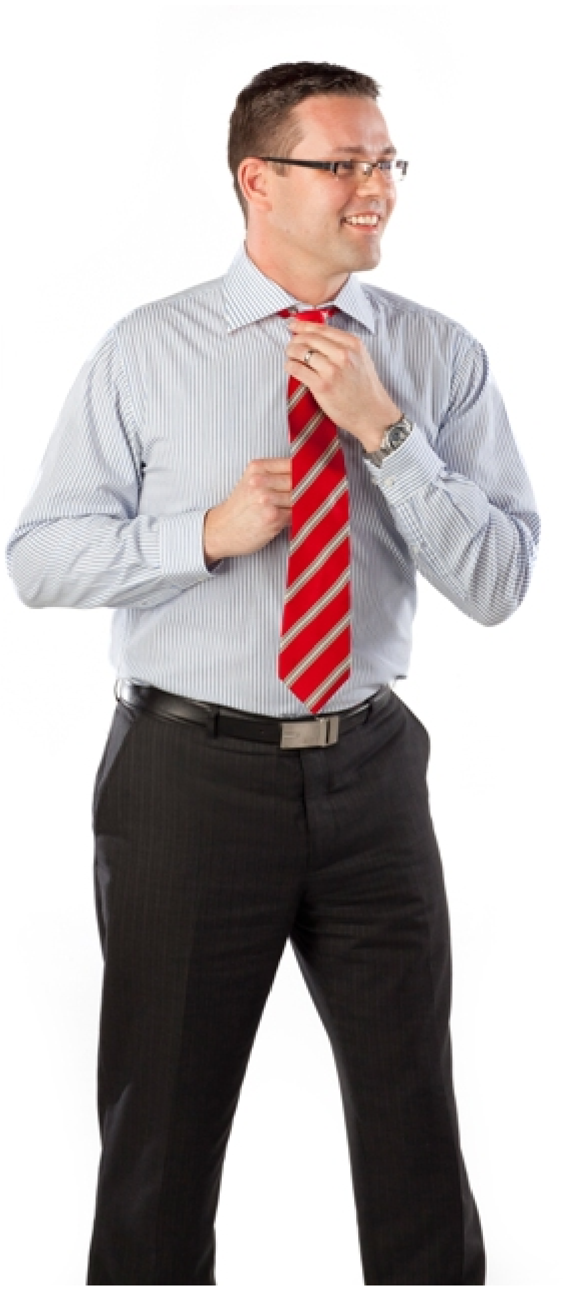
Full Financial Report



For the Financial Year
Ended 30 June 2010

Talent2 International Limited
ABN 19 000 737 744

talent2

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Corporate Governance Statement

The Board of Directors ("the Board") is responsible for the corporate governance practices of Talent2 International Limited ("the Company") and its controlled entities. As with all its business activities, the Company is proactive in relation to corporate governance and puts in place those arrangements that it believes are in the best interests of the Company and its shareholders. It actively reviews corporate governance developments in Australia and overseas, and where appropriate, modifies its policies and practices to comply with best practice.

ASX Corporate Governance Council Corporate Governance Principles and Recommendations

As at the date of this report, the Company complies with the ASX Corporate Governance Council Corporate Governance Principles and Recommendations 2nd edition ("ASX Recommendations").

The Company has posted copies of its charters and policies on its website www.talent2.com ("Talent2 website") in compliance with the ASX Recommendations.

Responsibilities of the Board

The Board has adopted a formal charter that sets out the responsibilities reserved by the Board. This charter is reviewed annually to ensure it remains consistent with accepted practice in the context of the Board's objectives and responsibilities.

The responsibility for the operation and administration of the Company is delegated, by the Board, to the Managing Director and the Executive Management Team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities.

The role of the Board is:

- to bring an independent and objective view to the Company's decisions; and
- to oversee the performance and activities of management.

The Board's primary functions are to:

- establish Talent2's strategic vision, values and ethical standards;
- delegate appropriate authority and responsibilities to the Executive Management team;
- ensure a commercial focus, establish a platform for sustainable growth and deliver long term value to shareholders;
- maintain high standards of legal and regulatory compliance; and
- ensure effective controls are in place to protect Talent2's assets and to minimise vulnerabilities and risk.

The Board's responsibilities are to:

- uphold the standards of the Talent2 Constitution including the rules governing changes to its constitution;
- report to shareholders at an Annual General Meeting at least once every year;
- determine Talent2's ongoing capital management needs including new share issues and the payment of dividends;
- approve and monitor the progress of major investments, acquisitions and divestitures;
- set appropriate remuneration policies;
- appoint, set criteria and monitor the ongoing performances of the Executive Management team including the Managing Director; and
- appoint the external auditor and other advisors it deems appropriate.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Group, in discharging its stewardship it makes use of committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

To this end, the Board has established the following committees:

> Audit and Risk Committee
> Remuneration Committee
> Nomination Committee
> International Business Development Committee
> Acquisitions Committee

The roles and responsibilities of these committees are discussed throughout this corporate governance statement.

Directors may enter into arrangements with the Company, individually or through their companies, including acting in a professional capacity for the Company. These arrangements are subject to the restrictions of the Corporations Act 2001.

Structure of the Board

The Board believes that its membership should comprise directors with an appropriate mix of skills, experience, and personal attributes, that allows the Board collectively to discharge their duties, understand the business risks, and enhance the Company's opportunities and vision. As at the date of this report, the Board consists of six directors; one executive director and five non-executive directors.

The Chair of the Board, Ken Allen AM, is an independent director in compliance with ASX Recommendations. He was appointed a director and Chair on 4 October 2006.

The executive director is the Managing Director, Andrew Banks.

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the report are detailed in the Directors' Report.

The term in office held by each director in office at the date of this report is as follows:

Name	Term in Office
Ken Allen AM	4 years
Andrew Banks	8 years
Ken Borda	2 years
Pam Laidlaw	2 years
Geoff Morgan	7 years
Hans Neilson	4 years

Independence of Directors

With reference to the ASX Recommendations, as at the date of this report, the following directors are considered to be independent directors of the Company:

Name	Position
Ken Allen AM	Chairman, non-executive director
Ken Borda	Non-executive director
Pam Laidlaw	Non-executive director
Hans Neilson	Non-executive director

Upon appointment to the position of director, each director is required to complete a statement of independence. This is reviewed annually to confirm continued independence. As part of their review, the Board takes regard of the definition of independence as set out in Box 2.1 of the ASX Recommendations and the Company's materiality threshold of amounts above $100,000, in relation to suppliers or contractual relationships.

Should a director's status change during the year they are required to advise the Chair and Company Secretary immediately. Where appropriate the Company Secretary then notifies the change directly to the ASX.

With the prior approval of the Chair, each director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors.

Evaluation of the Performance of Board, its Committees and each Director

The Board, through the Chair, undertakes an annual assessment of the performance of the Board as a whole, including its committees and individual directors. The review measures performance against both qualitative and measurable indicators including those set out in the:

> Code of Conduct
> Board Charter
> Committee Standing Rules
> Relevant Committee Charters

Performance evaluations of the Board and its members took place in accordance with this procedure during the current reporting period. The Chair met privately with each director to discuss their individual and collective performance. The aim of this review was to establish the value and contribution that each director brings to the Company and to ensure expertise and experience are appropriately aligned with their committee memberships. The Board is confident that it contains an appropriate level of expertise, entrepreneurial capacity and governance experience.

Executive Management Team Performance Evaluation

The Remuneration Committee takes an active role in reviewing the performances of all members of the Executive Management Team. The Committee is responsible for recommending to the Board for approval the remuneration of the Managing Director, Chief Executive Officer and Chief Financial Officer. As at the date of this report the performance of all members of the Executive Management Team of the Company has been reviewed against specified qualitative and measurable indicators and in accordance with the procedures specified in the Performance Evaluation Policy published on the Talent2 website.

Share Trading Policy

The Company takes seriously its responsibility to ensure that public confidence is maintained through the adoption of a formal trading policy governing trading in the Company's securities by "potential insiders". The policy dictates specific periods during the year when employees and family members are able to trade in the Company's securities. This is monitored by the Company Secretary through a regular review of trading in the Company's securities, additionally all significant trades are reported to the Board. Any trading outside of the specified periods requires prior approval of the Company Secretary and a confirmation that the party is not privy to price sensitive information that is not generally available to the market.

The share trading policy is published on the Talent2 website.

Continuous Disclosure

The Company has a formal Continuous Disclosure policy which provides guidance to the Board and the executive management team to ensure:

> Full and timely disclosure of Talent2's activities to shareholders and the market

> Equal opportunity for all stakeholders to receive and obtain externally available information issued by Talent2

> Compliance with all applicable laws and regulations

> Disclosure in accordance with "best practice"

CEO and CFO certification

In accordance with section 295A of the Corporations Act, the CEO and CFO have provided a written statement to the Board that:

> Their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board.

> The Company's risk management and internal compliance and control system is operating effectively in all material respects.

The Board agrees with the views of the ASX on this matter and notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

In response to this, prior to the declaration being made by the CEO and CFO, key management personnel are consulted as to the current effective operation of internal controls.

Audit and Risk Committee

The Company has an Audit and Risk Committee under the authority and governance of the Company's Audit and Risk Committee Charter, approved by the Board. This committee consists of three non-executive directors, of which a majority are independent.

The members of the Audit and Risk Committee during the year were:

Name	Position
Pam Laidlaw	Chair
Hans Neilson	Committee Member
Geoff Morgan	Committee Member appointed 10 Feb 2010
Mary Beth Bauer	Committee Member retired 21 Oct 2009

The qualifications and responsibilities of the members of the Audit and Risk Committee are set out in the Directors' Report.

The Board considers the composition of the Audit and Risk Committee to be appropriate at this stage given the size of the Company, the extent of its operations and the qualifications of its members.

The Audit and Risk Committee meets at least twice annually, with authority to convene additional meetings as circumstances require. Its responsibilities include:

- Reviewing management information systems and systems of internal control
- Reviewing the external audit function including the audit plans and audit reviews
- Reviewing financial reports prior to their approval by the Board
- Monitoring financial and liquidity aspects of the Company's activities
- Requiring the Chief Executive Officer and the Chief Financial Officer to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards
- Requiring the Chief Executive Officer and Chief Financial Officer to state in writing to the Board that their statement regarding the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the risk management system is operating efficiently and effectively in all material respects
- Reviewing the systems for monitoring the Company's compliance with laws and regulation
- Consideration and investigation of financial and operational risks identified by management and the external auditors

The Audit and Risk Committee has appointed a sub committee to establish policies as to risk oversight as well as the design and implementation of a risk management and internal control system to manage material business risks. Additionally, reporting on the risk management and internal control system is made to the Board by the Chief Executive Officer and Chief Financial Officer as part of their annual statement representing that the financial report presents a true and fair view. The Audit and Risk Committee also regularly reviews the policies in consideration of changing circumstances.

On a regular basis, the Chair of the Audit and Risk Committee meets separately with the external auditors to discuss any matter that either believes should be discussed privately. In addition, the external auditor is requested to attend all shareholder meetings of the Company, including the Annual General Meeting, to be available to answer shareholder questions regarding the conduct of the audit and the preparation and content of the auditor's report.

The number of Audit and Risk Committee meetings including attendance at those meetings is set out in the Directors' Report. The Audit and Risk Committee Charter is published on the Talent2 website.

Remuneration Committee

The Company has a Remuneration Committee under the authority and governance of the Company's Remuneration Committee Charter, approved by the Board. The Committee reviews and advises the Board on remuneration policies which will best support the long-term performance objectives of the Company. The Company maintains a policy of remuneration based on goal congruence between shareholders, directors and the executive management team. Further details regarding the Company's remuneration policies are outlined in the Remuneration Report within the Directors' Report and the Remuneration Committee Charter is published on the Talent2 website.

This committee currently consists of three non-executive directors, of which the majority are independent.

The members of the Remuneration Committee during the year were:

Name	Position
Hans Neilson	Chair
Geoff Morgan	Committee Member
Pam Laidlaw	Committee Member appointed 21 Oct 2009
Mary Beth Bauer	Committee Member retired 21 Oct 2009

The Board considers the composition of the Remuneration Committee to be appropriate at this stage given the size of the Company, the extent of its operations and the qualifications of its members.

The Remuneration Committee's responsibilities include:

> The establishment and review of appropriate remuneration and incentive plans for all directors and executive employees

> The establishment and granting of all equity based incentive plans for directors, executive and employees.

There are no schemes for retirement benefits other than statutory superannuation for non-executive directors.

The number of Remuneration Committee meetings and attendance at those meetings is set out in the Directors' Report.

Nomination Committee

The Company has a Nomination Committee under the authority and governance of the Company's Nomination Committee Charter, approved by the Board. This Committee currently consists of all directors, four of whom are independent. The Nomination Committee Charter is published on the Talent2 website. The Nomination Committee:

> Reviews current and desirable competencies of the Board

> Evaluates Board performance

> Recommends the appointment and removal of directors based on their performance review and assessment of competencies

> Manages the Board succession plan

The Nomination Committee does not meet separately, with any relevant matters being attended to in regular meetings of the full Board, as described in the Directors' Report.

International Business Development Committee

The International Business Development Committee is tasked with determining the strategic direction of the Company's offshore expansion and identifying future opportunities in regional markets. The members of the International Business Development Committee during the year were:

Directors	Executives
Ken Borda (Chair)	John Rawlinson (CEO)
Andrew Banks	
Geoff Morgan	

The International Business Development Committee does not meet separately, with any relevant matters being attended to in regular meetings of the full Board, as described in the Directors' Report.

Acquisitions Committee

The responsibilities of the Acquisition Committee are to identify potential acquisition opportunities, assess them against the Company's acquisition criteria, determine the appropriate funding mix and if the acquisition criteria are met, present them to the full Board for consideration and approval.

The members of the Acquisitions Committee during the year were:

Directors	Executives
Ken Allen AM (Chair)	John Rawlinson (CEO)
Andrew Banks	Martin Brooke (CFO)
Ken Borda	
Pam Laidlaw	

The Acquisitions Committee meets at least twice annually and as required.

Code of Conduct

As part of the Board's commitment to the highest standard of conduct, the Company adopts a code of conduct to guide directors, executives and employees in carrying out their duties and responsibilities. The code of conduct covers:

> Responsibilities to shareholders and the community
> Responsibilities to customers
> Responsibilities to employees
> Privacy
> Conflicts of interest
> Gifts and entertainment
> Confidentiality
> Fair dealing
> Protection of and proper use of company assets
> Compliance with laws and regulations
> Reporting of unlawful or unethical behaviour and compliance with the code

The Code of Conduct is published on the Talent2 website.

Directors' Report

Your directors present their full financial report on the Company and its controlled entities (the consolidated entity) for the financial year ended 30 June 2010.

Directors

The names and details of the Company's directors in office at any time during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Ken Allen AM
Chair (Non-Executive)

Ken has extensive international investment banking experience. He is currently a Senior Advisor to UBS Australia and Lexington Partners and Chairman Emeritus of Advance, the world's leading network of Australian professionals and entrepreneurs abroad. Prior to returning to Sydney in April 2006, Ken was the Australian Consul General in New York and was responsible for representing Australian interests in the United States. His major focus was the facilitation of US direct investment in Australia and the negotiation of the Australian American Free Trade Agreement. Prior to that, Ken held senior positions in the UK, USA and Australia with the World Bank and other Investment Banks, including Merrill Lynch, County NatWest and Macquarie Bank. Ken holds a Bachelor of Economics (Hons) from the University of Adelaide. He is a Board member of the Australian Chamber Orchestra and has served on the Boards of the NSW Treasury Corporation, Film Finance Corporation, the State Bank of NSW and Australia Post.

Ken joined the Talent2 Board as Chair in October 2006. He is also currently Chair of the Nominations Committee and the Acquisitions Committee. He has not held any directorships in any other listed companies in the prior three years.

Andrew Banks
Managing Director (Executive)

Andrew provides the Board with more than 21 years' experience in managing service businesses across the Asia Pacific region, and is widely regarded as a dynamic thought leader in the area of human capital management. Andrew is an active principle of Morgan & Banks Investments, one of Talent2's significant shareholders. In partnership with fellow director Geoff Morgan, he built up the Morgan & Banks recruitment business to generate more than A$700 million in sales before it was sold to TMP/Monster.com in 1999.

Andrew has been a Talent2 Board member since September 2002. He is the Company's Managing Director and a member of the Nominations Committee, Acquisitions Committee and International Business Development Committee. He has held no directorships in other listed companies in the prior three years.

Ken Borda
Director (Non-Executive)

Ken's investment banking career spans more than twenty years in Australia, Asia, the Middle East and North Africa. He is now based in Asia. For 18 years, Ken held senior positions with Deutsche Bank, most recently in Dubai as Chief Executive of MENA (Middle East North Africa), before retiring in April 2007. From 1999 to 2002 Ken was Deutsche Bank's CEO Australia and New Zealand based in Sydney, before moving to Hong Kong as CEO Asia Pacific. He has degrees in Arts and Law from the University of New South Wales.

