Talent2 International Limited

ACN 000 737 744

Preliminary Final Report

for the Financial Year ended June 2006

talent2

Results for Announcement to the Market

Revenue and Net Profit				
Revenues from ordinary activities	up	65.0 %	to	$99,557,000
Profit before interest, taxation, depreciation and amortisation (EBITDA)	up	68.3%	to	$10,042,000
Profit from ordinary activities before tax attributable to members (refer note a below)	up	23.1%	to	$5,157,000
Profit from ordinary activities after tax attributable to members (refer note b below)	down	24.2%	to	$3,718,000
Net profit for the period attributable to members	down	24.2%	to	$3,718,000

a. Profits from ordinary activities before tax includes an additional $ 1,678,000 amortisation on the value attributable to acquired identifiable intangible assets on business acquisitions as required under the new Australian equivalents to IFRS standards. Refer Note 17b for further details of these business acquisitions.

b. The previous year's profit from ordinary activities after tax attributable to members for the period ended 30 June 2005 includes a $1,772,000 positive adjustment to bring to account the income tax benefits of historical tax losses.

Dividends (distributions)	Amount per Security	Franked Amount per Security
Final dividend	Nil	n/a
Special dividend declared and paid after year end	3.0 cents	46%
Previous corresponding period	Nil	n/a
Record date for determining entitlements to the dividend, (in the case of a trust, distribution)	n/a	n/a

Commentary

The 2006 financial year sees another record year for the Talent2 International Limited group. Revenues increased by 65% to $99.56 million for the 2006 financial year, up from $60.34 million for the corresponding year. This growth curve reinforces Talent2's position as one of the fastest-growing companies in the services sector.

Even with this continued growth, the business was able to maintain margins of just over 10%, achieving earnings before interest, tax, depreciation and amortisation (EBITDA) of $10.04 million for the full year, a 68% increase on the $5.97 million EDITDA achieved in the previous year.

> The Managed Services business has expanded revenue over threefold to $24.23 million for the year, with good strategic wins with major national and international companies, including several significant wins in Asia. While this growth is strong, the best is yet to come and the pipeline for Managed Services remains strong with the revenue build of previous deals starting to kick in.

> Talent2 People, the executive recruitment and search business, had another year of strong growth, increasing revenue by 60% to $60.08 million with steady organic growth and solid contribution from offices in Hong Kong, Singapore, New Zealand and Dubai.

> Revenue for the technology arm of the Talent2 Works business came in at $14.81 million, just ahead of budget. This was pleasing for the Works division given their additional excellent contribution to the Managed Services business.

> Talent2 elearning and HR Consulting established more traction and had some major new customer wins helping companies to optimize their productivity and development.

During the year, a few key strategic acquisitions were made. National Payroll Systems (NPS) a leading Australian payroll services business gave us broad exposure to the very important SME market adding to our recurring revenue model. Stonyer & Associates enhanced our executive recruitment offering in New Zealand. These acquisitions produced 7.9% of the group's revenues in the June 2006 year.

Earnings before interest and tax (EBIT) for the full year were $4.78 million, compared to $3.96 million in the previous year. This result was generated after allowance for acquired intangible amortisation of $2.86 million compared to $0.38 million in the previous year. The company recorded a full-year net profit after tax (NPAT) of $3.72 million, compared to $4.91 million ($3.14 million excluding a one-off tax adjustment of $1.77 million) for the year ended June 2005.

Strong cash flows allowed Talent2 to also pay a special dividend of 3 cents per share on 1 August 2006, and the company is also waiting on a pending tax ruling to return up to an additional 3 cents per share to its shareholders.

Financial highlights during the 2006 year included:

> EBITDA of $10.04m compared to $5.97m in 2005.

> EBIT of $4.78m compared to $3.96m in 2005. EBIT was $2.86m in the second half of 2006, up from $1.92m in the first half.

> Operating cashflows of $8.75m compared to $5.99m in 2005.

> An increase in cash assets to $14.57m from $9.10m a year earlier. Other than leased assets, the company has no debt.

- Net assets rose from $40.61m to $62.11m.
- Net tangible assets rose to $20.23m, from $13.93m a year earlier.

The introduction of Australian International Financial Reporting Standards (AIFRS) came into effect from 1 July 2005, with a conversion date of 1 July 2004 for comparative reporting purposes. The effect of this change increased the group's net assets at 1 July 2005 by $3.67m and increased the group's net tangible assets at 1 July 2005 by $3.16m. Details of the transition to AIFRS are provided on pages 16 to 19.

