The facility was undrawn at the date of this report. The facility is secured by a floating charge over the assets of a number of the group's Controlled Entities.

23. FINANCIAL RISKS

The group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, unsecured convertible notes and loans to and from subsidiaries.

(a) Interest Rate Risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted interest rates on classes of financial assets and financial liabilities is as follows:

| | Consolidated Entity | | Effective Interest Rate | |
|---|---------------------|-----------|-------------------------|-------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | % | % |
| 24. FINANCIAL INSTRUMENTS | | | | |
| Financial Assets | | | | |
| Cash (floating interest) | 6,093,484 | 5,474,841 | 6.40 | 5.40 |
| Financial Liabilities | | | | |
| Convertible notes (fixed interest maturing 1-5 years) | - | 2,540,835 | - | 10.00 |

Other financial assets and liabilities are non-interest bearing.

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security at balance date to recognised financial assets, is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the balance sheet and notes to the financial statements.

(c) Net Fair Values

The net fair values of financial assets and liabilities disclosed in the balance sheet have been determined as the carrying amounts in accordance with Note 1 to the Financial Statements.

No financial assets and financial liabilities are readily traded on organised markets in standardised form.

There are no financial assets which have a carrying amount which exceeds net fair values.

(d) Derivative Financial Instruments

Ambition Group does not currently hold any derivative financial instruments.

(e) Forward Exchange Contracts

Ambition Group does not currently hold any forward exchange contracts.

25. CAPITAL AND LEASING COMMITMENTS

Operating Lease Commitments

Non cancellable operating lease contracted for but not capitalised in the accounts.

| | Consolidated Entity | | Parent Entity | |
|---|---------------------|-----------|---------------|------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Payable: | | | | |
| - not longer than 1 year | 1,475,080 | 1,168,021 | - | - |
| - longer than 1 year but not longer than 2 year | 794,326 | 919,014 | - | - |
| - longer than 2 years but not longer than 5 years | 1,322,366 | 1,083,513 | - | - |
| | 3,591,772 | 3,170,548 | - | - |

Property leases are non-cancellable and have lease terms of between 3 and 5 years, with options to renew at the lessee's discretion in some instances. Contingent rentals are based on either fixed amounts or fixed percentage increases.

26. CONTINGENT LIABILITIES

| | | | | |
|--|---------|---------|---|---|
| Bank guarantees in relation to property leases | 477,846 | 260,359 | - | - |
|--|---------|---------|---|---|

There is a floating charge over the assets of a several group companies in relation to a \$1.2 million bank facility.

| | 2006 | Australia 2005 | 2006 | Asia 2005 | 2006 | Eliminations 2005 | Economic Entity 2006 | 2005 |
|---|-------------------|-------------------|------------------|------------------|------------------|----------------------|-------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 27. SEGMENT REPORTING | | | | | | | | |
| Primary reporting - | | | | | | | | |
| Geographical segments | | | | | | | | |
| Revenue | | | | | | | | |
| External sales | 50,448,584 | 37,199,817 | 8,485,557 | 6,563,000 | - | - | 58,934,141 | 43,762,817 |
| Other segments | - | - | - | - | - | - | - | - |
| Interest revenue | 108,909 | 73,161 | 11,297 | - | - | - | 120,206 | 73,161 |
| Total segment revenue | 50,557,493 | 37,272,978 | 8,496,854 | 6,563,000 | - | - | 59,054,347 | 43,835,978 |
| Result | | | | | | | | |
| Profit before income tax | 4,362,603 | 2,750,394 | 1,830,194 | 1,292,695 | (1,124,358) | (1,453,756) | 5,068,439 | 2,589,333 |
| Income tax expense | (1,421,788) | (1,091,516) | (310,380) | (131,222) | 337,307 | 436,127 | (1,394,861) | (786,611) |
| Profit after income tax | 2,940,815 | 1,658,878 | 1,519,814 | 1,161,473 | (787,051) | (1,017,629) | 3,673,578 | 1,802,722 |
| Assets | | | | | | | | |
| Segment assets | 22,663,133 | 18,910,009 | 5,167,603 | 3,403,398 | - | - | 27,830,736 | 22,313,407 |
| Liabilities | | | | | | | | |
| Segment liabilities | 10,918,167 | 12,229,262 | 901,282 | 583,094 | - | - | 11,819,449 | 12,812,356 |
| Other | | | | | | | | |
| Depreciation and amortisation of segment assets | 213,543 | 203,221 | 139,936 | 99,985 | - | - | 353,479 | 303,206 |
| Other non-cash segment expenses | 847,636 | 80,663 | - | 4,717 | 210,996 | 195,236 | 1,058,632 | 280,616 |
| Acquisition of non current assets | 450,655 | 356,435 | 21,591 | 131,093 | - | - | 472,246 | 487,528 |

Intersegment transfers

Segment revenues include transfers between segments on commercial terms and are eliminated on consolidation.