Ken was appointed to the Talent2 Board in August 2008 and he is Chair of the International Business Development Committee and member of the Acquisitions Committee and the Nomination Committee. Ken is currently a director of Santos Limited (appointed 14 February 2007); Fullerton Funds Management, an Asian asset management fund owned by Temasek in Singapore; Ithmaar Bank, a listed investment and commercial bank based in Bahrain; Leighton Contractors Pty Limited; and a member of the Asia Pacific advisory Board of Aviva Pte Ltd including the Aviva Board of Directors and audit committees in Hong Kong and Singapore.

Pam Laidlaw
Director (Non-Executive)

Pam has extensive experience in finance, formerly as Group Finance Director of Morgan & Banks. Previous positions were with Oligilvy & Mather in Sydney and Price Waterhouse in Sydney and New York. Pam holds a Bachelor of Business Administration (University of New York) and qualified as a Certified Public Accountant (New York, USA).

Pam joined the Talent2 Board in March 2008 and is Chair of the Audit and Risk Committee as well as a member of the Remuneration Committee, Nominations Committee and Acquisitions Committee. Pam is also on the Board of the Eye Foundation which is the medical eye specialists' foundation, dedicated to restoring sight and preventing vision loss throughout Australasia. She has held no directorships in other listed companies in the prior three years.

Geoff Morgan
Director (Non-Executive)

Geoff has more than 30 years' experience in sales and marketing as well as global experience in all aspects of human capital services. He is currently Chairman of Morgan & Banks Investments Pty Ltd. Prior to this role, he was regional Chairman for TMP Worldwide. Along with his partner, Andrew Banks, he was a director of Morgan & Banks Limited from its inception through to its sale to TMP/Monster.com in 1999. Geoff and Andrew have co-authored four books on recruiting and in 2004 were the recipients of the Ernst & Young "Master Entrepreneur of the Year" Award for sustained success in business.

Geoff has been a Talent2 Board member since September 2003. He is a member of the Audit and Risk Committee, Remuneration Committee, Nominations Committee and International Business Development Committee. He is a Board director of several unlisted companies including, The Australian Motor Sport Foundation, The Heat Group Pty Limited, LinkMe Pty Limited and The World Scout Foundation – Australian Chapter. He has held no directorships in other listed companies in the prior three years.

Hans Neilson
Director (Non-Executive)

Hans has extensive international information technology and human resource experience. He joined Hewlett Packard in 1976 and held numerous positions including Interim Managing Director Australia and Managing Director New Zealand. Prior to retiring from Hewlett Packard he was Vice President, leading its Human Resources function for the Technology Solutions Group in Asia Pacific. He was also a director for Hewlett Packard Australia and New Zealand from 1987 to 2006. For over ten years Hans was an evaluator for the Australian Quality Awards and a member of the Victorian State Committee for the Australian Quality Council. Hans has participated in numerous community and industrial forums, and holds a Bachelor of Engineering from Victoria University of Technology (Vic).

Hans joined the Talent2 Board in August 2006 and is the Chair of the Remuneration Committee and a member of the Nominations Committee and the Audit and Risk Committee. He has held no directorships in other listed companies in the prior three years.

Mary Beth Bauer
Deputy Chair (Non-Executive), retired 21 October 2009

Mary Beth brought to the Talent2 Board extensive experience in corporate finance, investor relations and mergers and acquisitions. In addition to her corporate financial expertise, Mary Beth is also founder and Managing Director of Value Enhancement Management Pty Ltd, the leading provider of strategic stakeholder solutions. Mary Beth previously held senior executive investor relations positions with Coles Myer and Mayne Nickless and is currently on the Board of the Queen Elizabeth Centre of Victoria. Her credentials include a Bachelor of Economics (University of California), Australian Chartered Accountant, Certified Public Accountant (US) and fellow of the Australian Institute of Company Directors.

Mary Beth joined the Talent2 Board in November 2001, and served as Talent2's Chair between 2002 and 2006. She has held no directorships in other listed companies in the prior three years.

Other Executives

The names and details of the Company's executives in office at any time during the financial year and until the date of this report are as follows.

John Rawlinson
Chief Executive Officer

John has over 20 years' experience across nearly all areas of recruiting and human resources, in particular business to business sales and marketing, as well as the design and development of outsourced HR solutions. He started his career at Morgan & Banks where he was a former Director of Victorian Operations before being appointed founding CEO of the specialist IT&T recruitment company MBT. In 2001 he moved to the United States with TMP Worldwide as Executive VP Sales and Marketing. John holds a Bachelor of Education from Victoria University and a Graduate Diploma in Entrepreneurship and Innovation from Swinburne University.

Martin Brooke
Chief Financial Officer

Martin has over 16 years' experience in senior financial positions both within the accounting profession and the human resources industry. Prior to joining Talent2 in June 2003, Martin held the position of Group Controller Asia Pacific for TMP Worldwide, with responsibility for the group's finance team throughout the region. Martin has a BA in Accounting (University of Kent, Canterbury) and is a member of the Institute of Chartered Accountants in England and Wales.

As Chief Financial Officer, Martin has responsibility for all finance and accounting matters and the Group's IT infrastructure.

Company Secretary

The names and details of the Company Secretary in office at any time during the financial year and until the date of this report are as follows.

David Patteson
Company Secretary

David has over 14 years' experience in various tax and financial accounting positions in a broad range of industries. He is an Australian Chartered Accountant and has a Bachelor of Business (Accounting, Human Resource Management) (Charles Sturt University); a Diploma of Applied Finance and Valuation (Financial Services Institute of Australasia); and Graduate Diploma of Applied Corporate Governance (Chartered Secretaries Australia).

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Talent2 International Limited were:

	Number of Ordinary Shares	Number of options over ordinary shares
Ken Allen AM	50,800	100,000
Andrew Banks*	29,733,924	100,000
Ken Borda	139,196	100,000
Pam Laidlaw	28,460	100,000
Geoff Morgan*	29,597,369	100,000
Hans Neilson	30,000	100,000

* Includes shares held by Morgan & Banks Investments, a company associated with both Andrew Banks and Geoff Morgan.

Principal Activities

The principal activities of the consolidated entity during the financial year were the development, sale and support of people management and eLearning software, executive recruitment and contracting, training administration and the provision of human resources managed services solutions. There were no significant changes in the nature of the consolidated entity's principal activities during the financial year.

Operating Results

The consolidated entity reported:

- revenue of $242.6 million
- earnings before interest, taxation, depreciation and amortisation (EBITDA) of $19.8 million
- consolidated profit, after providing for income tax, of $5.8 million

Dividends

A 100% franked dividend of 4.0c per share for the year ended 30 June 2010 was declared on 11 August 2010 and will be paid on 14 September 2010.

The Board did not declare a dividend for the year ended 30 June 2009.

Review of Operations

The consolidated entity is reporting revenue of $242.6m, and EBITDA of $19.8m. Revenue has shown a modest improvement of 6%, while EBITDA has increased 87% when compared to the year ended 30 June 2009. This primarily reflects a rebound in the Recruitment division and a return to growth from the Recruitment Processing Outsourcing business which led the trend in trading patterns to recovery in all Managed Services.

The consolidated entity made two of it's most significant acquisitions during the period, Zapper and Sugar. Zapper cements the consolidated entity as a leading player in the HR and Payroll market in Asia. The acquisition of Sugar creates opportunities for the consolidated entity in the vocational education market.

The Recruitment division is reporting revenue of $107.5m, down 6% on the prior year, and EBITDA of $7.1m, compared to a loss of $2.4m in the prior year. The EBITDA result reflects an improvement in trading conditions across almost all of the geographies in which the consolidated entity operates and the impact of the measures taken in the 2009 year to right size the business in line with trading conditions at the time.

The Managed Services division is reporting revenue of $134.8m, up 18% from the prior year, and an EBITDA profit of $12.6m, down slightly on the previous financial year's result of $12.9m indicating the "lag effect" of new Managed Services revenue converting to profit. The Recruitment Process Outsourcing business performed strongly, as clients sought cost effective solutions to meet their recruitment needs. The consolidated entity continued to perform strongly in the provision of payroll outsourcing solutions to the SME market, but there were no major new implementations in the Government and Large Enterprise arena to offset major implementations coming to an end in the financial year, moving to the payroll service provision stage. The impact of the time and effort focused on delivering a large complex government project during the financial year also impacted the EBITDA result.

The consolidated entity is reporting profit before tax of $10.6m, compared to a loss before tax of $5.5m in the prior financial year. The prior year included a one off impairment charge of $6.5m.

The reported result after tax is a profit of $5.8m compared to a loss of $7.6m in the previous financial year. Earnings per share increased to 4.36c from a loss of 6.00c in the previous financial year.

Operating cash, although down on the prior year, which came off a record high in debtors, remains strong at $10.0m. The consolidated entity maintains a strong balance sheet with cash at $24.1m at 30 June 2010 and debt at $32.4m.

Due to strong cash flows and confidence in the external environment in our markets, the Board has re-introduced our dividend policy and declared a 4c dividend, fully franked, in respect to the 2010 financial year.

After Balance Date Events

On 23 July 2010 the consolidated entity acquired the Origin HR group. Origin HR is a leading provider of online vocational education and training (VET). Origin owns its own customised software developed especially for the VET sector and boasts some of the country's leading financial services, banking, legal and accounting firms as its customers. Origin also has a growing franchise business allowing for greater access to regional centres.

Origin HR has annual revenues of approximately $2 million. The acquisition, which required an initial payment of $1.8m, and further payments based on the earnings of Origin HR for the financial years ending 30 June 2011 and 2012, will be funded through a combination of cash (60%), and equity (40%).

Future Developments, Prospects and Business Strategies

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results from those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Environmental Issues

The consolidated entity's operations are not subject to significant environmental regulations in any jurisdiction in which they operate.

Remuneration Report (Audited)

This remuneration report for the year ended 30 June 2010 outlines the remuneration arrangements of the consolidated entity in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the Group receiving the highest remuneration as defined under section 9 of the Act.

The remuneration report is presented under the following sections:

1. Individual key management personnel disclosures
2. Non-executive remuneration arrangements
3. Executive remuneration arrangements
4. Consolidated entity's performance and the link to remuneration
5. Executive contractual arrangements
6. 2010 and 2009 remuneration disclosures
7. Equity instruments disclosures

1. Individual key management personnel disclosures

Details of KMP including the top five remunerated executives of the Group are set out below.

Directors

Name	Position
Ken Allen AM	Chairman, non-executive director
Mary Beth Bauer	Deputy Chairman, non-executive director (retired 21 Oct 2009)
Andrew Banks	Executive director
Geoff Morgan	Non-executive director
Ken Borda	Non-executive director
Pam Laidlaw	Non-executive director
Hans Neilson	Non-executive director

Other key management personnel

Name	Position
John Rawlinson	Chief Executive Officer
Martin Brooke	Chief Financial Officer
Paul Jury	National General Manager, Recruitment Australia / New Zealand
Eileen Aitken	Regional Director, HRIS and Payroll Services (ceased role on 14 May 2010)
Danny Choo	Global General Manager of HRIS/Payroll (commenced role on 31 May 2010)
Andrew Grant	Global Managing Director, RPO (commenced role on 1 January 2010)
David Patteson	Company Secretary

There were no other changes to KMP after the reporting date and before the date the financial report was authorised for issue.

2. Non-executive remuneration arrangements

Remuneration Policy

The Board seeks to set aggregate remuneration at a level that provides the consolidated entity with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually against fees paid to non-executive directors of comparable companies. The Board considers advice from external consultants as to the level of remuneration that the non-executive directors receive as required, whether that be a full review, as was conducted in 2007, or an update on market movements since the previous review.

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Remuneration Committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. In accordance with Rule 7.3(a) of the Company's Constitution and ASX Listing Rule 10.17, the maximum aggregate amount available for non-executive directors' fees was initially approved by shareholders with any subsequent adjustment requiring further shareholder approval at the Company's Annual General Meeting (AGM). Independent external advice is sought when required. The latest determination was at the 2008 AGM held on 22 October 2008 when shareholders approved an aggregate fee pool of $600,000 per year. This pool excludes the grant of options which have been approved in relation to each individual director at previous AGMs.

The Board will not seek any increase in the non-executive director fee pool at the 2010 AGM.

Structure

The remuneration of non-executive directors' consists of directors' fees and committee fees. Non-executive directors do not receive retirement benefits.

Each non-executive director receives a base fee for being a director of the consolidated entity. An additional fee of $2,500 is paid for each Board committee on which a non-executive director sits and $5,000 if the director is a chair of a Board committee. The payment of additional fees for serving on a committee recognises the additional time commitment required by the non-executive director who serves on those Board committees.

Director and committee fees for non-executive directors are not linked to the performance of the consolidated entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the director share option plan which has earnings per share (EPS) performance hurdles required to be met before the options will vest.

Mary Beth Bauer retired from the Board on 21 October 2009 and in doing so forfeited options tested against the consolidated entities performance for the 2010 and 2011 year in the amount of 160,000 options.

The remuneration of non-executive directors for the 2010 and 2009 year is detailed in table 1 and table 2 of this report.

3. Executive remuneration arrangements

Remuneration Policy

The remuneration policy, setting the terms and conditions for the executive directors and other key management personnel, was developed by the Remuneration Committee and approved by the Board. The Remuneration Committee reviews key management personnel packages annually by reference to the consolidated entity's performance, the key management personnel's performance and comparable information from industry sectors and other listed companies in similar industries.

Structure

In the 2010 year, the executive remuneration framework consisted of the following components:

> Fixed remuneration

> Variable remuneration

The table below illustrates the structure of the consolidated entity's executive remuneration arrangements:

Remuneration Component	Vehicle	Purpose	Link to performance
Fixed remuneration	> Represented by total employment cost (TEC) > Comprises base salary and statutory superannuation contributions	> Set with reference to role, market and experience > Executives are given the opportunity to receive their fixed component in a variety of forms including cash and fringe benefits.	> No link to company performance
STI component	> Paid in cash	> Rewards executives for their contribution to the achievement of Group and business unit outcomes, as well as individual key performance indicators (KPI's)	> KPI's include company and business unit financial performance as well as non financial measures
LTI component	> Awards are made in the form of performance rights and options	> Rewards executives for their contribution to the creation of shareholder value over the longer term	> Awards vest based on growth in the consolidated entity's EPS and the achievement of individual KPI's

Fixed remuneration

Executive contracts of employment do not include any guaranteed base pay increases. TEC is reviewed annually by the remuneration committee. The process consists of a review of company, business unit and individual performance, as well as relevant market information.

The fixed component of executives' remuneration is detailed in table 1.

Variable remuneration — short-term incentive (STI)

The Group operates an annual STI program that is available to executives and awards a cash bonus subject to the attainment of clearly defined Group, business unit and individual measures.

The total potential STI available to each executive is set at a level so as to provide sufficient incentive to executives to achieve the operational targets and such that the cost to the consolidated entity is reasonable in the circumstances.

Actual STI payments awarded to each executive depend on the extent to which specific targets set at the beginning of the financial year are met. The targets consist of a number of key performance indicators (KPIs) covering both financial and non-financial, corporate and individual measures of performance.

Performance Measures	Portion of STI award measure applies to
Financial Measure > EBITDA achieved > Working capital management > Business growth and expansion	70% to 80%
Non-financial performance > Employee engagement > Team contribution > Customer service	20% to 30%

These measures were chosen as they represent the key drivers for the short-term success of the business and provide a framework for delivering long-term value.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on KPIs achieved. Following the assessment, the KPIs are reviewed by the Remuneration Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the consolidated entity's goals and shareholder wealth, before the KPIs are set for the following year.

On an annual basis, after consideration of performance against KPIs, the remuneration committee, in line with their responsibilities, determine the amount, if any, of the short-term incentive to be paid to each executive. This process usually occurs within two months after the reporting date. Payments made are delivered as a cash bonus in the following reporting period. The 2010 bonuses were approved by the remuneration committee on 5 August 2010.

Variable remuneration – long-term incentives (LTI)

LTI awards are made annually to executives in order to align remuneration with the creation of shareholder value over the long-term. As such, LTI awards are only made to executives and other key talent who have an impact on the Group's performance against the relevant long-term performance measure.

LTI – Long Term Incentive Plan (LTIP)

Structure

Awards are made to executives under the long term incentive plan and are delivered in the form of performance rights and options. Each performance right and option entitles the holder to one fully paid ordinary share in the Company. The number of performance rights and options issued is based on the executive's achievement of the performance measures and those issued vest over a period of up to three years, subject to tenure. If the performance measures are not met for a particular issue, there is no opportunity to retest. Performance rights are valued using the share price at the grant date adjusted for the present value of estimated dividends during the vesting period and adjusted for the probability of achievement of vesting conditions. The options are valued using the binomial method. The exercise price of the options is set at the 20 day volume weighted average price the date of grant.

Performance measure for determining vesting

The consolidated entity uses 50% EPS growth achievement and 50% achievement of individual KPIs by the executive as the performance measure for the long term incentive plan.

Determination of the amount to be issued is made by the remuneration committee based on the performance of each individual executive.