Income Statement

for the Financial Year ended 30 June 2006

		Economic Entity	
	Note	2006	2005
		$000	$000
Sales Revenue	3a	99,557	60,342
Cost of sales On hired labour and advertising costs		(25,857)	(14,481)
Distributor commissions and licence fees		(1,897)	(2,308)
Gross Profit		71,803	43,553
Employee benefits expense		(49,368)	(30,254)
Operating lease rental expense	3b	(5,716)	(3,243)
Advertising and marketing expense		(1,474)	(987)
Amortisation of acquired intangible assets	3b	(2,862)	(376)
Amortisation of software development	3b	(863)	(713)
Depreciation of plant and equipment	3b	(1,533)	(915)
Borrowing costs expense	3b	(65)	(42)
Other expenses from ordinary activities		(4,765)	(2,835)
Profit From Ordinary Activities Before Income Tax		5,157	4,188
Income tax (expense) benefit relating to ordinary activities		(1,439)	719
Profit From Ordinary Activities After Related Income Tax		3,718	4,907
Earnings per share			
Basic (cents per share)	5	3.29c	5.13c
Diluted (cents per share)	5	3.24c	4.97c

The earnings per share numbers above have been adjusted to reflect the 1:5 share consolidation in November 2004.

Balance Sheet

As at 30 June 2006

		Economic Entity	
	Note	**2006**	**2005**
		$000	$000
Current Assets			
Cash and cash equivalents		14,565	9,095
Trade and other receivables	6	17,446	10,526
Other current assets	7	2,128	1,590
Total Current Assets		34,139	21,211
Non-Current Assets			
Plant and equipment	8	5,000	2,649
Deferred tax assets	9	5,569	6,469
Intangible assets	10	41,879	26,681
Total Non-Current Assets		**52,448**	**35,799**
Total Assets		**86,587**	**57,010**
Current Liabilities			
Trade and other payables	11	19,920	13,364
Short term borrowings	12	293	162
Current tax liabilities	13	367	414
Short term provisions	14	2,240	1,509
Total Current Liabilities		**22,820**	**15,449**
Non-Current Liabilities			
Long term borrowings	12	525	69
Deferred tax liabilities	13	-	66
Long term provisions	14	1,132	819
Total Non-Current Liabilities		**1,657**	**954**
Total Liabilities		**24,477**	**16,403**
Net Assets		**62,110**	**40,607**
Equity			
Issued capital	15	75,434	57,514
Reserves		3,844	450
Accumulated losses		(17,168)	(17,357)
Total Equity		**62,110**	**40,607**

Statement of Changes in Equity

for the Financial Year ended 30 June 2006

			Reserves				
	Share Capital Ordinary	Accumulated Losses	Capital Profits Reserves	Equity Incentive Plans	Dividend Distribution Reserve	Foreign Exchange Movement	Total
	$000	$000	$000	$000	$000	$000	$000
Balance at 1 July 2004	**41,790**	**(22,264)**	**105**	**137**	**-**	**-**	**19,768**
Foreign Exchange movement	-	-	-	-	-	10	10
Net Profit	-	4,907	-	-	-	-	4,907
Total recognised income and expense	-	4,907	-	-	-	10	4,917
Shares and Options issued	15,724	-	-	373	-	-	16,097
Consolidation of treasury shares	-	-	-	(175)	-	-	(175)
Balance at 30 June 2005	**57,514**	**(17,357)**	**105**	**335**	**-**	**10**	**40,607**
Balance at 1 July 2005	**57,514**	**(17,357)**	**105**	**335**	**-**	**10**	**40,607**
Foreign Exchange movement	-	-	-	-	-	(176)	(176)
Net Profit	-	189	-	-	3,529	-	3,718
Total recognised income and expense	-	189	-	-	3,529	(176)	3,542
Shares and Options issued	17,920	-	-	601	-	-	18,521
Consolidation of treasury shares	-	-	-	(560)	-	-	(560)
Balance at 30 June 2006	**75,434**	**(17,168)**	**105**	**376**	**3,529**	**(166)**	**62,110**