Secondary reporting -

The group operates in the one business of recruitment.

28. ACQUISITION OF SUBSIDIARIES

(a) McGinty Recruitment Pty Limited

The parent entity acquired 100% of McGinty Recruitment effective 1 January 2005. The purchase consideration of \$3,787,597 was allocated as follows:

| | |
|--|-----------|
| Purchase consideration | 3,787,597 |
| <hr/> | |
| The purchase price was allocated as follows: | |
| Cash consideration | 1,058,618 |
| Shares issued to vendor | 250,000 |
| Deferred purchase liability | 2,478,979 |
| | <hr/> |
| | 3,787,597 |
| <hr/> | |
| Costs of acquisition | (49,272) |
| Assets and liabilities acquired: | |
| Receivables | 339,420 |
| Cash | 244,002 |
| Property, plant & equipment | 87,946 |
| Payables | (387,220) |
| Deferred tax asset | 12,011 |
| | <hr/> |
| | 246,887 |
| Goodwill on consolidation | 3,540,710 |
| | <hr/> |
| | 3,787,597 |

The assets and liabilities arising from the acquisition are recognised at fair value, which is equal to their carrying value at acquisition date.

Shares were issued to the vendor at a fixed price of \$0.50 per share.

Included in the Goodwill of \$3,540,710 are certain intangible assets that cannot be individually separated from the acquiree and reliably measured due to their nature. Assets of this nature include customer loyalty, brand name and client lists.

28. ACQUISITION OF SUBSIDIARIES (continued)
 (b) *Watermark Search International Pty Limited*

The parent entity acquired the business of Watermark effective 1 September 2005. The purchase consideration of \$3,835,193 was allocated as follows:

| | |
|--|-----------------|
| Purchase consideration | 3,835,193 |
| <hr/> | |
| The purchase price was allocated as follows: | |
| Cash consideration | 1,761,917 |
| Shares issued to vendor | 100,000 |
| Deferred purchase liability | 1,973,276 |
| | <hr/> 3,835,193 |
| Costs of acquisition | (219,030) |
| Assets and liabilities acquired: | |
| Property, plant & equipment | 41,692 |
| Provisions | (75,492) |
| Deferred tax asset | 22,648 |
| | <hr/> (230,182) |
| Goodwill | 4,065,375 |
| | <hr/> 3,835,193 |

Shares were issued to the vendor at a fixed price of \$0.50 per share.

Included in the Goodwill of \$4,065,375 are certain intangible assets that cannot be individually separated from the acquiree and reliably measured due to their nature. Assets of this nature include customer loyalty, brand name and client lists.

(c) *Cash consideration*

Cash considerations for acquisitions during the financial year:

| | 2006 | 2005 |
|---|-----------------|-----------------|
| | \$ | \$ |
| McGinty Recruitment | 1,276,370 | 1,058,618 |
| Less deposit paid in prior year | - | (100,000) |
| Watermark Search | 1,929,711 | 1,761,917 |
| Costs of acquisition paid in current year | - | 34,061 |
| | <hr/> 3,206,081 | <hr/> 2,754,596 |

29. RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. Balances owing are unsecured.

| | 2006 | 2005 |
|--|-----------|--------|
| | \$ | \$ |
| Interest paid to Directors and their related entities in relation to Unsecured Convertible Notes | 46,587 | 83,049 |
| Amounts Owing to Directors – Directors' fees | 37,500 | 27,500 |
| Dividend repayment to Parent | 2,500,000 | – |

30. EVENTS SUBSEQUENT TO REPORTING DATE

There were no events subsequent to the reporting date.