LTI – Employee Share Option Plan (ESOP)

Structure

Awards to executives are made under the employee share option plan and are delivered in the form of share options. Each option entitles the holder to one fully paid ordinary share in the Company. The number of options issued is based on the executive's target LTI. The options will vest over a period of four years subject executive remaining an employee of the consolidated entity. The options are valued using the binomial method. The exercise price of the options is set at the 20 day volume weighted average price the date of grant. Executives are able to exercise the options up to the fifth anniversary of the grant before they will lapse.

During the 2010 year options were granted to executives in accordance with the rules of the employee share option plan and as disclosed in section 7, table 4 to this remuneration report. Options are valued using the binomial methodology and are disclosed as a component of the executives remuneration in line with the eligible service period. In prior years the total value had been disclosed in the year of grant not over the eligible service period. The 2010 and 2009 disclosures contained in this report reflect the portion of the eligible service period that occurred within those respective years.

Termination provisions

Where a participant ceases employment prior to the vesting of their award, the options or performance right is forfeited unless the Board applies its discretion to allow vesting at or post cessation of employment in appropriate circumstances.

4. Consolidated entity's performance and the link to remuneration

Company performance and its link to short-term incentives

The most significant measure driving STI payment outcomes is the financial performance of the consolidated entity. The following table outlines the consolidated entity's financial performance over the five-year period to 30 June 2010.

	2006	2007	2008	2009	2010
Revenue	$99.6m	$153.4m	$229.3m	$229.0m	$242.6m
Net Profit / (Loss) before income tax	$5.16m	$9.83m	$13.13m	($5.47m)	$10.55m
EPS	3.3 cents	5.71 cents	7.63 cents	(6.00 cents)	4.36 cents
Share Price at year-end	$1.30	$2.85	$1.13	$0.83	$1.42
Market capitalisation at year end	$152.7m	$342.7m	$139.1m	$105.2m	$199.6m

The Group's financial performance in 2010 reflects a return to more normal trading conditions across all the markets in which the Group operates. Given the result, the executives, as approved by the remuneration committee on 5 August 2010 generally received bonuses in excess of those received in the previous financial year.

Company performance and its link to long-term incentives

The LTIP has been designed with the aim of increasing goal congruence between shareholders and executives. LTI awards under this plan are based on the annual growth of the Group's EPS and achievement of individual KPI's as noted previously. The table above shows the consolidated entity's EPS and adjusted EPS for the past five years (including the current period) to 30 June 2010.

As a result of the Company's performance over this and previous years, LTIs awarded under the LTIP have been granted as follows:

Test Year	% Awarded	Vesting
30 June 2008	50% to 100%	100% August 2010
30 June 2009	0% to 50%	25% August 2010 75% August 2011
30 June 2010	75% to 100%	100% August 2011

5. Executive contractual arrangements

The employment conditions of the specified executives are formalised in contracts of employment. The Managing Director, Andrew Banks, has no formal contract of employment. All key management personnel are permanent employees of the consolidated entity.

The employment contracts stipulate a one to three month resignation period. The consolidated entity may terminate an employment contract by providing written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment calculated in accordance with the local laws in the country in which that person is employed. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the consolidated entity can terminate employment at any time. Any options not vested before or on the date of termination will lapse at the point of termination.

6. 2010 and 2009 Remuneration disclosures

Remuneration of key management personnel and the five highest paid executives of the consolidated entity

Table 1: Cash based remuneration

Directors		Cash, Salary and Commissions $	Superannuation $	Cash Bonus $	Long Service Leave $	Total $
Ken Allen AM	2010	92,982	8,368	-	-	101,350
	2009	87,982	7,918	-	-	95,900
Mary Beth Bauer	2010	25,833	2,325	-	-	28,158
(retired 21 Oct 09)	2009	77,083	6,938	-	-	84,021
Andrew Banks	2010	245,986	22,139	250,000	4,412	522,537
	2009	245,986	22,139	100,000	1,997	370,122
Ken Borda	2010	79,525	4,950	-	-	84,475
	2009	68,750	6,188	-	-	74,938
Pam Laidlaw	2010	62,500	5,625	-	-	68,125
	2009	60,000	5,400	-	-	65,400
Geoff Morgan	2010	60,000	-	-	-	60,000
	2009	60,000	-	-	-	60,000
Hans Neilson	2010	60,000	5,400	-	-	65,400
	2009	59,167	5,325	-	-	64,492
Albert "Bud" Hawk	2010	-	-	-	-	-
(resigned 1 Aug 08)	2009	4,583	-	-	-	4,583
Other Key Management Personnel						
John Rawlinson	2010	424,289	14,461	150,000	18,212	606,962
	2009	391,055	35,195	50,000	11,628	487,878
Martin Brooke	2010	274,500	18,000	100,000	6,362	398,862
	2009	274,500	18,000	40,000	3,203	335,703
Paul Jury	2010	278,755	13,745	150,000	4,828	447,328
	2009	278,755	13,745	30,000	2,542	325,042
Eileen Aitken	2010	237,378	12,933	25,000	3,404	278,715
(ceased 14 May 10)	2009	206,255	13,745	200,000	3,888	423,888
Danny Choo	2010	22,309	7,835	-	19	30,163
(commenced 31 May 10)	2009	-	-	-	-	-
Andrew Grant	2010	222,044	1,713	90,483	-	314,240
(commenced 1 Jan 10)	2009	-	-	-	-	-
David Patteson	2010	160,550	14,450	16,000	413	191,413
	2009	160,550	15,275	9,174	217	185,216
Total Key Management	2010	2,246,651	131,944	781,483	37,650	3,197,728
Personnel	2009	1,974,666	149,868	429,174	23,475	2,577,183

Table 2: Share Based Payments – Accounting Value at Grant Date recognised over the Performance Period

		Options	Performance Rights	Shares	Total	Performance Related
		$	$	$	$	%
Directors						
Ken Allen AM	2010	7,890	-	-	7,890	7.2
	2009	-	-	-	-	-
Mary Beth Bauer	2010	-	-	-	-	-
(retired 21 Oct 09)	2009	-	-	-	-	-
Andrew Banks	2010	8,914	-	-	8,914	48.7
	2009	-	-	-	-	-
Ken Borda	2010	4,634	-	-	4,634	5.2
	2009	-	-	-	-	-
Pam Laidlaw	2010	4,634	-	-	4,634	6.4
	2009	-	-	-	-	-
Geoff Morgan	2010	8,914	-	-	8,914	12.9
	2009	-	-	-	-	-
Hans Neilson	2010	7,890	-	-	7,890	10.8
	2009	-	-	-	-	-
Other Key Management Personnel						
John Rawlinson	2010	235,898	182,762	-	418,660	55.4
	2009	154,771	182,762	-	337,533	47.0
Martin Brooke	2010	114,347	91,381	-	205,728	50.6
	2009	64,480	91,381	-	155,861	40.1
Paul Jury	2010	34,260	115,019	-	149,279	50.2
	2009	41,705	115,019	-	156,724	38.8
Eileen Aitken	2010	31,463	23,102	-	54,565	23.9
(ceased 14 May 10)	2009	35,185	23,102	-	58,287	53.6
Danny Choo	2010	587	775	-	1,362	4.3
(commenced 31 May 10)	2009	-	-	-	-	-
Andrew Grant	2010	46,990	97,480	-	144,470	51.5
(commenced 1 Jan 10)	2009	-	-	-	-	-
David Patteson	2010	8,391	-	-	8,391	12.2
	2009	8,391	-	-	8,391	9.1
Total Key Management	2010	514,812	510,519	-	1,025,331	42.8
Personnel	2009	304,532	412,264	-	716,796	34.8

* In accordance with the requirements of the Accounting Standards, the fair value of the equity instrument is determined at grant date and disclosed as a component of remuneration over the service period required to be completed by the key management personnel. The amount of the equity incentive disclosed as remuneration in prior years has been the full value at the date of grant and not progressively over the service period. The 2009 comparative disclosure contained in this report has been updated to reflect the progressive disclosure over the service period. The amounts included as remuneration are not necessarily indicative of the benefit (if any) that individual key management personnel may ultimately realise should the equity instrument vest.

7. Equity instrument disclosures

Table 3: Equity instruments awarded and vested during the year

	Equity Instrument	Awarded No.	Award date	Fair Value per instrument at award date $	Exercise Price $	Expiry date	First Exercise Date	Last Exercise Date	Vested No.	Vested %
Danny Choo	Options	50,000	16-Jun-10	0.56	1.41	16-Jun-15	16-Jun-11	16-Jun-14	-	-
	Performance Rights	50,000	16-Jun-10	1.24	-	1-Aug-15			-	-
Andrew Grant	Options	275,000	8-Jan-10	0.74	1.42	8-Jan-15	8-Jan-11	8-Jan-14	-	-
	Performance Rights	250,000	9-Dec-09	1.25	-	1-Aug-15			-	-
	Options	325,000							-	-
	Performance Rights	300,000							-	-

*Details of vesting periods and conditions are contained in the Directors report on page 26 under "Performance based remuneration"

Table 4: Value of Equity Instruments awarded, exercised and lapsed during the year

	Equity Instrument	Value of equity instrument granted during the year $	Value of equity instrument exercised during the year $	Value of equity instrument lapsed during the year $	Remuneration consisting of equity instruments for the year %
Directors					
Mary Beth Bauer	Options	-	-	71,312	-
Other Key Management Personnel					
John Rawlinson	Options	-	47,648	34,000	23.0
	Performance Rights	-	-	9,421	17.8
Martin Brooke	Options	-	23,824	5,100	18.9
	Performance Rights	-	-	4,646	15.1
Paul Jury	Options	-	29,780	20,400	5.7
	Performance Rights	-	-	8,927	19.3
Eileen Aitken	Options	-	7,445	5,100	9.4
(ceased 14 May 10)	Performance Rights	-	-	142,847	6.9
Danny Choo	Options	28,185	-	-	1.9
(commenced 31 May 10)	Performance Rights	61,964	-	-	2.5
Andrew Grant	Options	203,308	-	-	10.3
(commenced 1 Jan 10)	Performance Rights	311,624	-	1,328	21.4

There were no alterations to the terms of the equity instruments awarded as remuneration since their award date.

Table 5: Shares issued on exercise of options

	Equity Instrument	Shares Issued No.	Paid per share $	Unpaid per share $
Other key management personnel				
John Rawlinson	Options	80,000	1.19	-
Martin Brooke	Options	40,000	1.19	-
Paul Jury	Options	50,000	1.19	-
Eileen Aitken	Options	12,500	1.19	-

Meetings of Directors

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

Committee Meetings

	Directors' Meetings		Audit and Risk Committee		Remuneration Committee		Acquisitions Committee	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Ken Allen AM	6	6	-	-	-	-	3	3
Mary Beth Bauer *	1	1	1	1	1	1	-	-
Andrew Banks	6	6	-	-	-	-	3	3
Ken Borda	6	6	-	-	-	-	3	3
Pam Laidlaw	6	6	3	3	2	2	3	3
Geoff Morgan	6	5	1	1	3	3	-	-
Hans Neilson	6	6	3	3	3	3	-	-

*retired 21 Oct 09

The Nominations Committee consists of all Board Members. All matters associated with the Nominations Committee and the International Business Development Committee have been dealt with during normal directors' meetings.

Indemnifying Officers or Auditor

The Company has paid premiums to insure all directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

The Company is bound by confidentiality agreements and is unable to disclose any further details of the indemnity provided.

At no time has the Company given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums on behalf of the Auditor.

Options

At the date of this report, the unissued ordinary shares of Talent2 International Limited under option are as follows:

Parcel	Grant Date	Date of Expiry	Exercise Price	Number Under Option	Vested Units	Non-Vested Units
T*	31 Jan 06	31 Jan 11	$ 1.05	16,000	16,000	-
U*	15 Jun 06	15 Jun 11	$ 1.15	35,000	35,000	-
V*	17 Jul 06	17 Jul 11	$ 1.34	795,750	795,750	-
W*	25 Oct 06	25 Oct 11	$ 1.57	30,000	21,250	8,750
X	30 Jun 07	30 Jun 12	$ 1.57	400,000	80,000	320,000
Y	7 Feb 07	7 Feb12	$ 1.88	25,000	18,750	6,250
Z	16 May 07	16 May 12	$ 2.64	13,000	9,750	3,250
A	8 Aug 07	8 Aug 12	$ 3.01	889,500	667,125	222,375
B	10 Sep 07	10 Sep 13	$ 2.93	655,200	-	655,200
D	20 Feb 08	20 Feb 13	$ 2.25	59,000	29,500	29,500
E	23 Apr 08	23 Apr 13	$ 1.78	35,000	17,500	17,500
F	13 Aug 08	13 Aug 13	$ 1.25	60,000	30,000	30,000
G	22 Oct 08	30 Jun 12	$ 1.50	200,000	40,000	160,000
H	22 Oct 08	22 Oct 13	$ 1.04	2,713,505	630,845	2,082,660
I	12 Dec 08	12 Dec 13	$ 0.62	20,000	5,000	15,000
J	18 Feb 09	18 Feb 14	$ 0.63	64,000	16,000	48,000
K	20 Feb 09	20 Apr 14	$ 0.55	20,000	5,000	15,000
L	3 Jun 09	3 Jun 14	$ 0.68	4,943,750	1,148,750	3,795,000
M	11 Aug 09	11 Aug 14	$ 0.93	80,000	20,000	60,000
N	21 Oct 09	21 Oct 14	$ 1.45	30,000	-	30,000
O	8 Jan 10	8 Jan 15	$ 1.42	295,000	-	295,000
P	15 Feb 10	15 Feb 15	$ 1.33	100,000	-	100,000
Q	21 Apr 10	21 Apr 15	$ 1.46	140,000	-	140,000
R	16 Jun 10	16 Jun 15	$ 1.41	90,000	-	90,000
S	1 Jul 10	1 Jul 15	$ 1.42	50,000	-	50,000
				11,759,705	3,586,220	8,173,485

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate.

During the year ended 30 June 2010, the following ordinary shares of Talent2 International Limited were issued on the exercise of options granted under the Talent2 International Limited Employee Option Plan. No amounts are unpaid on any of the shares.

Parcel	Grant Date	Exercise Price	Number of Shares Issued
O*	1 Jul 04	$ 0.97	5,000
R*	16 Feb 05	$ 1.37	52,500
S*	24 Jun 06	$ 1.19	956,600
T*	31 Jan 06	$ 1.05	6,250
V*	17 Jul 06	$ 1.34	43,000
H	22 Oct 08	$ 1.04	104,654
L	3 Jun 09	$ 0.68	84,000
			1,252,004

The following options have lapsed since 30 June 2010

Parcel	Grant Date	Exercise Price	Number of Options Lapsed
T*	31 Jan 06	$1.05	5,000
V*	17 Jul 06	$ 1.34	10,000
X	30 Jun 07	$ 1.57	240,000
Z	16 May 07	$ 2.64	3,000
G	22 Oct 08	$ 1.50	120,000
A	8 Aug 07	$ 3.01	8,500
B	10 Sep 07	$ 2.93	8,000
H	22 Oct 08	$ 1.04	77,961
J	18 Feb 09	$ 0.63	3,000
L	3 Jun 09	$ 0.68	148,750
			624,211

*Exercise price reduced by $0.03 per option as a result of the November 2006 shareholder approved $0.03 equal capital reduction to all shareholders.

Performance Rights

At the date of this report, the unissued ordinary shares of Talent2 International Limited under the performance rights plan are as follows:

Grant Date	Date of Expiry	Exercise Price	Number Under Rights Issue	Vested Units	Non-Vested Units
10 Sep 07	1 Aug 12	-	1,915,652	475,273	1,440,379
13 Feb 09	1 Aug 13	-	196,000	-	196,000
9 Dec 09	1 Aug 15	-	250,000	-	250,000
16 Jun 10	1 Aug 15	-	50,000	-	50,000
1 Jun 10	1 Aug 13	-	25,000	-	25,000
			2,436,652	475,273	1,964,379

Proceedings on Behalf of the Consolidated Entity

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

The consolidated entity was not a party to any such proceedings during the year.

Non-Audit Services

The Board of Directors, in accordance with advice from the Audit and Risk 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 and Risk Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor

> the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Profession and Ethical Standards Board.

During the year ended 30 June 2010 fees in the amount of $135,000 were paid / payable to the external auditors (Ernst & Young) in respect to the provision of the SAS 70 compliance certificate and acquisition due diligence assistance.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 29 and forms part of the Directors' Report.

Rounding of Amounts

The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and have been rounded to the nearest thousand dollars.