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

Statement of Cash Flows

for the Financial Year ended 30 June 2006

		Economic Entity	
	Note	2006	2005
		$000	$000
Cash Flows From Operating Activities			
Receipts from customers		103,594	64,620
Payments to suppliers and employees		(95,174)	(58,580)
Interest received		437	267
Interest and other costs of finance paid		(65)	(42)
Income Tax paid		(39)	(277)
Net cash provided by operating activities	17a	**8,753**	**5,988**
Cash Flows From Investing Activities			
Purchase of plant and equipment		(2,750)	(1,269)
Payment for net business assets acquired	17b	(635)	146
Purchase of other non-current assets		-	(6)
Net cash used in investing activities		**(3,385)**	**(1,129)**
Cash Flows From Financing Activities			
Proceeds from issues of equity securities		181	108
Payment of transaction costs relating to share issues		(79)	(47)
Net cash provided by financing activities		**102**	**61**
Net Increase In Cash Held		5,470	4,920
Cash At The Beginning Of The Financial Year		9,095	4,175
Cash At The End Of The Financial Year		**14,565**	**9,095**

Notes to the Preliminary Final Report

for the Financial Year ended 30 June 2006

1. Basis of Preparation

The preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

As this is the first financial report prepared under Australian equivalents to IFRS, the accounting policies applied are inconsistent with those applied in the 2005 annual report as this report was presented under previous Australian GAAP. Accordingly, a summary of the significant accounting policies under Australian equivalents to IFRS has been included below. A reconciliation of equity and profit and loss between previous GAAP and Australian equivalents to IFRS has been prepared per Note 2.

Statement of Significant Accounting Policies

First-time Adoption of Australian Equivalents to International Financial Reporting Standards

In accordance with the requirements of AASB 1: First-time Adoption of Australian equivalents to International Financial Reporting Standards, adjustments to the consolidated entity accounts resulting from the introduction of IFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first full year financial statements of the Company to be prepared in accordance with Australian equivalents to IFRS.

Significant Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity the Company has the power to control the financial and operating policies of so as to obtain benefits from its activities. All controlled entities have a June financial year-end.

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

Where controlled entities have entered the economic entity during the year, their operating results have been included from the date control was obtained.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(b) Income Tax

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

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

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

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

The Company and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group formed an income tax consolidated group to apply from October 2003. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(c) Plant and Equipment

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

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

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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 economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	15% - 31%
Plant and equipment	7% - 25%
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.

(d) Leases

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

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

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(e) Financial Instruments

Recognition

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

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial Liabilities

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

(f) Impairment of Assets

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

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

(g) Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Research and Development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technically feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

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.

Software Intellectual Property

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

Candidate Databases

Acquired candidate databases are recorded at fair value as at the date of the relevant acquisition and then amortised on a straight line basis over their useful life to the economic entity commencing from the time the database is held ready for use. Candidate databases are amortised at 20% p.a.

(h) 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; 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.

(i) Employee Benefits

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

Equity-settled Compensation

The group operates a number of share-based compensation plans. These include both a share option arrangement and an employee share purchase scheme. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

Executive Long Term Incentives

In the group's financial statements, the transactions of the company sponsored employee share plan trust are treated as being executed directly by the company (as the trust acts as the company's agent). Accordingly unexpensed escrowed shares held by the trust are recognised as treasury shares and deducted from equity.

(j) 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.

(k) Cash and Cash Equivalents

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

(l) Revenue

Licence Sales and Disposal of Assets

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

Rendering of Technology Services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. Where services relate to maintenance of software, revenue is recognised over the maintenance period. Unexpired revenue is recorded as unearned income.

Permanent Placements

Revenue is recognised as work is performed. Invoices are issued as stage payments where agreed with the client, or on appointment as accepted by both the client and the candidate.

Contract Placements

Revenue is recognised when the services are provided.

Royalties

Royalty revenue is recognised on an accruals basis in accordance with the substance of the relevant agreement.

Interest

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividends

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture 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).

(m) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(n) Goods and Services Tax (GST)

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

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

(o) Comparative Figures

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

(p) 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 have been rounded off to the nearest $1,000.

(q) Critical Accounting Estimates and Judgments

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

Key Estimates — Impairment

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

No impairment has been recognised in respect of goodwill for the year ended 30 June 2006. Should the projected turnover figures be materially outside budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of goodwill at 30 June 2006 amounting to $23,767,000.

