

# ***Talent2 International Limited***

***ACN 000 737 744***



## ***Preliminary Final Report***

***for the Financial Year ended 30 June 2009***

***talent<sup>2</sup>***

## Results for Announcement to the Market

Revenue and Net Profit				\$000
Revenues from operations	steady		at	\$228,993
Profit before interest, taxation, depreciation and amortisation (EBITDA)	down	48%	to	\$10,550
Loss after tax attributable to Consolidated Entity	down	182%	to	(\$7,581)
Net loss for the year attributable to members of parent entity	down	181%	to	(\$7,545)

Dividends (distributions)	Amount per Security	Franked Amount per Security
Final dividend	Nil	n/a
Previous corresponding period	4.5c	90%
Record date for determining entitlements to the dividend, (in the case of a trust, distribution)	n/a	n/a

## Commentary

The Consolidated Entity is reporting revenue of \$229.0m, and EBITDA of \$10.5m. Whilst revenue is steady compared to the year ended 30 June 2008, EBITDA is down 48%, primarily reflecting the impact of the global financial crisis on the market for permanent recruitment.

The Managed Services division has performed strongly in the current environment, reporting revenue of \$114.3m, up 21%, and EBITDA of \$12.9m, an increase of 37% on the prior financial year. All three service lines - payroll outsourcing, training and development and outsourced recruitment - saw revenues increase compared to the previous financial year.

The Recruitment division is reporting revenue of \$114.4m, down 15% from the prior year, and an EBITDA loss of \$2.4m, compared to a profit of \$10.8m in the previous financial year. The Recruitment business was heavily impacted by a sudden downturn in consumer confidence in October 2008, which resulted in hiring for permanent positions virtually coming to a stand still. The division reported a profit in the fourth quarter which suggests that the business has been correctly re-sized in line with current trading.

Following a review of the carrying value of acquired intangible assets at the reporting date, the Consolidated Entity has recorded an impairment charge of \$6.5m for the year. The impairment charge relates to the Consolidated Entity's investment in Hong Kong, the United Kingdom and India, and arises due to the shortfall in discounted cash flows generated by the underlying business when compared to the carrying value of the acquired intangible assets.

The Consolidated Entity is reporting profit before tax and excluding the impairment charge, of \$1.0m, compared to \$13.1m in the prior financial year. Following the impairment charge, the Consolidated Entity is reporting a loss before tax of \$5.5m.

Tax expense of \$2.1m has been reported, as a result of the non-deductibility of the impairment charge, equity based employee incentives and other non deductible items, together with losses incurred overseas that do not meet the criteria to be recognised as a deferred tax asset.

A strong focus on cash collections saw the Consolidated Entity generate operating cash of \$12.7m in the year, up from \$11.9m in the previous financial year. The cash position remains strong with \$21.0m in the bank at 30 June 09, and debt at \$16.7m.

The reported result after tax is a loss of \$7.5m compared to a profit of \$9.3m in the previous financial year. EPS fell from 7.63c in 2008 to a loss of 6.00c in the current year.

The Board has not declared a dividend in respect to the 2009 financial year but remains committed to returning to its previously stated dividend policy of distributing 50% - 70% of net profit after tax as soon as it is practical to do so.

Talent2 made one strategic acquisition during the year, The Learning Group, which is reported as part of the Managed Services division and adds learning content development expertise to our suite of available learning products.

## Income Statement for the Financial Year ended 30 June 2009

	Note	Consolidated Entity	
		2009	2008
		\$000	\$000
<b>Revenue</b>	2a	<b>228,993</b>	<b>229,304</b>
Cost of rendering of services			
On hired labour and advertising costs		(56,880)	(53,673)
Outsourced Services		(20,080)	(31,452)
Distributor commissions and licence fees		(615)	(1,429)
<b>Gross profit</b>		<b>151,418</b>	<b>142,750</b>
Other income	2b	-	878
Employee benefits expense		(112,984)	(99,853)
Operating lease rental expense	2c	(14,833)	(10,717)
Advertising and marketing expense		(2,687)	(3,045)
Amortisation of acquired intangible assets	2c	(4,510)	(3,662)
Amortisation of software development	2c	(1,197)	(710)
Depreciation of plant and equipment	2c	(3,392)	(2,716)
Impairment of acquired assets	2c	(6,532)	-
Finance costs	2c	(675)	(473)
Other expenses		(10,078)	(9,323)
<b>(Loss)/profit before income tax</b>		<b>(5,470)</b>	<b>13,129</b>
Income tax expense		(2,111)	(3,828)
<b>(Loss)/profit for the year</b>		<b>(7,581)</b>	<b>9,301</b>
Net loss/(profit) attributable to minority equity interests		36	(26)
<b>(Loss)/profit attributable to members of the parent entity</b>		<b>(7,545)</b>	<b>9,275</b>
Earnings per share			
Basic (cents per share)	4	(6.00c)	7.63c
Diluted (cents per share)	4	(6.00c)	7.33c