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

Ken Allen AM	Andrew Banks
Chairman	Managing Director

Dated this 25th day of August 2010

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Auditor's Independence Declaration to the Directors of Talent2 International Limited

In relation to our audit of the financial report of the Talent2 International Limited for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Gregory J Logue
Partner
Sydney
25 August 2010

Statement of Financial Position as at 30 June 2010

	Notes	2010 $000	2009 $000
CURRENT ASSETS			
Cash and cash equivalents	10	24,090	20,977
Trade and other receivables	11	44,487	30,466
Other current assets	12	6,428	5,184
TOTAL CURRENT ASSETS		75,005	56,627
NON-CURRENT ASSETS			
Plant and equipment	13	7,330	7,996
Deferred tax assets	14	1,321	2,268
Intangible assets	15	93,038	55,397
TOTAL NON-CURRENT ASSETS		101,689	65,661
TOTAL ASSETS		176,694	122,288
CURRENT LIABILITIES			
Trade and other payables	16	30,024	22,442
Unearned income	17	6,713	6,622
Interest-bearing borrowings	18	1,908	499
Current tax liabilities	14	3,434	439
Short-term provisions	19	4,737	4,870
TOTAL CURRENT LIABILITIES		46,816	34,872
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	18	30,457	16,196
Long-term provisions	19	758	786
TOTAL NON-CURRENT LIABILITIES		31,215	16,982
TOTAL LIABILITIES		78,031	51,854
NET ASSETS		98,663	70,434
EQUITY			
Equity Attributable to Equity Holders of the Parent			
Issued capital	20	101,619	83,287
Reserves	21	15,288	5,419
(Accumulated losses)		(18,368)	(18,476)
PARENT INTERESTS		98,539	70,230
Non-controlling interests		124	204
TOTAL EQUITY		98,663	70,434

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

Statement of Comprehensive Income for the year ended 30 June 2010

	Notes	2010 $000	2009 $000
Revenue	3(a)	242,591	228,993
Cost of rendering of services			
- On hired labour and advertising costs		(46,786)	(56,880)
- Outsourced services		(37,591)	(19,996)
- Distributor commissions and license fees		(1,710)	(699)
Gross profit		156,504	151,418
Other income	3(b)	9	-
Employee benefits expense	4	(111,182)	(112,984)
Operating lease rental expense	4	(13,878)	(14,833)
Advertising and marketing expense		(1,830)	(2,687)
Depreciation of plant and equipment	4	(3,206)	(3,392)
Amortisation of acquired intangible assets	4	(5,061)	(4,510)
Amortisation of software development	4	(492)	(1,197)
Impairment of acquired assets	4	-	(6,532)
Acquisition costs	26	(359)	-
Finance costs	4	(739)	(675)
Other expenses		(9,214)	(10,078)
Profit/(loss) before income tax		10,552	(5,470)
Income tax expense	5	(4,763)	(2,111)
Net profit/(loss) for the year		5,789	(7,581)
Other comprehensive income			
Foreign currency translation		1,384	266
Other comprehensive income for the year, net of tax		1,384	266
Total comprehensive income for the year		7,173	(7,315)
Profit/(loss) for the year is attributable to:			
Non-controlling interest		38	(36)
Owners of the parent		5,751	(7,545)
		5,789	(7,581)
Total comprehensive income for the year is attributable to:			
Non-controlling interest		38	(36)
Owners of the parent		7,135	(7,279)
		7,173	(7,315)
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the parent:			
Basic earnings per share (cents per share)	9	4.36c	(6.00c)
Diluted earnings per share (cents per share)	9	4.16c	(6.00c)

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

Statement of Changes in Equity for the year ended 30 June 2010

	Ordinary Share Capital	Accumulated Losses	Reserves: Capital Profits Reserves	Reserves: Equity Incentive Plans	Reserves: Dividend Distribution Reserve	Reserves: Foreign Exchange Movement	Owners of the Parent	Non-controlling Interests	Total
	$000	$000	$000	$000	$000	$000	$000	$000	$000
Balance at 1 July 2009	83,287	(18,476)	105	6,861	-	(1,547)	70,230	204	70,434
Profit for the year	-	5,751	-	-	-	-	5,751	38	5,789
Other comprehensive income	-	-	-	-	-	1,384	1,384	-	1,384
Total comprehensive income for the year	-	5,751	-	-	-	1,384	7,135	38	7,173
Transfer between reserves	-	(5,643)	-	-	5,643	-	-	-	-
Acquisition of non-controlling interest	-	-	-	-	-	-	-	(118)	(118)
Shares issued (net of transaction costs)	18,732	-	-	-	-	-	18,732	-	18,732
Purchase of treasury shares	(1,450)	-	-	-	-	-	(1,450)	-	(1,450)
Net issue of shares to employees	1,050	-	-	(1,050)	-	-	-	-	-
Share based payments	-	-	-	3,892	-	-	3,892	-	3,892
Dividends paid	-	-	-	-	-	-	-	-	-
Balance at 30 June 2010	101,619	(18,368)	105	9,703	5,643	(163)	98,539	124	98,663
Balance at 1 July 2008	77,196	(10,929)	105	6,338	5,580	(1,813)	76,477	240	76,717
Loss for the year	-	(7,545)	-	-	-	-	(7,545)	(36)	(7,581)
Other comprehensive income	-	-	-	-	-	266	266	-	266
Total comprehensive income for the year	-	(7,545)	-	-	-	266	(7,279)	(36)	(7,315)
Transfer between reserves	-	(2)	-	-	2	-	-	-	-
Shares issued (net of transaction costs)	3,713	-	-	-	-	-	3,713	-	3,713
Purchase of treasury shares	(580)	-	-	-	-	-	(580)	-	(580)
Net issue of shares to employees	2,958	-	-	(2,958)	-	-	-	-	-
Share based payments	-	-	-	3,481	-	-	3,481	-	3,481
Dividends paid	-	-	-	-	(5,582)	-	(5,582)	-	(5,582)
Balance at 30 June 2009	83,287	(18,476)	105	6,861	-	(1,547)	70,230	204	70,434

Treasury shares have been reclassified in Equity from Equity Incentive Plans to Ordinary Share Capital to ensure consistency with this current period disclosure.

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

Cash Flow Statement for the year ended 30 June 2010

	Notes	2010 $000	2009 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		255,226	258,276
Payments to suppliers and employees (inclusive of GST)		(241,239)	(241,560)
Interest received		287	286
Finance costs		(739)	(675)
Income tax paid		(3,791)	(4,096)
Income tax refund		229	444
Net cash flows from operating activities	25	9,973	12,675
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of plant and equipment		39	4
Purchase of plant and equipment		(2,169)	(2,772)
Payment for business assets acquired, net of cash acquired	26	(19,216)	(2,785)
Net cash flows used in investing activities		(21,346)	(5,553)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,428	142
Payment of transaction costs relating to share issues		(60)	(22)
Proceeds from borrowings		23,122	2,549
Repayment of borrowings		(10,394)	(1,085)
Dividends paid		-	(5,582)
Net Cash Flows from/(used in) Financing Activities		14,096	(3,998)
Net increase in cash and cash equivalents		2,723	3,124
Net foreign exchange differences		390	253
Cash and cash equivalents at beginning of financial year		20,977	17,600
Cash and cash equivalents at end of financial year	10	24,090	20,977

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

Notes to the Financial Statements

For The Year Ended 30 June 2010

Note 1: Corporate Information

The financial report of Talent2 International Limited and its controlled entities for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 25 August 2010.

Talent2 International Limited (the Parent) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the directors' report.

Note 2: Statement of Significant Accounting Policies

Basis of Preparation

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

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report is presented in Australian dollars.

(a) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(b) New Accounting Standards and Interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The consolidated entity has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2009.

> AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations effective 1 July 2009

> AASB 7 Financial Instruments: Disclosures effective 1 July 2009

> AASB 8 Operating Segments effective 1 July 2009

> AASB 101 Presentation of Financial Statements (revised 2007) effective 1 July 2009

> AASB 123 Borrowing Costs (revised 2007) effective 1 July 2009

> AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations [AASB 2] effective 1 July 2009
> AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project effective 1 July 2009
> AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate effective 1 July 2009
> AASB 3 Business Combinations (revised 2008) effective 1 July 2009
> AASB 127 Consolidated and Separate Financial Statements (revised 2008) effective 1 July 2009

When the adoption of a Standard or Interpretation is deemed to have an impact on the financial statement or performance of the group, its impact is described below.

AASB 3 Business Combinations (revised 2008) and AASB 127 Consolidated and Separate Financial Statements (revised 2008)

AASB 3 (revised 2008) introduces significant changes in the accounting for business combinations occurring after 1 July 2009. Changes affect the valuation of non-controlling interests (previously "minority interests"), the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes impacted the amount of goodwill recognised, the reported results in the period when an acquisition occurs and future reported results.

AASB 127 (revised 2008) requires that a change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the statement of comprehensive income. Furthermore the revised Standard changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary. The changes in AASB 3 (revised 2008) and AASB 127 (revised 2008) will affect future acquisitions, changes in, and loss of control of, subsidiaries and transactions with non-controlling interests.

The change in accounting policies was applied prospectively and had no material impact on earnings per share.

AASB 8 Operating Segments

AASB 8 replaced AASB 114 Segment Reporting upon its effective date. The consolidated entity concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114. AASB 8 disclosures are shown in note 24.

AASB 101 Presentation of Financial Statements

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The consolidated entity has elected to present one statement.

Annual Improvements Project

In May 2008 and April 2009 the AASB issued omnibus of amendments to its Standards as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions and application dates for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

- AASB 8 Operating Segments: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision makers. As the Group's chief operating decision makers do not review segment assets and liabilities, this information has not been disclosed in note 24.
- AASB 101 Presentation of Financial Statements: assets and liabilities classified as held for trading in accordance with AASB 139 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Group amended its accounting policy accordingly and analysed whether management's expectation of the period of realisation of financial assets and liabilities is in accordance with AASB 101. This did not result in any re-classification of financial instruments between current and non-current in the statement of financial position.
- AASB 136 Impairment of Assets: when discounted cash flows are used to estimate “fair value less cost to sell” additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate “value in use”. The Group has amended its disclosures accordingly in note 15.

  The amendment also clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

Other amendments resulting from the Annual Improvements Projects did not have any impact on the accounting policies, financial position or performance of the Group.

(ii) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the annual reporting period ending 30 June 2010, outlined in the following table:

Reference	Title	Summary
AASB 2009-5	Application date of the following standard: Application date for consolidated entity: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	1 January 2010 1 July 2010 The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following: The amendment to AASB 117 removes the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible vs. property, plant and equipment) needs to be determined. The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification. The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities. The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity: > has primary responsibility for providing the goods or service; > has inventory risk; > has discretion in establishing prices; > bears the credit risk. The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes. The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.

Reference	Title	Summary
AASB 2009-8	Application date of the following standard: Application date for consolidated entity: Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	1 January 2010 1 July 2010 This Standard makes amendments to Australian Accounting Standard AASB 2 *Share-based Payment* and supersedes Interpretation 8 *Scope of AASB 2* and Interpretation 11 *AASB 2 – Group and Treasury Share Transactions*. The amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.
AASB 2009-9	Application date of the following standard: Application date for consolidated entity: Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*.	1 January 2010 1 July 2010 The amendments address the retrospective application of IFRSs to particular situations and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process. Specifically, the amendments: > exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets > exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4 Determining whether an Arrangement contains a Lease when the application of their national accounting requirements produced the same result.
AASB 2009-10	Application date of the following standard: Application date for consolidated entity: Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	1 February 2010 1 July 2010 The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met.

Reference	Title	Summary
AASB 2009-11	Application date of the following standard: Application date for consolidated entity: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	1 January 2013 1 July 2013 The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes: > two categories for financial assets being amortised cost or fair value > removal of the requirement to separate embedded derivatives in financial assets > strict requirements to determine which financial assets can be classified as amortised cost or fair value, Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows > an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition > reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes > changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income
AASB 2009-12	Application date of the following standard: Application date for consolidated entity: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	1 January 2011 1 July 2011 This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government-related entities (as defined in the amended standard) to disclose details of all transactions with other government-related entities (as well as with the government itself)
AASB 2009-13	Application date of the following standard: Application date for consolidated entity: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]	1 July 2010 1 July 2010 This amendment to AASB 1 allows a first-time adopter may apply the transitional provisions in Interpretation 19 as identified in AASB 1048.

Reference	Title	Summary
AASB 2009-14	Application date of the following standard: Application date for consolidated entity: Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement	1 January 2011 1 July 2011 These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit. The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.
Interpretation 19	Application date for consolidated entity: Application date for consolidated entity: Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010 1 July 2010 This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.

The consolidated entity does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the consolidated entity's financial statements.

(c) Principles of Consolidation

Subsequent to 1 July 2009

The consolidated financial statements comprise the financial statements of Talent2 International Limited and its subsidiaries as at and for the year ended 30 June each year (the consolidated entity).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intragroup transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Talent2 International Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values (see note 26).

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is recorded as goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the consolidated entity loses control over a subsidiary, it

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Prior to 1 July 2009

In comparison to the above mentioned requirements which were applied on a prospective basis from 1 July 2009, the following differences applied:

- Non-controlling interests (formerly known as minority interests) represented the portion of profit or loss and net assets of a subsidiary that were not wholly-owned by the Group and were presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Acquisitions of non-controlling interests were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired was recognised in goodwill.

> Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these.

> Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost.

(d) Business Combinations

Subsequent to 1 July 2009

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

Prior to 1 July 2009

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for in separate steps. Any additional interest in the acquiree acquired did not affect previously recognised goodwill. The goodwill amounts calculated at each step of the acquisition were accumulated.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were adjusted against goodwill.

(e) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the Board of Directors (the chief operating decision makers) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Operating segments have been identified based on the information provided to the Board of Directors.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of products and services;
- Type or class of customer for the products and services; and
- Methods used to distribute the products or provide the services.

(f) Foreign Currency Transactions and Balances

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.

Transaction 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.

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 where this approximates to the rate at the date of the transaction; and
- 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.

(g) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

> When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

> When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

> When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

> When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax consolidated group under Australian taxation law. Talent2 International Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are initially recognised in the separate financial statements of the members of the tax-consolidated group using the “separate taxpayer within group” approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(h) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing borrowings in current liabilities on the statement of financial position.

(i) Trade and Other Receivables

Trade receivables, which generally have 30 day terms, are recognised initially at fair value less an allowance for impairment and are carried at amortised cost and due to their short-term nature they are not discounted.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(j) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and de-recognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

Subsequent measurement

Loans and receivables

Loans and receivables including loan notes are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

(k) Investments in Subsidiaries

Investments in subsidiaries are carried at cost in the accounts of the parent entity.

(l) Plant and Equipment

Each class of plant and equipment is carried at cost, where applicable, any accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including capitalised lease assets, is depreciated on a straight-line basis over their useful lives to the consolidated 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 assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	15% - 33%
Plant and equipment	7% - 33%
Leased plant and equipment	25%

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.

(m) Goodwill and Intangibles

Goodwill

Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment determined in accordance with AASB 8, and includes (see note 15):

> Managed services cash generating unit
> Recruitment services cash generating unit

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units), to which the goodwill relates.

Further details on the methodology and assumptions used are outlined in note 15.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Software development

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

Development costs have a finite life and are amortised on a straight-line basis matched to the future economic benefits of the project. It is the group’s practise to fully amortise software development costs in the financial period incurred which also corresponds to the useful life of the asset.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

A summary of the policies applied to the Group's intangible assists is as follows.

Software intellectual property

Acquired software intellectual property is recorded at fair value using a royalty based valuation model as at the effective date of the relevant acquisition and then amortised on a straight-line basis over their useful life to the consolidated entity commencing from the time the software is held ready for use. Software intellectual property is amortised on a straight line basis between 12.5% and 33.3% p.a. and tested for impairment annually.

Candidate databases

Acquired candidate databases are recorded at the assessed replacement cost to recreate the asset model as at the date of the relevant acquisition and then amortised on a straight-line basis over their useful life to the consolidated entity commencing from the time the database is held ready for use. Candidate databases are amortised on a straight line basis at 20% p.a. and tested for impairment annually.

Customer contracts

Acquired customer contracts are recorded at the assessed replacement cost to recreate the asset model as at the date of the relevant acquisition and then amortised on a straight-line basis over their useful life to the consolidated entity commencing from the time the customer contracts are held ready for use. Customer contracts are amortised on a straight line basis between 11.76% and 100% p.a. and tested for impairment annually.

Customer relationships

Acquired customer relationships are recorded at the assessed replacement cost to recreate the asset model as at the date of the relevant acquisition and then amortised on a straight-line basis over their useful life to the consolidated entity commencing from the time the customer relationships are held ready for use. Customer relationships are amortised on a straight line basis between 11.76% and 20% p.a. and tested for impairment annually.

Brand name

Brand name is recorded at the assessed replacement cost to recreate the asset model as at the date of the relevant acquisition and then amortised on a straight-line basis over their useful life to the consolidated entity commencing from the time the brand names are held ready for use. Brand names are amortised on a straight line basis at 25% p.a. and tested for impairment annually.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(n) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(o) Impairment of Non-Financial Assets other than Goodwill and Indefinite Life intangibles

Non-financial assets other than goodwill and indefinite life intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Talent2 International Limited conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(p) Trade and Other Payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(q) Employee Benefits

Provision is made for the consolidated entity’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. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

(r) Share-based payment transactions

Equity settled transactions

The Group provides benefits to its employees (including key management personnel) in the form of share based payments, whereby employees render services in exchange for shares or rights over shares (equity settled transactions).

There are currently three plans in place to provide these benefits:

> The Employee Share Option Plan (ESOP), which provides benefits to all employees in the form of options;

> The Long Term Incentive Plan (LTIP), which provides benefits to all employees in the form of performance rights and options; and

> Long Term Incentive share plan (LTI), which provides benefits to all employees in the form of escrowed shares.