2. First-time Adoption of Australian Equivalents to International Financial Reporting Standards

Reconciliation of Equity at 1 July 2004	Note	Previous GAAP at 1 July 2004	Adjustments on introduction of Australian Equivalents to IFRS	Australian Equivalents to IFRS at 1 July 2004
		$000	$000	$000
Assets				
Current Assets				
Cash and cash equivalents		4,175	-	4,175
Trade and other receivables		7,577	-	7,577
Other current assets		979	-	979
Total Current Assets		12,731	-	12,731
Non-Current Assets				
Plant and equipment		1,918	-	1,918
Deferred tax assets	2(a)	1,207	3,916	5,123
Intangible assets		11,031	-	11,031
Total Non-Current Assets		14,156	3,916	18,072
Total Assets		**26,887**	**3,916**	**30,803**
Current Liabilities				
Trade and other payables		8,779	-	8,779
Short-term borrowings		170	-	170
Current tax liabilities		131	-	131
Short-term provisions	2(b)	1,213	78	1,291
Total Current Liabilities		10,293	78	10,371
Non-Current Liabilities				
Long-term borrowings		182	-	182
Deferred tax liabilities		-	-	-
Long-term provisions		482	-	482
Total Non-Current Liabilities		**664**	**-**	**664**
Total Liabilities		**10,957**	**78**	**11,035**
Net Assets		**15,930**	**3,838**	**19,768**
Equity				
Issued capital		41,790	-	41,790
Reserves	2(c)	105	137	242
Accumulated Losses	2(d)	(25,965)	3,701	(22,264)
Total Equity		**15,930**	**3,838**	**19,768**

2. First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont)

Reconciliation of Equity at 30 June 2005	Note	Previous GAAP at 30 June 2005	Adjustments on introduction of Australian Equivalents to IFRS	Australian Equivalents to IFRS at 30 June 2005
		$000	$000	$000
Assets				
Current Assets				
Cash and cash equivalents		9,095	-	9,095
Trade and other receivables		10,526	-	10,526
Other current assets	2(c)	1,765	(175)	1,590
Total Current Assets		21,386	(175)	21,211
Non-Current Assets				
Plant and equipment		2,649	-	2,649
Deferred tax assets	2(a)	3,005	3,464	6,469
Intangible assets	2(e)	26,166	515	26,681
Total Non-Current Assets		**31,820**	**3,979**	**35,799**
Total Assets		**53,206**	**3,804**	**57,010**
Current Liabilities				
Trade and other payables		13,364	-	13,364
Short-term borrowings		162	-	162
Current tax liabilities		414	-	414
Short-term provisions	2(b)	1,379	130	1,509
Total Current Liabilities		**15,319**	**130**	**15,449**
Non-Current Liabilities				
Long-term borrowings		69	-	69
Deferred tax liabilities		66	-	66
Long-term provisions		819	-	819
Total Non-Current Liabilities		**954**	**-**	**954**
Total Liabilities		**16,273**	**130**	**16,403**
Net Assets		**36,933**	**3,674**	**40,607**
Equity				
Issued capital		57,514	-	57,514
Reserves	2(c)	115	510	450
	2(c)		(175)	
Accumulated Losses	2(d)	(20,696)	3,339	(17,357)
Total Equity		**36,933**	**3,674**	**40,607**

2. First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont)

Reconciliation of Profit or Loss for 2005	Note	Previous GAAP	Effect of Australian Equivalents to IFRS	Australian Equivalents to IFRS
		$000	$000	$000
Revenues		**60,342**	**-**	**60,342**
Cost of sales				
On hired labour and advertising costs		(14,481)	-	(14,481)
Distributor commissions and licence fees		(2,308)	-	(2,308)
		43,553	**-**	**43,553**
Employee benefits expense	2(c)	(29,881)	(373)	(30,254)
Operating lease rental expense	2(b)	(3,191)	(52)	(3,243)
Advertising and marketing expense		(987)	-	(987)
Amortisation of acquired intangible assets	2(e)	(1,032)	986	(376)
	2(e)		(330)	
Amortisation of software development		(713)	-	(713)
Depreciation of plant and equipment		(915)	-	(915)
Borrowing costs expense		(42)	-	(42)
Other expenses from ordinary activities	2(e)	(2,820)	(15)	(2,835)
Profit from ordinary activities before income tax expense		**3,972**	**216**	**4,188**
Income tax benefit (expense) relating to ordinary activities	2(a)	1,297	(578)	719
Profit attributable to members of the parent entity		**5,269**	**(362)**	**4,907**

Notes to the reconciliations of equity and profit and loss at 1 July 2004 and 30 June 2005

(a) Deferred tax assets adjustments comprise:

	30 June 2005	1 July 2004
	$000	$000
Deferred tax on recognition of acquired software intellectual property	4,350	4,350
Deferred tax on recognition of acquired candidate databases	126	-
Less tax amounts expensed to income statement prior to adoption of AIFRS	(1,012)	(434)
Total	**3,464**	**3,916**

(b) Operating lease payments

	30 June 2005	1 July 2004
	$000	$000
Under AASB117 Leases, the group now charges on a straight line basis all operating lease costs over the life of the lease term.		
Charge to income statement	52	-
Adjustment to accumulated losses	(130)	(78)

2. First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont)

(c) Share based employee payments

	30 June 2005	1 July 2004
	$000	$000
Under AASB2 Share Based Payments, the group now recognises as an expense all share based remuneration, including deferred shares and options, and amortise these expenses over the relevant vesting period.		
Charge to income statement	373	-
Adjustment to reserves	510	137
Under AIFRS shares held on behalf of employees that have not been vested at balance date are classified as treasury shares and offset against equity		
Impact of treasury shares to reserves	(175)	-

(d) Adjustments to accumulated losses comprise:

		30 June 2005	1 July 2004
		$000	$000
Recognition of deferred tax asset on acquired intellectual property prior to June 2004	(refer 2a)	3,338	3,916
Reversal of goodwill previously amortised	(refer 2e)	986	-
Operating lease adjustment	(refer 2b)	(130)	(78)
Expensing of employee share options	(refer 2c)	(510)	(137)
Additional amortisation of acquired identifiable intangible assets recognised on acquisitions under AIFRS	(refer 2e)	(330)	-
Write off of trademark costs previously capitalised	(refer 2e)	(15)	-
		3,339	**3,701**

(e) Adjustments to intangible assets comprise:

		30 June 2005	1 July 2004
		$000	$000
Temporary differences arising from valuations of acquired candidate databases	(refer 2a)	(126)	-
Reversal of goodwill previously amortised	(refer 2d)	986	-
Additional amortisation of acquired identifiable intangible assets recognised on acquisitions under AIFRS	(refer 2d)	(330)	-
Reversal of trademark costs previously capitalised	(refer 2d)	(15)	-
		515	**-**

3. Profits from Ordinary Activities

This report is based on accounts that are in the process of being audited.

	Economic Entity	
	2006	**2005**
The operating profit before income tax includes the following items of revenue and expense:	$000	$000
3a. Operating Revenue		
Managed Services	24,225	7,600
Recruitment services	60,082	37,496
Technology services	14,813	14,979
	99,120	**60,075**
Interest Revenue:		
Other entities	437	267
Total Revenue	**99,557**	**60,342**
3b.Operating Expenses		
Borrowing costs:		
Interest	15	1
Finance lease finance charges	50	41
	65	**42**
Net provision for doubtful debts in respect of amounts receivable from:		
Other entities	158	176
Net transfer to provisions:		
Employee entitlements	699	581
Depreciation of non-current assets:		
Plant and equipment	1,319	785
Amortisation of non-current assets:		
Software Development	863	713
Acquired software intellectual property	2,060	46
Acquired candidate databases	802	330
Leased assets	214	130
	3,939	**1,219**
Operating lease rental expenses:		
Minimum lease payments	5,716	3,243

4. Comparison of Half Year Profits

	Economic Entity	
	2006	**2005**
	$000	$000
Consolidated profit from ordinary activities after tax attributable to members reported for the first half year	1,496	3,647
Consolidated profit from ordinary activities after tax attributable to members reported for the second half year	2,222	1,260

5. Ratios

	Economic Entity	
	2006	**2005**
Profit before tax / revenue		
Consolidated profit from ordinary activities before tax as a percentage of revenue	5.2%	6.9%
Profit after tax / equity interests		
Consolidated net profit from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	6.0%	12.1%
NTA Backing		
Net tangible asset backing per ordinary security	**17.23c**	**13.42c**
Earnings per Share		
(a) Basic EPS	3.29c	5.13c
(b) Diluted EPS	3.24c	4.97c
(c) Weighted average number of ordinary shares outstanding during the period used in the calculation of the basic EPS	112,935,139	95,725,852
(d) Weighted average number of options outstanding	1,927,115	3,082,991
(e) Weighted average number of ordinary shares outstanding during the year used in the calculations of dilutive earnings per share	114,862,254	98,808,843

The number of ordinary shares and options have been adjusted to reflect the 1:5 share consolidation in November 2004.