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out in pages 29 to 62, are in accordance with the Corporations Act and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 31 December 2006 and of the performance for the year ended on that date of the company and economic entity
2. the Chief Executive Officer and Chief Financial Officer have each declared that:
 - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Nick Waterworth
Executive Chairman



Paul Young
Director

22 February 2007

Chartered Accountants
Business Advisers and Consultants

Grant Thornton 

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF AMBITION GROUP LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the income statement, balance sheet, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Ambition Group Limited (the company) and consolidated entity, for the year ended 31 December 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF AMBITION GROUP LIMITED (cont)**

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of Ambition Group Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity financial position as at 31 December 2006 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

Grant Thornton NSW

GRANT THORNTON NSW
Chartered Accountants

G Layland
G LAYLAND
Partner

Sydney

22 February 2007

1. Shareholdings

(a) *Distribution of security holders numbers (as at 26 February 2007):*

| Category (size of Holding) | 1 - 1,000 | 1,001 - 5,000 | 5,001 - 10,000 | 10,001 - 100,000 | 100,001 and over |
|----------------------------------|--------------|------------------|-------------------|---------------------|---------------------|
| Ordinary shares | 53 | 172 | 52 | 114 | 39 |
| \$0.50 options expiring 04.04.07 | - | - | - | 1 | - |

(b) *The number of shareholders holding less than a marketable parcel is 36 (2005 - 37)*(c) *The names of the substantial shareholders listed on the company's register as at 26 February 2007 are:*

| | |
|--|-----------|
| Carefully Considered Investments Pty Limited | 5,237,498 |
| Victor John Plummer | 3,849,288 |
| Ambition Employee Share Plan | 3,287,045 |
| James N Kirby Holdings Pty Limited | 1,903,559 |

(c) *Voting Rights*

At a general meeting, every shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each fully paid share held.

(e) *Twenty largest ordinary shareholders (as at 26 February 2007)*

| | Number | % |
|--|------------|------|
| Carefully Considered Investments Pty Limited | 5,237,498 | 16.8 |
| Victor John Plummer | 3,849,288 | 12.4 |
| Ambition Employee Share Plan | 3,287,045 | 10.5 |
| James N Kirby Holdings Pty Limited | 1,903,559 | 6.1 |
| Austock Nominees Pty Limited | 1,340,396 | 4.3 |
| Dixson Trust Pty Limited | 1,068,721 | 3.4 |
| Guy Nicholas Day | 1,030,027 | 3.3 |
| Little Acorns Investments Pty Limited | 945,281 | 3.0 |
| Aboud Investments Pty Limited | 632,321 | 2.0 |
| National Nominees Limited | 599,900 | 1.9 |
| Riverland Capital Limited | 570,000 | 1.8 |
| Waterby Investments Pty Limited | 507,561 | 1.6 |
| Paul Young | 481,546 | 1.5 |
| Megwil Pty Limited | 444,002 | 1.4 |
| Equity Trustees Limited | 360,000 | 1.2 |
| Langland Investments Pty Limited | 304,426 | 1.0 |
| Bannaby Investments Pty Limited | 300,001 | 1.0 |
| Merrill Lynch (Australia) Nominees Pty Limited | 300,000 | 1.0 |
| Pethol (Vic) Pty Limited | 273,512 | 0.9 |
| RBC Dexia Investor Services | 250,000 | 0.8 |
| | 23,685,084 | 76.0 |

Additional Information

2. Usage of Cash

Ambition Group Limited was admitted to the ASX under Listing Rule 1.3.2(b). The Directors confirm that the consolidate entity used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives during the period from admission to 31 December 2006.

3. Unquoted Securities

A total of 100,000 options over unissued shares are on issue (refer Note 21) as follows:

| | |
|-------------------------------------|---------|
| - Issued under employee share plans | 100,000 |
|-------------------------------------|---------|

4. Company Secretary

Victor Cuthell was appointed Company Secretary on 30 January 2007.

Notes

Group Directory

Ambition
(Registered Office)
Level 8
45 Clarence Street
Sydney NSW 2000
Telephone +61 2 9249 5000

Watermark Search
International
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4 Martin Place
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Telephone +61 2 9689 1299

Websites
www.ambition.com.au
www.ambition.com.sg
www.ambition.com.hk
www.accountability.com.au
www.loverecruitment.com.au
www.mcginty.com.au
www.watermarksearch.com.au

Ambition
Melbourne
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Telephone +61 3 8629 1000

Share Registry
Computershare Investor
Services Pty Ltd
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Adelaide SA 5000

Ambition
Singapore
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Telephone +65 6438 5000

Stock Exchange Listing
Ambition Group Limited
is listed on the Australian
Stock Exchange
ASX code: AMB

Ambition
Hong Kong
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Ambition Group Limited
and its Controlled Entities
ABN 31 089 183 362

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