Options and Performance Rights

The cost of the options is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a binomial model.

Performance rights are valued using the share price at the grant date adjusted for the present value of estimated dividends during the vesting period and adjusted for the probability of achievement of vesting conditions. Further details of which are given in note 27.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

(a) The grant date fair value of the award.
(b) The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met.
(c) The expired portion of the vesting period.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition or non-vesting condition is considered to vest irrespective of whether or not that market condition or non-vesting is fulfilled, provided that all other conditions are satisfied.

If a non-vesting condition is within the control of the Group, Company or the employee, the failure to satisfy the condition is treated as a cancellation. If a non-vesting condition within the control of neither the Group, Company nor employee is not satisfied during the vesting period, any expense for the award not previously recognised is recognised over the remaining vesting period, unless the award is forfeited.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

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

The dilutive effect, if any, of outstanding options and performance rights is reflected as additional share dilution in the computation of diluted earnings per share (see note 9).

Shares

Shares are valued using the share price at the grant date. The cost of the shares granted is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

Shares in the Group reacquired on-market, under any of the plans, and held in accordance with the plan rules are classified and disclosed as reserved shares and deducted from equity.

(s) 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.

(t) Interest-Bearing Borrowings

All borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

At the end of the financial year the carrying values of the interest-bearing borrowings are considered to be a reasonable approximation of fair value. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(u) Contributed equity - refer note 20

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Reserved shares

The Group's own equity instruments, which are reacquired for later use in employee share-based payment arrangements (reserved shares), are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

(v) Revenue

Managed Services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Licence Sales and Disposal of Assets

Revenue from licence sales and disposal of assets is recognised when the consolidated entity has passed control of the goods to the buyer.

Rendering of Technology Services

Revenue relating to maintenance of software is recognised over the maintenance period. Revenue received in advance is recorded as unearned income.

Permanent Placements

Revenue is recognised once the outcome of a placement can be reliably estimated which is considered to be when the appointment is accepted by both the client and the candidate.

Contract Placements

Revenue is recognised when the services are provided.

Interest

Interest revenue is recognised using the effective interest rate method.

Dividends

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates entities are accounted for in accordance with the equity method of accounting.

All revenue is stated net of the amount of goods and services tax (GST).

(w) 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 taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense;

> or for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(x) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit attributable to members of the parent, adjusted for:

> Costs of servicing equity (other than dividends);

> The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

> Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

Then, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(y) Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest $1,000.

(z) Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(i) Significant accounting judgements

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

Impairment of non-financial assets other than goodwill and indefinite life intangibles

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined.

Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

(ii) Significant accounting estimates and assumptions

Fair value assessment on Business Combinations

At the time of forming a new business combination the group undertakes the identification of identifiable intangible assets. Where an identifiable intangible exists fair value is determined by either applying a royalty stream model where cash flows to be derived from the intangible asset are projected and discounted, or cost to recreate model where current and historical data is used to determine the costs to reproduce the intangible asset.

The consolidated entity will make an informed assessment of fair value of other acquired assets giving weight to the age of the asset, current market conditions, expected useful life / collectability and current state of the asset.

Impairment

The consolidated entity assesses impairment of intangibles assets at each reporting date by evaluating conditions and events specific to each cash generating unit that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in use calculations which incorporate key assumptions. See Note 15 for further disclosures.

The consolidated entity assesses impairment of receivables on a regular basis. The estimate is based on the credit history of its customers and current market conditions. If the financial conditions of customers of the consolidated entity were to deteriorate, resulting in deterioration in their ability to make payments, an additional impairment charge may be required. See Note 11 for further disclosures.

Options Valuation

The consolidated entity values share options issued to directors and employees on date of grant using the binomial option pricing model. See note 27 for further disclosure.

Contingent Liability

In determining the treatment of contingent liabilities the consolidated entity gives regard to whether the liability is remote, possible or probable. If the liability is remote, no liability is provided for or disclosure included in the financial statements. When the liability is possible but not probable a disclosure is made in the financial statements. If the liability is considered probable it is no longer considered contingent and a liability is provided for in the financial statements. See note 23 for further disclosure.

Note 3: Revenue

	Notes	2010 $000	2009 $000
3(a) Operating revenue:			
Managed Services		134,824	114,271
Recruitment Services		107,480	114,436
Interest received from other persons		287	286
Total Revenue		242,591	228,993
3(b) Other Income			
Net foreign exchange gain		9	-
Total Other Income		9	-

Note 4: Result for the Year

	Notes	2010 $000	2009 $000
Employee Benefits Expense			
Wages and Salaries		75,603	81,222
Bonuses and Commission		16,163	14,053
Defined contribution superannuation expense		5,216	5,173
Share-based payments expense		3,233	1,859
Leave accruals		1,238	820
Taxes and insurance		4,104	4,264
Other employee benefits expense		5,625	5,593
Total employee benefits expense		111,182	112,984
Rental expense on operating leases:			
Minimum lease payments		13,878	14,833
Depreciation of plant and equipment:			
Plant and equipment		1,795	1,707
Leasehold improvements		1,133	1,357
Leased assets		278	328
Total depreciation of plant and equipment	13	3,206	3,392
Amortisation of acquired intangible assets:			
Acquired software intellectual property		3,594	3,180
Acquired candidate databases		750	1,081
Acquired customer contracts		204	57
Acquired customer relationships		446	-
Acquired brand name		67	192
Total amortisation of acquired intangibles assets	15	5,061	4,510
Amortisation of non-current assets:			
Software development		492	1,197
Total amortisation of software development		492	1,197
Impairment of acquired assets:			
Impairment of goodwill		-	6,200
Impairment of investment in associated company		-	332
Impairment of acquired assets		-	6,532
Finance costs:			
External interest		691	637
External finance lease charges		48	38
Total finance costs		739	675

	Note	2010 $000	2009 $000
Net Foreign Exchange losses		-	178
Bad and doubtful debts:			
Trade receivables	11(a)	(171)	202

Note 5: Income Tax Expense

		Note	2010 $000	2009 $000
(a)	The components of tax expense comprise:			
	Current tax		6,015	275
	Adjustments in respect of current income tax of previous years		412	696
	Deferred tax	14(c)	(1,664)	1,140
			4,763	2,111
(b)	The prima facie tax on profit/(loss) before income tax, is reconciled to the income tax as follows:			
	Profit before income tax		10,552	(5,470)
	At the parent entity's statutory income tax rate of 30% (2009: 30%)		3,166	(1,641)
	Add:			
	Tax effect of:			
	> Non-deductible depreciation and amortisation		142	1,960
	> Other non-allowable items		243	218
	> Equity settled remuneration expensed during year		769	516
	> Adjustments in respect of current income tax of previous years		412	696
	> Deferred tax assets not recognised on current period losses		261	249
	> Effect of different overseas tax rates		77	85
	> Foreign exchange losses and other translation adjustments		-	190
			5,070	2,273
	Less:			
	Tax effect of:			
	> Research and development		(37)	(25)
	> Foreign exchange gains and other translation adjustments		(189)	-
	> Other non-assessable items		(81)	(137)
	Income tax attributable to entity		4,763	2,111
	The applicable weighted average effective tax rates are as follows:		45.1%	NM*

* Not Meaningful

Note 6: Directors' and Key Management Personnel Remuneration

Refer to the Remuneration Report contained in the Directors Report for details of the remuneration paid or payable to each member of the consolidated entity's key management personnel for the year ended 30 June 2010.

(a) Compensation for key management personnel

	2010 $	2009 $
Short-term employee benefits	3,028,134	2,403,840
Post-employment benefits	131,944	149,868
Other long-term benefits	37,650	23,475
Termination benefits	-	-
Share-based payments	1,025,331	716,796
		-
Total	4,223,059	3,293,979

(b) Options and Rights Holdings

Number of Options Held by Parent Entity Directors and other key management personnel (Options exercised during the year were granted as remuneration in prior periods).

Options

	Balance 1.7.09	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30.6.10	Total Vested	Total Exercisable	Total not exercisable
Directors								
Ken Allen AM	160,000	-	-	(60,000)	100,000	20,000	20,000	80,000
Andrew Banks	160,000	-	-	(60,000)	100,000	20,000	20,000	80,000
Ken Borda	160,000	-	-	(60,000)	100,000	20,000	20,000	80,000
Pam Laidlaw	160,000	-	-	(60,000)	100,000	20,000	20,000	80,000
Geoff Morgan	160,000	-	-	(60,000)	100,000	20,000	20,000	80,000
Hans Neilson	160,000	-	-	(60,000)	100,000	20,000	20,000	80,000
Mary Beth Bauer (retired 21/10/09)	160,000	-	-	(160,000)	-	-	-	-
Other Key Management Personnel								
John Rawlinson	1,604,500	-	(80,000)	(55,000)	1,469,500	295,000	295,000	1,174,500
Martin Brooke	671,200	-	(40,000)	(10,500)	620,700	118,750	118,750	501,950
Paul Jury	395,000	-	(50,000)	(30,000)	315,000	98,750	98,750	216,250
Eileen Aitken	310,000	-	(12,500)	(7,500)	290,000	85,000	85,000	205,000
Danny Choo	-	50,000	-	-	50,000	-	-	50,000
Andrew Grant	140,000	275,000	-	-	415,000	35,000	35,000	380,000
David Patteson	70,000	-	-	-	70,000	20,000	20,000	50,000
Total	4,310,700	325,000	(182,500)	(623,000)	3,830,200	772,500	772,500	3,057,700

	Balance 1.7.08	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30.6.09	Total Vested	Total Exercisable	Total not exercisable
Directors								
Ken Allen AM	360,000	-	-	(200,000)	160,000	-	-	160,000
Andrew Banks	320,000	-	-	(160,000)	160,000	-	-	160,000
Ken Borda	-	240,000	-	(80,000)	160,000	-	-	160,000
Pam Laidlaw	-	240,000	-	(80,000)	160,000	-	-	160,000
Geoff Morgan	320,000	-	-	(160,000)	160,000	-	-	160,000
Hans Neilson	360,000	-	-	(200,000)	160,000	-	-	160,000
Mary Beth Bauer	320,000	-	-	(160,000)	160,000	-	-	160,000
Albert “Bud” Hawk (retired 1/08/08)	320,000	-	(47,580)	(272,420)	-	-	-	-
Other Key Management Personnel								
John Rawlinson	690,000	1,000,000	-	(85,500)	1,604,500	110,000	110,000	1,494,500
Martin Brooke	397,500	325,000	-	(51,300)	671,200	65,000	65,000	606,200
Paul Jury	120,000	275,000	-	-	395,000	70,000	70,000	325,000
Eileen Aitken	50,000	260,000	-	-	310,000	22,500	22,500	287,500
David Patteson	10,000	60,000	-	-	70,000	2,500	2,500	67,500
Total	3,267,500	2,400,000	(47,580)	(1,449,220)	4,170,700	270,000	270,000	3,900,700

Performance Rights

	Balance 1.7.09	Granted as Remuneration	Performance Rights Exercised	Net Change Other	Balance 30.6.10	Total Vested	Total Exercisable	Total not exercisable
Other Key Management Personnel								
John Rawlinson	313,315	-	-	(3,739)	309,576	72,659	72,659	237,097
Martin Brooke	156,658	-	-	(1,844)	154,814	36,330	36,330	118,484
Paul Jury	195,822	-	-	(3,543)	192,279	48,956	48,956	143,323
Eileen Aitken	85,037	-	-	(56,692)	28,345	21,259	21,259	7,086
Danny Choo	-	50,000	-	-	50,000	-	-	50,000
Andrew Grant	87,305	250,000	-	(527)	336,778	17,574	17,574	319,204
David Patteson	-	-	-	-	-	-	-	-
Total	838,137	300,000	-	(66,345)	1,071,792	196,778	196,778	875,194

	Balance 1.7.08	Granted as Remuneration	Performance Rights Exercised	Net Change Other	Balance 30.6.09	Total Vested	Total Exercisable	Total not exercisable
Other Key Management Personnel								
John Rawlinson	370,384	-	-	(57,069)	313,315	-	-	313,315
Martin Brooke	185,193	-	-	(28,535)	156,658	-	-	156,658
Paul Jury	213,083	-	-	(17,261)	195,822	-	-	195,822
Eileen Aitken	94,486	-	-	(9,449)	85,037	-	-	85,037
David Patteson	-	-	-	-	-	-	-	-
Total	863,146	-	-	(112,314)	750,832	-	-	750,832

(b) Shareholdings

Number of shares held directly or indirectly by parent entity directors and other key management personnel.

	Balance 1.7.09	Received as LTI	Options Exercised	* Net Change Other	Balance 30.6.10
Parent Entity Directors					
Ken Allen AM	50,800	-	-	-	50,800
Andrew Banks**	32,712,978	-	-	(2,979,054)	29,733,924
Ken Borda	139,196	-	-	-	139,196
Pam Laidlaw	28,460	-	-	-	28,460
Geoff Morgan**	32,597,369	-	-	(3,000,000)	29,597,369
Hans Neilson	30,000	-	-	-	30,000
Mary Beth Bauer (retired 21/10/09)	517,713	-	-	-	517,713
	66,076,516	-	-	(5,979,054)	60,097,462
Morgan & Banks Investments**	(32,537,369)	-	-	3,000,000	(29,537,369)
	33,539,147	-	-	(2,979,054)	30,560,093
Other Key Management Personnel					
John Rawlinson	2,541,940	-	80,000	(94,070)	2,527,870
Martin Brooke	328,251	-	40,000	3,527	371,778
Paul Jury	627,045	-	50,000	(48,245)	628,800
Eileen Aitken	80,273	-	12,500	-	92,773
Danny Choo	-	-	-	-	-
Andrew Grant	350,755	-	-	(147,152)	203,603
David Patteson	1,264	-	-	-	1,264
	3,929,528	-	182,500	(285,940)	3,826,088

	Balance 1.7.08	Received as LTI	Options Exercised	* Net Change Other	Balance 30.6.09
Parent Entity Directors					
Ken Allen AM	-	-	-	50,800	50,800
Andrew Banks**	34,672,396	-	-	(1,959,418)	32,712,978
Ken Borda	-	-	-	139,196	139,196
Pam Laidlaw	28,460	-	-	-	28,460
Geoff Morgan**	34,744,036	-	-	(2,146,667)	32,597,369
Hans Neilson	-	-	-	30,000	30,000
Mary Beth Bauer	517,713	-	-	-	517,713
Albert "Bud" Hawk*** (resigned 1/8/08)	9,626,466	-	47,580	-	9,674,046
	79,589,071	-	47,580	(3,886,089)	75,750,562
Morgan & Banks Investments**	(34,537,369)	-	-	2,000,000	(32,537,369)
	45,051,702	-	47,580	(1,886,089)	43,213,193
Other Key Management Personnel					
John Rawlinson	2,532,670	-	-	9,270	2,541,940
Martin Brooke	321,944	-	-	6,307	328,251
Paul Jury	620,399	-	-	6,646	627,045
Eileen Aitken	71,178	-	-	9,095	80,273
David Patteson	-	-	-	1,264	1,264
	3,546,191	-	-	32,582	3,578,773

* Net change other refers to shares purchased or sold during the financial year.
** Includes shares held by Morgan & Banks Investments, a company associated with both Andrew Banks and Geoff Morgan.
*** Includes shares held by Interpro Global Pte Limited, a company associated with Albert "Bud" Hawk.

(c) Other Transactions with Key Management Personnel

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with key management personnel, refer to Note 29.

Note 7: Auditors' Remuneration

	2010 $000	2009 $000
Amounts received or due and receivable by Ernst & Young Australia (2009: Grant Thornton Australia) for:		
An audit of the financial report of the entity and any other entity in the consolidated group	268	249
Other services		
- Due diligence services	70	-
- Other assurance related services	10	63
	348	312
Amounts received or due and receivable by related practices of Ernst & Young Australia (2009: Grant Thornton Australia) for:		
Auditing the financial report of subsidiaries	164	143
Due diligence services	35	-
Other assurance related services	20	-
	219	143
Amounts received or due and receivable by non Ernst & Young (2009: Grant Thornton) audit firms for:		
Auditing the financial report of subsidiaries	3	2

Note 8: Dividends

	2010 $000	2009 $000
(a) Recognised amounts:		
Declared and paid during the year:		
No dividend was paid or declared during the year (2009: 90% franked dividend of 4.5 cents per share paid on 10 September 2008)	-	5,882
	-	5,882
(b) Unrecognised amounts:		
Final fully franked ordinary dividend of 4.0 cents per share franked at the tax rate of 30% (2009: No dividend was declared for 2009)	5,643	-
(c) Franking credit balance		
The amount of the franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the financial year at 30% (2009: 30%)	5,662	2,625
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	2,038	397
	7,700	3,022
The amount of franking credits available for future reporting periods:		
Impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period.	(2,420)	-
	5,280	3,022

Note 9: Earnings per Share

		2010 $000	2009 $000
(a)	Reconciliation of Earnings to Profit/(Loss)		
	Profit/(Loss)	5,751	(7,545)
	Earnings used in the calculation of basic and dilutive EPS	5,751	(7,545)
(b)	Weighted average number of ordinary shares	No.	No.
	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	132,738,078	125,746,633
	Weighted average number of options outstanding	3,760,138	135,509
	Weighted average number of performance rights	2,725,276	2,446,733
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	139,223,492	128,328,875

There are no instruments (e.g., share options) excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for either of the periods presented.