6. Trade and Other Receivables

	Economic Entity	
	2006	2005
	$000	$000
Trade receivables	17,519	10,737
Provision for doubtful debts	(74)	(211)
	17,446	**10,526**

7. Other Current Assets

	Economic Entity	
	2006	2005
	$000	$000
Prepayments	796	572
Other	1,332	1,018
	2,128	**1,590**

8. Plant and Equipment

	Economic Entity	
	2006	2005
	$000	$000
Leasehold Improvements		
At cost	2,337	1,301
Accumulated depreciation	(733)	(351)
	1,604	**950**
Plant and Equipment		
At cost	7,423	3,429
Accumulated depreciation	(4,947)	(2,003)
	2,476	**1,426**
Leased Plant and Equipment		
At cost	1,412	553
Accumulated depreciation	(492)	(280)
	920	**273**
Total Plant and Equipment	**5,000**	**2,649**

8. Plant and Equipment (cont)

Movements in Carrying Amounts

	Leasehold Improvements	Plant and Equipment	Leased Plant and Equipment	Total
Balance at the beginning of the year	950	1,426	273	2,649
Additions	1,388	1,362	861	3,611
Disposals	(251)	(70)	-	(321)
Additions through acquisitions	-	605	-	605
Depreciation / amortisation charged against restructuring provision	(4)	(7)	-	(11)
Depreciation / amortisation charged against operating profit	(479)	(840)	(214)	(1,533)
	1,604	**2,476**	**920**	**5,000**

9. Deferred Tax Assets

	Economic Entity	
	2006	**2005**
	$000	$000
Deferred Tax Assets are made up of the following estimated tax benefits:		
Tax losses	2,392	1,772
Software intellectual property not previously brought to account	-	3,338
Temporary Differences	3,177	1,359
	5,569	**6,469**

10. Intangible Assets

	Economic Entity	
	2006	**2005**
	$000	$000
Goodwill	23,767	20,344
Acquired software intellectual property	17,304	2,720
Accumulated amortisation	2,105	45
	15,199	**2,675**
Acquired candidate databases	4,027	3,974
Accumulated amortisation	1,131	329
	2,896	**3,645**
Other	17	17
	41,879	**26,681**

11. Trade and Other Payables

	Economic Entity	
	2006	2005
	$000	$000
Trade payables	15,677	9,293
Unearned income	4,243	4,071
	19,920	**13,364**

12. Borrowings

	Economic Entity	
	2006	2005
	$000	$000
Short Term		
Secured:		
Finance lease liabilities *(i)*	**293**	**162**
Long Term		
Secured:		
Finance lease liabilities *(i)*	**525**	**69**
(i) Secured by the assets leased		

13. Tax Liabilities

	Economic Entity	
	2006	2005
	$000	$000
Short Term		
Income Tax	367	414
Long Term		
Deferred tax liabilities	-	66

14. Provisions

	Economic Entity	
	2006	2005
	$000	$000
Short Term		
Employee benefits	2,014	1,353
Operating lease costs	182	130
Restructuring costs	-	26
Other	44	-
	2,240	**1,509**
Long Term		
Employee benefits	1,094	741
Other	39	78
	1,132	**819**
a) Aggregate employee benefits liability	3,108	2,094
b) Number of employees at the end of the financial year	495	285

15. Issued Capital

15a. Issued Capital

	Economic Entity	
	2006	2005
	$000	$000
Balance at the beginning of the Financial Year	57,514	41,790
Options exercised	181	108
Issued on acquisition of controlled entities	17,818	11,899
Issued on acquisition of business	-	3,764
Transaction costs relating to share issues	(79)	(47)
Balance at the end of the Financial Year	**75,434**	**57,514**

15b. Ordinary Securities

	Economic Entity			
	2006	2006	2005	2005
	Total Number	Number Quoted	Total Number	Number Quoted
Balance at the beginning of the Financial Year	103,806,741	103,806,741	457,574,866	457,574,866
Adjustment to reflect the 1:5 share consolidation in November 2004	-	-	(366,060,290)	(366,060,290)
	103,806,741	103,806,741	91,514,576	91,514,576
Changes During the Year				
Options exercised	510,870	510,870	199,000	199,000
Issued on acquisition of controlled entities	13,124,855	13,124,855	9,504,357	9,504,357
Issued on acquisition of business	-	-	2,588,808	2,588,808
Balance at the end of the Financial Year	**117,442,466**	**117,442,466**	**103,806,741**	**103,806,741**

15. Issued Capital (cont)

15c. Non Quoted Options

	Balance 01/07/05	Issued	Exercised	Expiry/ Cancellations	Balance 30/06/06	Vested	Non Vested	Exercise Price	Expiry
Parcel J (Director Conditional Option Plan)	520,000	-	220,000	300,000	-	-	-	22.5c	30/06/06
	520,000	-	-	80,000	440,000	-	440,000	22.5c	30/06/07
	520,000	-	-	80,000	440,000	-	440,000	22.5c	30/06/08
Parcel K (Director Conditional Option Plan)	80,000	-	40,000	40,000	-	-	-	37.5c	30/06/06
	80,000	-	-	-	80,000	-	80,000	37.5c	30/06/07
	80,000	-	-	-	80,000	-	80,000	37.5c	30/06/08
Parcel L (Director Conditional Option Plan)	75,000	-	37,500	37,500	-	-	-	35.0c	30/06/06
	75,000	-	-	-	75,000	-	75,000	35.0c	30/06/07
	75,000	-	-	-	75,000	-	75,000	35.0c	30/06/08
Parcel M (Employee Share Option Plan)	913,500	-	148,500	55,000	710,000	501,500	208,500	45.0c	12/06/08
Parcel N (Employee Share Option Plan)	150,000	-	-	-	150,000	75,000	75,000	105.0c	06/05/09
Parcel O (Employee Share Option Plan)	1,432,000	-	34,750	162,250	1,235,000	305,750	929,250	100.0c	01/07/09
Parcel P	30,120	-	30,120	-	-	-	-	5.0c	01/07/09
Parcel Q (Employee Share Option Plan)	24,000	-	-	-	24,000	6,000	18,000	135.0c	05/08/09
Parcel R (Employee Share Option Plan)	244,000	-	-	114,000	130,000	32,500	97,500	140.0c	16/02/10
Parcel S (Employee Share Option Plan)	-	1,670,825	-	73,975	1,595,850	398,963	1,196,888	122.0c	24/06/10
Parcel T (Employee Share Option Plan)	-	81,000	-	10,000	71,000	-	71,000	108.0c	31/01/11
Total	**4,818,620**	**1,751,825**	**510,870**	**952,725**	**5,105,850**	**1,319,713**	**3,786,138**		
Percentage of ordinary shares at the end of the Financial Year					**4.34%**	**1.12%**	**3.22%**		

15d. Employee Long Term Incentive Plans

	Balance 01/07/05	Issued	Exercised	Expiry/ Cancellations	Balance 30/06/06	Vested	Non Vested
Employee LTI Plan A	212,932	703,408	-	20,678	895,662	16,114	879,548
Percentage of ordinary shares at the end of the Financial Year					**0.76%**	**0.01%**	**0.75%**

16. Business Segment Information

Primary Reporting	Managed Services		Recruitment Services		Technology Services		Unallocated		Eliminations		Economic Entity	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Revenue												
External Sales	24,225	7,600	60,082	37,496	14,813	14,979	437	267	-	-	99,557	60,342
Other Segments	74	55	398	182	539	82	-	-	(1,011)	(319)	-	-
Total Revenue	**24,299**	**7,655**	**60,480**	**37,678**	**15,352**	**15,061**	**437**	**267**	**(1,011)**	**(319)**	**99,557**	**60,342**
Less Cost of Sales												
External Sales	(8,282)	(2,506)	(18,086)	(12,168)	(1,386)	(2,115)	-	-	-	-	(27,754)	(16,789)
Other Segments	(15)	-	(163)	(21)	(497)	-	-	-	675	21	-	-
Gross Profit	**16,002**	**5,149**	**42,231**	**25,489**	**13,469**	**12,946**	**437**	**267**	**(336)**	**(298)**	**71,803**	**43,553**
EBITDA	**115**	**(420)**	**7,673**	**3,343**	**2,254**	**3,044**	**-**	**-**	**-**	**-**	**10,042**	**5,967**
Depreciation & Amortisation	(2,627)	(174)	(1,524)	(423)	(1,107)	(1,407)	-	-	-	-	(5,258)	(2,004)
EBIT	**(2,512)**	**(594)**	**6,149**	**2,920**	**1,147**	**1,637**	**-**	**-**	**-**	**-**	**4,784**	**3,963**
Net Interest											373	225
Profit from ordinary activities before tax											**5,157**	**4,188**
Income tax											(1,439)	719
Net Profit after tax											**3,718**	**4,907**
Segment Assets and Liabilities:												
Assets	24,937	6,629	46,130	38,035	15,520	12,346	-	-	-	-	86,587	57,010
Liabilities	4,002	1,280	12,148	7,845	8,327	7,278	-	-	-	-	24,477	16,403
Other Segment Information:												
Acquisition of non-current segment assets	1,141	44	1,500	956	970	332	-	-	-	-	3,611	1,332