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

(c) Information on the classification of securities

Options

Options granted to employees (including Key Management Personnel) as described in note 27 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These options have not been included in the determination of basic earnings per share.

Note 10: Cash and Cash Equivalents

	2010	2009
	$000	$000
Cash at bank and on hand	24,031	20,923
Short-term bank deposits	59	54
	24,090	20,977

Note 11: Trade and Other Receivables

	2010	2009
	$000	$000
CURRENT		
Trade receivables	37,745	26,756
Provision for impairment of receivables	(215)	(386)
	37,530	26,370
Other receivables	6,957	4,096
	44,487	30,466

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements. The consolidated entity does not hold any collateral as security over any receivable balance, nor does it hold any restrictions of title.

The average credit period on services rendered is 30 days. No interest is charged on outstanding trade receivable balances.

As at 30 June 2010 current trade receivables of the consolidated entity with a nominal value of $215,000 (2009: $386,000) were impaired. The individually impaired receivables are past due and relate to a variety of customers who are in unexpectedly difficult situations.

As of 30 June 2010 trade receivables of $9,287,000 (2009: $6,330,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default and the consolidated entity expects to recover these amounts in full. No terms have been re-negotiated during the year. The ageing analysis of receivables past due but not impaired is as follows:

	2010	2009
	$000	$000
Past due 0 – 30 days	6,178	4,398
Past due 31 – 60 days	1,765	911
Past due greater than 60 days	1,344	1,021
	9,287	6,330

All remaining trade receivables are neither past due nor impaired

(a) Impaired receivables

	2010 $000	2009 $000
Movements in the allowance for impairment of receivables are as follows:		
At 1 July	386	184
Provision for impairment recognised during the year	75	249
Receivables written off during the year as uncollectible	(89)	(47)
Unused amount reversed	(157)	-
At 30 June	215	386

No collateral is held over these impaired receivables.

The creation and release of the provision for impaired receivables has been included in "other expenses" in the income statement.

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional amounts.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. There are no receivables that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired.

(b) Foreign currency and interest rate risk

Please refer to Note 30 for exposures to foreign currency and interest rate risk relating to trade and other receivables.

Note 12: Other Current Assets

	2010 $000	2009 $000
CURRENT		
Prepayments	2,402	1,835
Bank guarantees	1,619	1,486
Security deposits	2,100	1,821
Others	307	42
	6,428	5,184

Note 13: Plant and Equipment

	2010 $000	2009 $000
Plant and Equipment:		
At cost	16,944	12,960
Accumulated depreciation	(12,286)	(8,897)
	4,658	4,063
Leasehold improvements:		
At cost	7,268	7,019
Accumulated amortisation	(5,154)	(4,090)
	2,114	2,929
Leased plant and equipment:		
Capitalised leased assets	1,388	2,407
Accumulated depreciation	(830)	(1,403)
	558	1,004
Total plant and equipment	7,330	7,996

Finance leases are secured against the equipment to which the lease relates.

Reconciliation of carrying amounts at the beginning and end of the year

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year.

	Plant and Equipment $000	Leasehold Improvements $000	Leased Plant and Equipment $000	Total $000
Balance at 1 July 2009	4,063	2,929	1,004	7,996
Additions	1,836	333	-	2,169
Disposals	(135)	(107)	-	(242)
Additions through acquisition of entities	557	108	-	675
Reclassification of assets	62	-	(62)	-
Depreciation/amortisation charge for the year	(1,795)	(1,133)	(278)	(3,206)
Foreign exchange movement	60	(16)	(106)	(62)
Balance at 30 June 2010	4,658	2,114	558	7,330

	Plant and Equipment $000	Leasehold Improvements $000	Leased Plant and Equipment $000	Total $000
Balance at 1 July 2008	3,870	3,842	508	8,220
Additions	1,603	345	824	2,772
Disposals	(104)	(165)	-	(269)
Additions through acquisition of entities	85	-	-	85
Reclassification of assets	4	(4)	-	-
Depreciation/amortisation charge for the year	(1,707)	(1,357)	(328)	(3,392)
Foreign exchange movement	312	268	-	580
Balance at 30 June 2009	4,063	2,929	1,004	7,996

Note 14: Taxation

		2010 $000	2009 $000
(a)	Assets		
	NON-CURRENT		
	Deferred tax assets comprise:		
	Future income tax benefits attributable to tax losses	210	220
	Temporary differences	1,111	2,048
	Total	1,321	2,268
(b)	Liabilities		
	CURRENT		
	Income Tax	3,434	439

(c) Reconciliations
Gross Movements

The overall movement in the deferred tax account is as follows:

	Opening Balance $000	Charged to Income $000	Business Acquisition $000	Closing Balance $000
Plant & equipment - tax allowances	625	(61)	60	624
Acquired intangible assets	(1,436)	946	(2,833)	(3,323)
Future income tax benefit attributable to tax losses	233	(23)	-	210
Employment expenses	2,217	321	60	2,598
Unrealised foreign exchange	58	(33)	-	25
Provisions and accruals	267	1,019	102	1,388
Other	304	(505)	-	(201)
Balance 30 June 2010	2,268	1,664	(2,611)	1,321
Plant & equipment - tax allowances	431	194	-	625
Acquired intangible assets	(1,976)	540	-	(1,436)
Future income tax benefit attributable to tax losses	581	(348)	-	233
Employment expenses	2,382	(237)	72	2,217
Unrealised foreign exchange	44	14	-	58
Provisions and accruals	1,682	(1,415)	-	267
Other	160	112	32	304
Balance 30 June 2009	3,304	(1,140)	104	2,268

Deferred tax assets not brought to account in respect of tax losses, the benefits of which will only be realised if the conditions for deductibility set out in Note 2 occur, amount to $812,315 (2009: $602,000).

Note 15: Intangible Assets

	2010 $000	2009 $000
Goodwill		
Cost	71,834	47,562
Impairment	-	(6,200)
Net carrying value	71,834	41,362
Acquired software intellectual property		
Cost	25,482	22,708
Accumulated amortisation	(13,892)	(10,291)
Net carrying value	11,590	12,417
Acquired candidate databases		
Cost	5,397	5,404
Accumulated amortisation	(4,718)	(3,971)
Net carrying value	679	1,433
Acquired customer contracts		
Cost	1,373	226
Accumulated amortisation	(262)	(57)
Net carrying value	1,111	169
Acquired customer relationships		
Cost	7,783	-
Accumulated amortisation	(452)	-
Net carrying value	7,331	-
Acquired brand name		
Cost	752	206
Accumulated amortisation	(259)	(190)
Net carrying value	493	16
Total intangibles	93,038	55,397

	Goodwill	Acquired Software Intellectual Property	Acquired Candidate Databases	Acquired Customer Contracts	Acquired Customer Relationships	Acquired Brand Name	Total
	$000	$000	$000	$000	$000	$000	$000
Balance at 1 July 2009	41,362	12,417	1,433	169	-	16	55,397
Additions through acquisition of entity	28,515	2,575	-	1,065	7,292	502	39,949
Amortisation charged against operating profit	-	(3,594)	(750)	(204)	(446)	(67)	(5,061)
Foreign Exchange Movement	1,957	192	(4)	81	485	42	2,753
Balance at 30 June 2010	71,834	11,590	679	1,111	7,331	493	93,038

	Goodwill	Acquired Software Intellectual Property	Acquired Candidate Databases	Acquired Customer Contracts	Acquired Customer Relationships	Acquired Brand Name	Total
	$000	$000	$000	$000	$000	$000	$000
Balance at 1 July 2008	46,048	14,192	2,514	-	-	18	62,772
Additions through acquisition of entity	1,514	1,405	-	226	-	190	3,335
Amortisation charged against operating profit	-	(3,180)	(1,081)	(57)	-	(192)	(4,510)
Impairment charged against operating profit	(6,200)	-	-	-	-	-	(6,200)
Balance at 30 June 2009	41,362	12,417	1,433	169	-	16	55,397

A description of each type of intangible is included in note 2(m).

Intangible assets, other than goodwill, have finite useful lives.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

Impairment Disclosures

At reporting date, the consolidated entity assessed the recoverability of the carrying value of its acquired intangible assets. The acquired intangible assets are allocated to cash-generating units which are in line with the consolidated entity's reporting segments and step down to identify the individual business units. During the financial year the consolidated entity reassessed its cash-generating units and determined it was appropriate to group the recruitment businesses in Australia and New Zealand as one cash-generating unit. This was considered appropriate given the Australian and New Zealand recruitment businesses are centrally managed and have a single unit go to market strategy.

The recoverable amount of each cash-generating unit is determined based on a value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections based on budget for one year (approved by the Board) extrapolated for 4 years. All CGU's use a long-term growth rate to extrapolate cash flows of the CGU beyond the five-year period at a rate of 3%.

Management has based the value-in-use on 1 year budgets (approved by the Board) extrapolated out for the testing period. These budgets take the bottom up developed business unit budgets for the next financial year forecast out for 4 years taking into account historical growth rates and expected economic conditions during the testing period.

The following table shows the discount rate and the average annual revenue growth rates.

Cash Generating Unit	Carrying Amount of Goodwill	Pre-Tax Discount Rate		Average Annual Revenue Growth Rate	
	2010	2010	2009	2010	2009
	'000	%	%	%	%
Recruitment					
Australia / New Zealand	11,079	21.27	10.33	16.00	10.00
Middle East	4,227	16.68	10.33	18.00	11.00
Singapore	1,618	15.40	10.33	12.00	12.00
Hong Kong	1,965	17.46	10.33	22.00	18.00
Managed Services					
Works Australia	4,883	21.27	10.33	3.00	3.00
National Payroll Systems	2,837	21.47	10.33	10.00	6.00
Zapper	16,212	15.38	10.33	10.00	-
Sugar	11,720	21.91	10.33	10.00	-
Optimise	10,554	22.09	10.33	9.00	7.00
Payroll Japan	3,478	18.25	10.33	11.00	10.00

During the current financial year, the consolidated entity undertook a review of pre-tax discount rate calculation and adjusted each component to account for cash generating unit specific components including specific risk premium, small company premium, beta, market risk premium and risk free rate of return.

Based on the above assumption the consolidated entity has calculated no impairment for the current period.

Sensitivity to changes in assumptions:

Discount rate assumptions – the consolidated entity recognises actual pre tax discount rate may vary to due changes in the assumptions made. A reasonably possible increase in the discount rates applied by up to 20%, assuming all other assumptions remain constant, would not result in the recoverable amount of any CGU materially falling below its current carrying amount.

Growth rate estimates – the consolidated entity recognises that uncertainty in the markets in which it operates could have a significant impact on growth rates assumptions. A reasonably possible reduction in growth rates by up to 20%, assuming all other assumptions remain constant, would not result in the recoverable amount of any CGU materially falling below its current carrying amount.

Note 16: Trade and Other Payables

	2010	2009
	$000	$000
CURRENT		
Trade payables	11,892	9,300
Employment liabilities	18,132	13,142
	30,024	22,442

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

Refer to note 30(b) and 30(c) for exposures to foreign currency, interest rate and liquidity risk relating to trade and other payables.

Note 17: Unearned Income

	2010 $000	2009 $000
CURRENT		
Unearned income	6,713	6,622
	6,713	6,622

Note 18: Borrowings

	2010 $000	2009 $000
CURRENT:		
Bank loans	1,731	352
Finance lease liabilities secured by the assets leased	177	147
	1,908	499
NON-CURRENT:		
Bank loans	30,039	15,602
Finance lease liabilities secured by the assets leased	418	594
	30,457	16,196

The carrying values of the borrowings are considered to be a reasonable approximation of fair value.

Details regarding foreign currency, interest rate and liquidity risk is disclosed in note 30(b) and 30(c).

The bank loans are secured by a charge over all assets of the subsidiaries guaranteed by the parent entity.

During the current and prior years, there were no defaults or breaches of any loan covenants.

Note 19: Provisions

	Employee Entitlements $000	Operating Lease Costs $000	Other $000	Total $000
Opening balance at 1 July 2009	4,667	951	38	5,656
Additions through acquisition of entities	177	-	-	177
Additional provisions	4,106	403	-	4,509
Amounts used/written back	(3,775)	(1,020)	(38)	(4,833)
Foreign exchange movements	(3)	(11)	-	(14)
Balance at 30 June 2010	5,172	323	-	5,495

Analysis of Total Provisions

	2010 $000	2009 $000
Current	4,737	4,870
Non-current	758	786
	5,495	5,656

Provision for Employee Entitlements

A provision has been recognised for employee entitlements relating to annual and long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 2 to this report.

Provision for Operating Lease Costs

A provision has been recognised for property lease payments made under operating leases on a straight-line basis over the term of the lease. The provision has been adjusted to take into account increases in CPI.

The provision is expected to be utilised in the next financial period as the lease will be fully expired by then.

Note 20: Issued Capital

	2010 $000	2009 $000
Ordinary shares (a)	103,805	85,073
Reserved shares (b)	(2,186)	(1,786)
	101,619	83,287

(a) Ordinary Shares	2010 No.	2009 No.
At the beginning of reporting period	126,789,602	123,091,072
Shares issued during the year		
21 August 2008	-	863,667
19 September 2008	-	780,420
14 November 2008	-	1,942,050
6 January 2010	6,798,849	-
29 January 2010	5,727,152	-
Share options exercised during year	1,252,004	112,393
At reporting date	140,567,607	126,789,602

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.

(b) Reserved Shares	2010 No.	2009 No.
At reporting date	(1,476,160)	(1,179,649)

The Group's own equity instruments are reacquired for later use in employee share-based payment arrangements (reserved shares) and are deducted from equity. During the year, 777,564 reserved shares were issued under the employee share scheme.

(c) Options

(i) For information relating to the Company employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 27.

(ii) For information relating to share options issued to executive directors and other key management personnel during the financial year, refer to remuneration report in pages 15 to 24 of the Directors' report.

(c) Capital management

When managing capital, management's objectives are to ensure the consolidated entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the consolidated entity.

Management are constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity has various loan covenants imposed on it by its financiers.

There have been no changes in the strategy adopted by management to control the capital of the consolidated entity since the prior year. This strategy is to ensure that the consolidated entity's gearing ratio remains appropriate for the market conditions which the consolidated entity operates in. The gearing ratios for the year ended 30 June 2010 and 30 June 2009 are as follows:

	Notes	2010 $000	2009 $000
Total debt	18	32,365	16,695
Total equity		98,663	70,434
Gearing ratio		33%	24%

The Group is not exposed to any externally imposed capital requirement.

Note 21: Reserves

The Statement of Changes in Equity includes the following reserves:

(a) Capital Profits Reserve

The capital profits reserve records non-taxable profits on sale of investments.

(b) Equity Incentive Plans

The equity incentive plans reserve records items recognised as expenses on valuation of employee share options, performance rights and the elimination of employee long term incentive shares not yet amortised.

(c) Dividend Distribution Reserve

The dividend distribution reserve records funds set aside for distribution by way of future period dividends by the parent entity from current year earnings.

(d) Foreign Exchange Movement Reserve

The foreign exchange movement reserve records exchange differences arising on translation of a foreign controlled subsidiary.

Note 22: Capital and Leasing Commitments

		2010 $000	2009 $000
(a)	Finance Lease Commitments		
	Payable — Minimum lease payments		
	Within one year	214	209
	After one year but not more than five years	454	650
	Minimum lease payments	668	859
	Less future finance charges	(73)	(116)
	Present value of minimum lease payments	595	743

The finance leases consist of equipment leases and are all non-cancellable with terms of up to 4 years, with rents payable monthly in advance.

(b)	Operating Lease Commitments		
	Non-cancellable operating leases contracted for but not capitalised in the financial statements		
	Payable — Minimum lease payments		
	Within one year	10,186	9,208
	After one year but not more than five years	14,012	15,503
	After more than five years	1,646	5
		25,844	24,716

The operating leases consist of equipment (2010: $8,083,000; 2009: $10,297,000) and property (2010: $17,761,000; 2009: $14,419,000) leases and are all non-cancellable. Leases for equipment generally have terms for up to 5 years and are payable monthly in arrears. Property leases are generally for periods less than 5 years with options to renew. Rents are payable monthly in advance and are generally subject to CPI increases year on year.

Note 23: Contingent Liabilities and Contingent Assets

During the year the Australian Tax Office (ATO) conducted a Comprehensive Review of the Group's income tax affairs. As a consequence of the review the ATO identified certain risks that it felt needed to be examined through an audit process. The audit process has not yet commenced, and the ultimate outcome of the audit cannot be determined with an acceptable degree of reliability at this time. At this time it has been estimated that the potential liability associated with the risks identified could be in the range of zero to an amount less than four million dollars excluding penalties and interest. The Group has been advised that it is possible, but not probable, that a liability will eventuate, and accordingly no provision for any liability has been recognised in these financial statements.

Note 24: Operating Segments

Identification of reportable segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by the Board based on the manner in which the nature of the services are provided. Discrete financial information about each of these operating businesses is reported to the Board at each Board meeting.