Secondary reporting – Geographic segments

	Segment Revenue		Carrying Amount of Segment Assets	
	2006	2005	2006	2005
	$000	$000	$000	$000
Geographical Location:				
Australia and New Zealand	91,789	59,500	82,553	55,114
Asia	7,768	842	4,034	1,896
	99,557	**60,342**	**86,587**	**57,010**

17. Cash Flow Information

17a. Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities after Income Tax

	Economic Entity	
	2006	2005
	$000	$000
Profit from ordinary activities after Income Tax	3,718	4,907
Employee share option plans expensed to equity	601	373
Depreciation of plant and equipment	1,533	915
(Profit) / Loss on Disposal of non-current assets and trademarks	48	15
Amortisation of acquired software intellectual property and candidate databases	2,862	376
Deferred tax asset utilised (brought to account)	1,431	(1,220)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
(Increase) / Decrease in assets:		
Current receivables	(5,733)	(1,848)
Prepayments and deferred expenses	(363)	(866)
Increase / (Decrease) in liabilities:		
Current trade payables	4,390	1,924
Income taxes payable	(47)	157
Unearned income	172	582
Deferred taxes liabilities	-	497
Other liabilities	141	176
Net cash from operating activities	**8,753**	**5,988**

17b. Acquisition of Entities

During the year the parent entity acquired 100% of the NPS group including its distributor Access Payroll Services. The purchase was satisfied by a cash payment of $565,000 plus the issue of 12,593,985 ordinary shares at an effective price of $1.36 each, being the opening share price of the security on the effective date of the acquisition (1 August 2005). The purchase consideration includes $257,000 in transaction costs.

	Economic Entity
	2006
	$000
The purchase price was allocated as follows:	
Purchase Consideration	17,950
Assets and liabilities acquired at acquisition date:	
Cash	376
Receivables	1,084
Plant & equipment	551
Deferred tax assets	589

	Economic Entity
	2006
Payables	(1,569)
	1,031
Value attributable to identifiable intangible assets	14,584
Goodwill on consolidation	2,335
Total Purchase consideration	**17,950**

The assets and liabilities arising from the acquisition are recognised at fair value which is equal to its carrying value at acquisition date. Profit after taxation relating to the NPS group (excluding amortisation of acquired intangible assets of $1,170,000 after taxation) amounting to $691,000 is included in the consolidated income statement.

During the year the parent entity acquired 100% of Stonyer & Associates. The purchase was satisfied by a cash payment of $340,000 plus the issue of 530,870 ordinary shares at an effective price of $1.30 each being the opening share price of the security on the effective date of the acquisition (1 November 2005). The purchase consideration includes $43,000 in transaction costs.

	Economic Entity
	2006
	$000
The purchase price was allocated as follows:	
Purchase Consideration	1,073
Assets and liabilities acquired at acquisition date:	
Cash	267
Receivables	103
Plant and equipment	55
Deferred tax assets	5
Payables	(425)
	5
Value attributable to identifiable intangible assets	53
Goodwill on consolidation	1,015
Total Purchase consideration	**1,073**

The assets and liabilities arising from the acquisition are recognised at fair value which is equal to its carrying value at acquisition date. Profit after taxation relating to Stonyer & Associates (excluding amortisation of acquired intangible assets of $2,000 after taxation) amounting to a loss of $36,000 is included in the consolidated income statement.

Had the results relating to the NPS group and Stonyer & Associates been consolidated from 1 July 2005, total consolidated revenue would have been $101,107,000 and total consolidated profit after taxation $3,915,000 for the year ended 30 June 2006.

The group incurred additional transaction costs during the year that relates to the prior acquisitions of Margot Davis & Co, Southrock and Wall Street Associates. These costs have had the effect of increasing Goodwill on acquisition by an additional $73,000.

18. Subsequent Events

Subsequent to the year end, the economic entity declared and paid a special dividend out of current year profits to shareholders registered on 25th July 2006. The special dividend amounted to $3,529,000 and franked to 46%. This special dividend has not been accrued in these 30 June 2006 financial statements.