Types of services

Managed Services

The Managed Services segment includes Recruitment Process Outsourcing services (RRO), outsourced Payroll and Human Resource Information Systems (HRIS), managed learning and training services, and specialised human resource consulting services.

Recruitment Services

The Recruitment Services segment includes executive recruitment and executive search. The consolidated entity offers a full range of solutions, from permanent staff recruitment and executive contracting to executive and Board search.

Accounting policies and inter-segment transactions

The accounting policies used by the consolidated entity in reporting segments internally are the same as those contained in note 2 to the accounts and in the prior period.

The following items are not allocated to operating segments as they are not considered part of the core operations of any segment:

> Finance costs; and

> Income tax expense

Geographical segments

The consolidated entity's business segments are located in many countries within Asia Pacific, Europe, Middle East and Africa (EMEA) and USA.

	2010 $000	2009 $000
Segment Revenues from External Customers by geographic location:		
Australia and New Zealand	176,195	177,125
Asia	39,112	32,557
EMEA	27,284	19,297
Other locations	-	14
	242,591	228,993

The following table represents revenue and profit information for reportable segments for the financial years ended 30 June 2010 and 30 June 2009.

	Managed Services		Recruitment Services		Total of Segments		Unallocated Interest		Eliminations		Consolidated Entity	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Sales revenue												
External sales	134,824	114,271	107,480	114,436	242,304	228,707	287	286	-	-	242,591	228,993
Inter-segment sales	288	437	757	1,080	1,045	1,517	-	-	(1,045)	(1,517)	-	-
Total revenue	135,112	114,708	108,237	115,516	243,349	230,224	287	286	(1,045)	(1,517)	242,591	228,993
Cost of rendering of services												
External sales	(42,342)	(29,240)	(43,745)	(48,335)	(86,087)	(77,575)	-	-	-	-	(86,087)	(77,575)
Inter-segment sales	(44)	(329)	(89)	(85)	(133)	(414)	-	-	133	414	-	-
Gross profit	92,726	85,139	64,403	67,096	157,129	152,235	287	286	(912)	(1,103)	156,504	151,418
EBITDA	12,620	12,919	7,143	(2,369)	19,763	10,550	-	-	-	-	19,763	10,550
Depreciation	(1,963)	(2,086)	(1,243)	(1,306)	(3,206)	(3,392)	-	-	-	-	(3,206)	(3,392)
Amortisation	(4,803)	(4,623)	(750)	(1,084)	(5,553)	(5,707)	-	-	-	-	(5,553)	(5,707)
Impairment of assets	-	-	-	(6,532)	-	(6,532)	-	-	-	-	-	(6,532)
EBIT/Segment results	5,854	6,210	5,150	(11,921)	11,004	(5,081)	-	-	-	-	11,004	(5,081)
Reconciliation of segment EBIT to profit/(loss) before income tax												
Interest Income											287	286
Interest Expense											(739)	(675)
Profit/(loss) before income tax per the statement of comprehensive income											10,552	(5,470)

Segment assets and liabilities are not reported as these numbers are not specifically reported to the Board being the chief operating decision makers.
EBITDA = Earnings before interest, taxes, depreciation, amortisation and impairment.

Note 25: Cash Flow Information

(a) Reconciliation of net profit/(loss) after tax to net cash flows from operations

	2010 $000	2009 $000
Profit/(loss) after income tax	5,789	(7,581)
Non-cash flows in profit/(loss):		
Employee share option plans and performance rights expensed to equity	3,233	1,859
Depreciation of plant and equipment	3,206	3,392
Amortisation of acquired intangible assets	5,061	4,510
Impairment of goodwill	-	6,200
Impairment of investments accounted for using the equity method	-	332
Loss on disposal of non-current assets	203	264
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
(Increase)/decrease in trade and other receivables	(10,731)	8,889
(Increase)/decrease in other current assets	(1,330)	1,151
(Increase)/decrease in deferred tax assets	(1,508)	1,197
Increase/(decrease) in trade and other payables	4,329	(5,674)
(Decrease)/increase in unearned income	(1,126)	856
Increase/(decrease) in income taxes payable	2.913	(2,905)
(Decrease)/increase in other liabilities	(393)	418
Increase/(decrease) in provisions	327	(233)
Net cash from operating activities	9,973	12,675

(b) Non-Cash Financing Activities

During the year the consolidated entity acquired plant and equipment with an aggregate value of $Nil (2009: $824,000) by means of finance leases. These acquisitions are not reflected in the cash flow statement.

Note 26: Business Combination

Businesses acquired during the year

TOG Group Acquisition

On 30 September 2009 the consolidated entity acquired a further 10% interest in the TOG Group in accordance with the terms of the original share purchase agreement covering the acquisition of the TOG Group. The purchase was satisfied through a cash payment of $186,000. The remaining 20% interest of the TOG Group will be acquired in 2 instalments with the final instalment payable in September 2011. Total goodwill impact in the current year amounted to $107,000.

Zapper Group Acquisition

On 6 January 2010 the consolidated entity acquired 100% of Zapper Services Pte Ltd ("Zapper Group"). The Zapper Group provides outsourced payroll and HR administration services to 14 countries, including China, Hong Kong, Japan, Malaysia, Philippines, Singapore, Thailand and Vietnam. The purchase was satisfied by a cash payment A$14,122,000 and the issue of 6,798,849 ordinary shares at a fair value of A$1.40 each.

Sugar Group Acquisition

On 27 January 2010 the consolidated entity acquired 100% of Sugar International Ltd ("Sugar Group"). The Sugar Group is a leading provider of education and training services to organisations across Australia and New Zealand. Sugar Group offers a comprehensive range of workplace training courses to a variety of industries through a number of Registered Training Organisations. The purchase was satisfied by a cash payment A$7,625,000and the issue of 5,727,152 ordinary shares at a fair price of A$1.37 each.

Other Changes in Acquisition

Goodwill was adjusted for payments in relation to a business acquired in a prior year, totalling $311,000.

Goodwill was also adjusted to account for the deferred tax asset adjustment made to opening acquired balance sheet positions for business acquired in the prior reporting period, totalling $166,000.

Businesses acquired during the prior year

The consolidated entity acquired 100% of The Learning Group, a specialist e-learning development and learning services company during the prior year. The purchase was satisfied by a cash payment of $1,831,000 and the issue of 1,942,050 ordinary shares at a fair value of $0.80. The purchase consideration includes $138,000 of transaction costs. The effective date of the acquisition was 1 July 2008.

On 21 August 2008, the consolidated entity acquired the remaining 10% shareholding of Talent2 Singapore Pte Ltd ("Talent2 Singapore"). The purchase was satisfied by a cash payment of $687,000 and the issue of 863,667 ordinary shares at a fair value of $1.077.

A final earn-out payment was made on 19 September 2008 by the consolidated entity in respect to the acquisition of BizEd Services Pty Ltd ("BizEd") in the amount of $1,127,000. Of this amount, $835,000 was recognised in the prior period accounts of the consolidated entity. The payment was satisfied by a cash payment of $19,000 and the issue of 780,420 shares at a fair value of $1.42.

Goodwill was increased to account for transaction costs and adjustments to opening acquired balance sheet positions for businesses acquired in the prior year, totalling $342,000.

Goodwill has arisen on the acquisition of businesses due to the expectation of deriving future growth in earnings and taking advantage of business synergies, which can not be recognised separately as identifiable intangible assets at the date of acquisition.

The consolidated entity has provisionally recognised the fair values of the identifiable assets and liabilities of the acquired business based upon the best information available as of the reporting date. Provisional business combination accounting is as follows:

	The Zapper Group	The Sugar Group	TOG Group	Others	Total	Total
	2010 $000	2010 $000	2010 $000	2010 $000	2010 $000	2009 $000
The purchase price was allocated as follows:						
Shares issued, at fair value	9,518	7,846	-	-	17,364	2,757
Cash consideration	14,122	7,625	186	311	22,244	2,879
Purchase consideration	23,640	15,471	186	311	39,608	5,636
Assets and liabilities acquired at acquisition date:						
Cash	2,229	799	-	-	3,028	94
Trade and other receivables	1,105	2,870	-	-	3,975	1,394
Other current assets	177	300	-	-	477	-
Plant & equipment	214	461	-	-	675	85
Deferred tax liabilities	(1,183)	(1,106)	-	(166)	(2,455)	104
Tax liabilities	(364)	308	-	-	(56)	177
Trade and other payables	(1,711)	(1,482)	-	-	(3,193)	(620)
Short-term interest-bearing borrowings	(2)	-	-	-	(2)	-
Short-term provisions	-	(177)	-	-	(177)	(240)
Unearned income	(65)	(1,152)	-	-	(1,217)	(746)
Long-term interest-bearing borrowings	(12)	(1,502)	-	-	(1,514)	-
	388	(681)	-	(166)	(459)	248
Non-controlling interests in acquisitions	-	39	79	-	118	-
Value attributable to identifiable intangible assets	7,040	4,394	-	-	11,434	1,820
Goodwill on consolidation	16,212	11,719	107	477	28,515	3,568
Total purchase consideration	23,640	15,471	186	311	39,608	5,636
The cash outflow on acquisition is as follows:						
Net cash acquired	2,229	799	-	-	3,028	94
Cash consideration	(14,122)	(7,625)	(186)	(311)	(22,244)	(2,879)
Net cash outflow	(11,893)	(6,826)	(186)	(311)	(19,216)	(2,785)
Profit/(loss) for the period (attributable to members of the parent entity) included in consolidated profit/(loss) of the group since the acquisition date.	809	583	n/a	n/a	1,392	(93)
Acquisition costs directly relating to the acquisition	154	204	n/a	n/a	359	-

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

Note 27: Share-based Payments

The Group provides benefits to its employees (including key management personnel) in the form of share based payments, whereby employees render services in exchange for shares or rights over shares (equity settled transactions).

There are currently three plans in place to provide these benefits:

> The Employee Share Option Plan (ESOP), which provides benefits to all employees in the form of options;

> The Long Term Incentive Plan (LTIP), which provides benefits to all employees in the form of performance rights and options; and

> Long Term Incentive share plan (LTI), which provides benefits to all employees in the form of escrowed shares.

No arrangements under any of the plans were modified during the year.

Further information is contained in note 2(r) on page 50 and the Remuneration Report of the Directors' Report on pages 15 to 24.

Non-Quoted Options

The cost of the options is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a binomial model.

	Balance 01/07/09	Issued	Exercised	Expiry/ Cancellations	Balance 30/06/10	Vested	Non Vested	Exercise Price	Expiry
Parcel O	653,250	-	-	(679,250)	-	-	-	97.0c	01/07/09
Parcel Q	5,750	-	-	(5750)	-	-	-	132.0c	05/08/09
Parcel R	72,500	-	(52,500)	(20,000)	-	-	-	137.0c	16/02/10
Parcel S	1,110,174	-	(153,574)	(956,600)	-	-	-	119.0c	24/06/10
Parcel T	33,500	-	(6,250)	(6,250)	21,000	21,000	-	105.0c	31/01/11
Parcel U	35,000	-	-	-	35,000	35,000	-	115.0c	15/06/11
Parcel V	964,750	-	(43,000)	(112,250)	809,000	591,500	218,000	134.0c	17/07/11
Parcel W	65,000	-	-	(35,000)	30,000	21,250	8,750	157.0c	25/10/11
Parcel Y	25,000	-	-	-	25,000	18,750	6,250	188.0c	07/02/12
Parcel Z	37,000	-	-	(21,000)	16,000	12,000	4,000	264.0c	16/05/12
Parcel A	1,149,500	-	-	(251,500)	898,000	449,000	449,000	301.0c	08/08/12
Parcel B	784,000	-	-	(120,000)	663,200	-	663,200	293.0c	10/09/12
Parcel C	38,000	-	-	(38,000)	-	-	-	297.0c	05/12/12
Parcel D	94,500	-	-	(33,500)	59,000	29,500	29,500	225.0c	20/02/13
Parcel E	55,000	-	-	(20,000)	35,000	17,500	17,500	178.0c	23/04/13
Parcel F	65,000	-	-	(5,000)	60,000	15,000	45,000	125.0c	13/08/13
Parcel H	3,312,995	-	(100,904)	(403,125)	2,805,216	647,095	2,158,121	104.0c	22/10/13
Parcel I	56,000	-	-	(36,000)	20,000	5,000	15,000	62.0c	12/12/13
Parcel J	70,000	-	-	(3,000)	67,000	16,750	50,250	63.0c	18/02/14
Parcel K	20,000	-	-	-	20,000	5,000	15,000	55.0c	20/04/14
Parcel L	5,595,000	-	(122,500)	(312,000)	5,160,500	1,228,250	3,932,250	68.0c	03/06/14
Parcel M	-	80,000	-	-	80,000	-	80,000	93.0c	11/08/14
Parcel N	-	30,000	-	-	30,000	-	30,000	145.0c	21/10/14
Parcel O	-	295,000	-	-	295,000	-	295,000	142.0c	08/01/15
Parcel P	-	100,000	-	-	100,000	-	100,000	133.0c	15/02/15
Parcel Q	-	140,000	-	-	140,000	-	140,000	146.0c	21/04/15
Parcel R	-	90,000	-	-	90,000	-	90,000	141.0c	16/06/15
Total	14,241,919	735,000	(478,728)	(3,058,225)	10,659,416	3,112,595	8,346,821		
Percentage of ordinary shares at the end of the Financial Year					7.58%	2.21%	5.94%		

The weighted average fair value of the options granted during the year was $0.69.

This price was calculated by using a binomial option pricing model applying the following inputs:

Weighted average exercise price	$1.36
Weighted average life of the option	4.62 years
Weighted underlying share price	$1.39
Weighted expected share price volatility	71.07%
Weighted risk free interest rate	3.84%

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2010 is 3.57 years (2009: 3.65 years).

Included under employee benefits expense in the income statement relating to employee share options is $1,853,000 (2009: $1,131,000) and relates, to the value of employee share option payments at their grant date amortised over the vesting period.

Performance Rights

Performance rights are valued using the share price at the grant date adjusted for the present value of estimated dividends during the vesting period and adjusted for the probability of achievement of vesting conditions.

	Balance 01/07/09	Issued	Exercised	Expiry/ Cancellations	Balance 30/06/10	Vested	Non Vested	Exercise Price	Expiry
PR 1	2,133,040	-	-	(217,388)	1,915,652	475,273	1,440,379	-	01/08/12
PR 2	200,000		-	(4,000)	196,000		196,000	-	01/08/13
PR 3	-	250,000	-	-	250,000		250,000	-	01/08/15
PR 4	-	50,000	-	-	50,000		50,000	-	01/08/15
PR 5	-	25,000	-	-	25,000		25,000	-	01/08/13
	2,133,040	325,000	-	(217,388)	2,436,652	475,273	1,961,379	-	
Percentage of ordinary shares at the end of the Financial Year					1.73%	0.33%	1.40%	-	

Shares

Shares acquired on market and escrowed for employees are valued using the share price at the grant date and are expensed over the eligible service period, with no adjustment made for the achievement of vesting conditions.

Note 28: Events after the Balance Sheet Date

On 23 July 2010 the consolidated entity acquired the Origin HR group. Origin HR is a leading provider of online vocational education and training. Origin owns its own customised software developed especially for the VET sector and boasts some of the country's leading financial services, banking, legal and accounting firms as its customers. Origin also has a growing franchise business allowing for greater access to regional centres.

Origin HR has annual revenues of approximately $2 million. The acquisition, which required an initial payment of $1.8m, and further payments based on the earnings of Origin HR for the financial years ending 30 June 2011 and 2012, will be funded through a combination of cash (60%), and equity (40%).

Other information regarding the acquisition has not been disclosed as it is not readily available at the time of preparation of this report.

Note 29: Related Party Transactions

(a) Subsidiaries

The consolidated financial statements include the financial statements of Talent2 International Limited and the subsidiaries listed in the following table.

Controlled Entities

	Country of Incorporation	Percentage Owned 2010	2009
Talent2 International Limited	Australia		
Controlled Entities:			
Talent2 Works Pty Ltd	Australia	100%	100%
Talent2 Holdings Limited	Hong Kong	100%	100%
Talent2 Works Limited	Hong Kong	100%	100%
TWO Talent2 Malaysia Sdn Bhd	Malaysia	100%	100%
Talent2 Pty Limited	Australia	100%	100%
T2 Pty Ltd	Australia	100%	100%
Talent2 Limited	Hong Kong	100%	100%
Wall Street Associates Ltd	Hong Kong	Deregistered	100%
Talent Partners Pty Ltd	Australia	100%	100%
Talent2 Consult Pty Ltd	Australia	100%	100%
Talent2 Hong Kong Limited	Hong Kong	100%	100%
Wall Street Associates Outsourcing Ltd	Hong Kong	Deregistered	100%
Talent-Pro Ltd	Hong Kong	Deregistered	100%
Paper Shuffle Pty Ltd	Australia	100%	100%
Talent2 Macau Limited	Macau	100%	100%
Talent2 Shanghai Co Ltd	China	100%	70%
Talent Partners in the Gulf Limited	British Virgin Islands	100%	100%
Talent Partners (Dubai) LLC	United Arab Emirates	100%	100%
Intersearch Bahrain Consulting WLL	Kingdom of Bahrain	100%	100%
Talent2 India HR Private Limited	India	100%	100%
Agensi Perkerjaan Talent2 International Sdn Bhd	Malaysia	100%	100%
Talent2 Singapore Pte Ltd	Singapore	100%	100%
Zapper Services Pte Limited	Singapore	100%	-
Zapper (Thailand) Co. Ltd	Thailand	100%	-
Zapper Japan Co Ltd	Japan	100%	-
Zapper Services Consultancy (Shanghai) Ltd	China	100%	-
Zapper Philippines BPO., Inc	Philippines	100%	-
i-Zapp Cebu Corporation	Philippines	100%	-
iZapper Sdn Bhd	Malaysia	100%	-
Zapper (HK) Limited	Hong Kong	100%	-
Zapper (Vietnam) Co Ltd	Vietnam	100%	-
Talent 2 NZ Limited	New Zealand	100%	100%
Stonyer & Associates Limited (in liquidation)	New Zealand	100%	100%
Duncan & Ryan Associates Limited (in liquidation)	New Zealand	100%	100%
Duncan & Ryan Associates (Auckland) Limited (in liquidation)	New Zealand	100%	100%
Sugar International Limited	New Zealand	100%	-
Sugar New Zealand Limited	New Zealand	100%	-
Howgood Limited	New Zealand	75%	-
Howgood Operations Limited	New Zealand	75%	-
J2S Group Australia Pty Ltd	Australia	100%	-
1 Training Solutions Pty Ltd	Australia	100%	-
Australian College of Management Pty Ltd	Australia	100%	-
J2S Training Solutions Pty Ltd	Australia	100%	-
The QLD College of Business Pty Ltd	Australia	100%	-
National Training Pty Ltd	Australia	100%	-
Performance Edge Systems Pty Ltd	Australia	100%	-
Source4 Pty Ltd	Australia	100%	-

	Country of Incorporation	Percentage Owned 2010	2009
Sugar Holdings Australia Pty Ltd	Australia	100%	-
MA Training Institute Pty Ltd	Australia	100%	-
NPS International Pty Ltd	Australia	100%	100%
National Payroll Systems Pty Ltd	Australia	100%	100%
T2 Optimise Pty Ltd	Australia	100%	100%
The Learning Group Pty Ltd	Australia	100%	100%
Talent2 Japan KK	Japan	100%	100%
T2 Tokyo KK	Japan	51%	51%
Talent2 KK[1]	Japan	80%	70%
TOGJ Consulting Ltd[1]	Japan	80%	70%
Talent2 Corporation	USA	100%	100%
Talent2 UK Limited	UK	100%	100%
Australasian Talent Company Limited	UK	100%	100%
Talent2 UK Executive Limited	UK	100%	100%

[1] The shareholdings of the companies was increased from 70% to 80% on 30 September 2009.

(b) Key Management Personnel Remuneration and Retirement Benefits

Details of directors' and other key management personnel remuneration are disclosed in the Remuneration Report section of the Directors' Report.

(c) Key Management Personnel Equity Holdings

Details of directors' and other key management personnel equity holdings are disclosed in Note 6 to the financial statements.

(d) Other Transactions with Key Management Personnel The operating profit before income tax includes the following items of revenue and expense that resulted from transactions with directors or their director-related entities:

	2010 $000	2009 $000
Revenue:		
Recruitment Services		
- The Heat Group Pty Ltd[1]	36	53
Consulting Services		
- The Heat Group Pty Ltd	2	2
Expense:		
Professional Services		
- Value Enhancement Management Pty Ltd	12	15
Amount receivable from:		
The Heat Group Pty Ltd	38	38
Amount payable to:		
Value Enhancement Management Pty Ltd	-	1

[1] The Heat Group Pty Ltd is an entity associated with Geoff Morgan.
[2] Value Enhancement Management Pty Ltd is an entity associated with Mary Beth Bauer until 21 October 2009 (date retired as Deputy Chair).

Transactions have occurred during the period between the consolidated entity and publicly held entities which have common directors. All such transactions are conducted on normal commercial terms and are in no way influenced by any director of the consolidated entity.

Note 30: Financial Risk Management

(a) Financial Risk Management Policies

The consolidated entity's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries and leases.

The main purpose of non-derivative financial instruments is to raise finance for group operations.

(i) Treasury Risk Management

Financial risk exposure and evaluation of treasury management strategies in the context of the most recent economic conditions and forecasts is actively managed on a day to day basis by the consolidated entity's Chief Financial Officer in consultation with the consolidated entity's Managing Director and Chief Executive Office and operates under policies approved by the Board of Directors.

Risk management policies are approved and reviewed by the Board on a regular basis. These include the credit risk policies and future cash flow requirements.

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

(ii) Financial Risk Exposures and Management

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

Interest rate risk

The group is exposed to market interest rates relating primarily to the group's short-term and long-term debt obligations. The level of debt is disclosed in note 30(c)(ii) and the sensitivity analysis is considered in note 30(c)(i).

The consolidated entity constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rate debt.

Foreign currency risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services and long term borrowings in currencies other than the group's measurement currency.

The consolidated entity actively manages this exposure by entering into long term funding arrangements in the currency in which future cash flows are expected to be derived.

Liquidity risk

The group has to meet certain loan covenants over the debts drawn under the banking facilities. There were no breaches of loan covenants during the year.

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. At 30 June 2010 the group does not have unutilised borrowing facilities from the bank (2009: $14 million).

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 impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The consolidated entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated entity.

In order to minimise the credit risk, the consolidated entity actively manages credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the consolidated entity reviews the recoverable amount of each individual trade receivable each month to ensure that adequate impairment charges are made. This process ensures that the consolidated entity's credit risk is minimised.

(b) Liquidity Risk

Contractual Maturity of Financial Liabilities

	< 6 months $000	6 – 12 months $000	1 – 5 years $000	Total $000
Financial Liabilities				
Trade and other payables	(30,024)	-	-	(30,024)
Interest-bearing borrowings	(1,136)	(1,928)	(32,336)	(35,400)
Net outflow	(31,160)	(1,928)	(32,336)	(65,424)

(c) Interest Rate Risk

(i) Interest Rates Sensitivity Analysis

In applying the sensitivity analysis the consolidated entity has determined -/+1% to be appropriate given the historical movements in interest rates in the regions in which it operates.

At 30 June 2010 if interest rates had changed by -/+1% from the year end rates, with all other variables held constant, both net profit for the year and equity for the group would have been $191,000 higher/$77,000 lower (2009: $74,000 higher/$47,000 lower).

	2010 $000	2009 $000
Change in profit		
- Interest rate increase 1%	(77)	(47)
- Interest rate decrease 1%	191	74
Change in equity		
- Interest rate increase 1%	-	-
- Interest rate decrease 1%	-	-

(ii) Interest Rate Risk Exposure

At balance date, the group has the following mix of financial assets and liabilities exposed to variable market interest rates and the effective weighted average interest rates are as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate				Fixed Interest Rate Maturing				Non-Interest Bearing		Total	
Consolidated Entity			Within 1 Year		1 -5 Years		Within 1 Year		1 -5 Years					
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	%	%							$000	$000	$000	$000	$000	$000
Financial Assets:														
Cash	1.7	0.4	24,090	20,977	-	-	-	-	-	-	-	-	24,090	20,977
Receivables		-		-	-	-	-	-	-	-	44,487	30,466	44,487	30,466
Total Financial Assets			24,090	20,977	-	-	-	-	-	-	44,487	30,466	68,577	51,443
Financial Liabilities:														
Trade and other payables	-	-	-	-	-	-	-	-	-	-	30,024	22,442	30,024	22,442
Bank loan	2.9	3.8	1,731	352	30,040	15,602		-	-	-	-	-	31,770	15,954
Lease liabilities	8.2	6.3		-	-	-	177	147	418	594	-	-	595	741
Total Financial Liabilities			1,731	352	30,040	15,602	177	147	418	594	30,024	22,442	62,389	39.137
Total Financial Assets/(Liabilities)			22,359	20,625	(30,040)	(15,602)	(177)	(147)	(418)	(594)	14,463	8,024	6,188	12,306

(d) Foreign Currency Risk

(i) Foreign Currency Risk Sensitivity Analysis

At 30 June 2010 the effect on profit and equity as a result of changes in the value of the Australian Dollar to the various major currencies, with all other variables remaining constant is as follows:

	2010	2009
	$000	$000
Change in profit		
- Improvement in AUD to USD by 5%	87	118
- Decline in AUD to USD by 5%	(79)	(107)
- Improvement in AUD to HKD by 5%	112	27
- Decline in AUD to HKD by 5%	(102)	(24)
- Improvement in AUD to YEN by 5%	283	295
- Decline in AUD to YEN by 5%	(256)	(267)
- Improvement in AUD to SGD by 5%	368	161
- Decline in AUD to SGD by 5%	(648)	(146)
- Improvement in AUD to GBP by 5%	48	214
- Decline in AUD to GBP by 5%	(43)	(193)
- Improvement in AUD to NZD by 5%	143	184
- Decline in AUD to NZD by 5%	(130)	(166)
- Improvement in AUD to MYR by 5%	74	65
- Decline in AUD to MYR by 5%	(67)	(58)
Change in equity		
- Improvement in AUD to USD by 5%	-	-
- Decline in AUD to USD by 5%	-	-
- Improvement in AUD to HKD by 5%	-	-
- Decline in AUD to HKD by 5%	-	-
- Improvement in AUD to YEN by 5%	-	-
- Decline in AUD to YEN by 5%	-	-
- Improvement in AUD to SGD by 5%	-	-
- Decline in AUD to SGD by 5%	-	-
- Improvement in AUD to GBP by 5%	-	-
- Decline in AUD to GBP by 5%	-	-
- Improvement in AUD to NZD by 5%	-	-
- Decline in AUD to NZD by 5%	-	-
- Improvement in AUD to MYR by 5%	-	-
- Decline in AUD to MYR by 5%	-	-

(ii) Foreign Currency Risk Exposure

The carrying amounts of the Group's financial instruments are denominated in the following currencies (Australian dollar equivalent amounts):

	2010 AUD $000	2010 NZD $000	2010 HKD $000	2010 MYR $000	2010 YEN $000	2010 SGD $000	2010 USD $000	2010 GBP $000	2010 Others $000	2010 TOTAL $000
Cash	11,682	2,468	1,045	848	2,035	2,470	6	1,994	1,542	24,090
Trade and other receivables	26,212	2,016	2,068	1,179	1,706	5,428	10	3,532	2,336	44,487
Trade and other payables	(16,320)	(1,759)	(980)	(622)	(1,367)	(2,840)	(9)	(4,613)	(1,514)	(30,024)
Borrowings	(7,580)	-	-	-	(7,755)	(15,352)	(1,663)	-	(15)	(32,365)
	13,994	2,725	2,133	1,405	(5,381)	(10,294)	(1,656)	913	2,349	6,188

	2009 AUD $000	2009 NZD $000	2009 HKD $000	2009 MYR $000	2009 YEN $000	2009 SGD $000	2009 USD $000	2009 GBP $000	2009 Others $000	2009 TOTAL $000
Cash	10,918	3,488	609	595	2,299	1,298	-	160	1,610	20,977
Trade and other receivables	19,674	1,869	591	989	1,304	3,197	11	967	1,864	30,466
Trade and other payables	(13,718)	(1,863)	(695)	(358)	(1,370)	(1,427)	46	(1,098)	(1,665)	(22,148)
Borrowings	(2,468)	-	-	-	(7,830)	-	(2,307)	(4,090)	-	(16,695)
	14,406	3,494	505	1,226	(5,597)	3,068	(2,250)	(4,061)	1,809	12,600

Note 32: Parent Entity Information

Information relating to the parent entity:	2010 $000	2009 $000
Current assets	69,653	44,352
Total assets	122,944	97,651
Current liabilities	3,630	1,489
Total liabilities	5,361	5,825
Issued capital	101,619	83,287
Capital profits reserve	105	105
Equity incentive plans reserve	9,703	6,861
Dividend distribution reserve	85	65
Foreign exchange reserve	5,643	-
Retained earnings	428	1,508
Total equity	117,583	91,826
Net profit for the year/Total comprehensive income	4,564	652

The bank loans are secured by a charge over all assets of the subsidiaries guaranteed by the parent entity.
There are no commitments for the parent entity.
The contingent liability of the parent entity is discussed in note 23.

Note 33: Company Details

The registered office of the Company is:

Talent2 International Limited
Level 4, 77 Pacific Highway
North Sydney, NSW 2060
Australia

For further details please refer to page 94.

Directors' Declaration

In accordance with a resolution of the directors of Talent2 International Limited, we state that:

1. In the opinion of the directors:

   (a) The financial statements, notes and the additional disclosures included in the Directors' report designated as audited, of the consolidated entity are in accordance with the *Corporations Act 2001* ; including:

      (i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date.

      (ii) Complying with Accounting Standards and *Corporations Regulations 2001*.

      (iii) Complying with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

   (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2010.

On behalf of the Board of Directors.

Ken Allen AM
Chairman

Andrew Banks
Managing Director

Dated this 25th day of August 2010

Ernst & Young Centre
680 George Street
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GPO Box 2646 Sydney NSW 2001

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Independent audit report

To members of Talent2 International Limited

Report on the Financial Report

We have audited the accompanying financial report of Talent2 International Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the financial report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

ERNST & YOUNG

Auditor's Opinion

In our opinion:

1. the financial report of Talent2 International Limited is in accordance with the *Corporations Act 2001*, including:

    i giving a true and fair view of the consolidated entity's financial position at 30 June 2010 and of its performance for the year ended on that date; and

    ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010 . The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Talent2 International Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001.*

Ernst & Young

Gregory J Logue
Partner
Sydney
25 August 2010

Additional stock exchange information

As at 31 July 2010

Number of Holders of Equity Securities

Ordinary Share Capital

141,089,346 (2009: 126,794,602) fully paid ordinary shares are held by 2,601 (2009: 2,832) shareholders. No shares are subject to escrow provisions imposed by the Australian Stock Exchange.

All issued ordinary shares carry one vote per share.

Options

11,759,705 (2009: 14,702,919) options are held by 301 (2009: 514) option holders.

Distribution of Holders of Equity Securities

	Fully Paid Ordinary Shares	Number of Shareholders
1 - 1,000	368,631	622
1,001 - 5,000	2,769,856	1,016
5,001 - 10,000	3,011,417	379
10,001 - 100,000	13,869,106	487
100,001 and over	121,070,336	97
	141,089,346	2,601
Holdings less than a marketable parcel (less than 368 fully paid ordinary shares)	21,952	128

Substantial Shareholders	Fully Paid Ordinary Shares	
Ordinary Shareholders	Number	Percentage
Morgan & Banks Investments Pty Ltd	29,537,369	20.94%
Aviva Investors Australia Limited	9,860,397	6.99%
	39,397,766	27.93%

	Name	Number	Percentage
1.	Morgan & Banks Investments Pty Limited	29,537,369	20.94%
2	J P Morgan Nominees Australia Limited	15,211,049	10.78%
3.	Aviva Investors Australia Limited	9,860,397	6.99%
4.	Citicorp Nominees Pty Limited	5,810,304	4.12%
5.	Mr Goh Chee Whatt	4,419,252	3.13%
6.	Cogent Nominees Pty Limited	4,095,365	2.90%
7	HSBC Custody Nominees (Australia) Limited	3,945,419	2.80%
8.	ANZ Nominees Limited	3,923,005	2.78%
9.	CPU Share Plans Pty Limited	3,833,596	2.72%
10.	Birdsall Pty Limited	2,231,334	1.58%
11	Ms Chong Kwee Lian	2,039,655	1.45%
12	Mirrabooka Investments Limited	1,900,000	1.35%
13.	Colleen Margot Davis	1,775,188	1.26%
14.	Mr Nicholas James Tuckfield	1,648,583	1.17%
15	National Nominees Limited	1,373,373	0.97%
16.	Equity Trustees Limited	1,368,805	0.97%
17.	Queensland Investment Corporation	1,312,003	0.93%
18.	Mr P R Huljich, Mr M R Huljich + Mr S P Huljich	1,092,697	0.77%
19.	The Forbert Group Pty Limited	1,078,666	0.76%
20.	Europa Management Services Pty Limited	1,078,666	0.76%
		97,534,726	69.13%

Company Secretary
David Patteson

Principal Registered Office
Talent2 International Limited
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Australia
www.talent2.com
Telephone: + 61 2 9087 6333
Facsimile: + 61 2 9087 6395

Principal Administration Office
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North Sydney NSW 2060
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Facsimile: + 61 2 9087 6395

Investor Enquiries
Telephone: + 61 2 9087 6333
Facsimile: + 61 2 9087 6395
Email: investor@talent2.com

Share Registry
Computershare
Level 2, 45 George's Tce
Perth WA 6000
Australia
Telephone: 1300 557 010 or + 61 8 9323 2000

Auditors
Ernst & Young
Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia
Telephone: + 61 2 9248 5555

Stock Exchange Listings
Talent2 International Limited ordinary shares are quoted by the Australian Stock Exchange (symbol "TWO")