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

## Balance Sheet

As at 30 June 2009

	Note	Consolidated Entity	
		2009	2008
		\$000	\$000
<b>Current Assets</b>			
Cash and cash equivalents		20,977	17,600
Trade and other receivables	5	30,466	36,927
Other current assets	6	5,184	5,391
<b>Total Current Assets</b>		<b>56,627</b>	<b>59,918</b>
<b>Non-Current Assets</b>			
Investment accounted for using the equity method	7	-	332
Plant and equipment	8	7,996	8,220
Deferred tax assets	9	2,268	3,304
Intangible assets	10	55,397	62,772
<b>Total Non-Current Assets</b>		<b>65,661</b>	<b>74,628</b>
<b>Total Assets</b>		<b>122,288</b>	<b>134,546</b>
<b>Current Liabilities</b>			
Trade and other payables	11	22,148	31,366
Unearned income	12	6,622	5,020
Short-term borrowings	13	499	600
Current tax liabilities	14	439	3,471
Short-term provisions	15	5,164	4,773
<b>Total Current Liabilities</b>		<b>34,872</b>	<b>45,230</b>
<b>Non-Current Liabilities</b>			
Long-term borrowings	13	16,196	12,216
Long-term provisions	15	786	383
<b>Total Non-Current Liabilities</b>		<b>16,982</b>	<b>12,599</b>
<b>Total Liabilities</b>		<b>51,854</b>	<b>57,829</b>
<b>Net Assets</b>		<b>70,434</b>	<b>76,717</b>
<b>Equity</b>			
Issued capital		85,073	81,360
Reserves		3,633	6,046
Accumulated losses		(18,476)	(10,929)
<b>Parent Interests</b>		<b>70,230</b>	<b>76,477</b>
Minority equity interests		204	240
<b>Total Equity</b>		<b>70,434</b>	<b>76,717</b>

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

## Statement of Changes in Equity

### for the Financial Year ended 30 June 2009

	Reserves							Total
	Share Capital Ordinary	Accumulated Losses	Capital Profits Reserves	Equity Incentive Plans	Dividend Distribution Reserve	Foreign Exchange Movement	Minority Interests	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Balance at 1 July 2007</b>	<b>77,069</b>	<b>(14,624)</b>	<b>105</b>	<b>186</b>	<b>4,220</b>	<b>(516)</b>	<b>-</b>	<b>66,440</b>
Profit attributable to members of parent entity	-	9,275	-	-	-	-	-	9,275
Profit attributable to minority shareholders	-	-	-	-	-	-	26	26
Foreign exchange movement	-	-	-	-	-	(1,297)	-	(1,297)
<b>Total recognised income and expense</b>	<b>-</b>	<b>9,275</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,297)</b>	<b>26</b>	<b>8,004</b>
Transfer between reserves	-	(5,580)	-	-	5,580	-	-	-
Additions through acquisition of entities	-	-	-	-	-	-	163	163
Additions through incorporation of an entity	-	-	-	-	-	-	51	51
Shares and options issued (net of transaction costs)	4,291	-	-	2,227	-	-	-	6,518
Elimination of treasury shares	-	-	-	(239)	-	-	-	(239)
Dividends paid	-	-	-	-	(4,220)	-	-	(4,220)
<b>Balance at 30 June 2008</b>	<b>81,360</b>	<b>(10,929)</b>	<b>105</b>	<b>2,174</b>	<b>5,580</b>	<b>(1,813)</b>	<b>240</b>	<b>76,717</b>
Loss attributable to members of parent entity	-	(7,545)	-	-	-	-	-	(7,545)
Loss attributable to minority shareholders	-	-	-	-	-	-	(36)	(36)
Foreign exchange movement	-	-	-	-	-	266	-	266
<b>Total recognised income and expense</b>	<b>-</b>	<b>(7,545)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>266</b>	<b>(36)</b>	<b>(7,315)</b>
Transfer between reserves	-	(2)	-	-	2	-	-	-
Shares and options issued (net of transaction costs)	3,713	-	-	1,859	-	-	-	5,572
Elimination of treasury shares	-	-	-	1,042	-	-	-	1,042
Dividends paid	-	-	-	-	(5,582)	-	-	(5,582)
<b>Balance at 30 June 2009</b>	<b>85,073</b>	<b>(18,476)</b>	<b>105</b>	<b>5,075</b>	<b>-</b>	<b>(1,547)</b>	<b>204</b>	<b>70,434</b>

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

## Cash Flow Statement

for the Financial Year ended 30 June 2009

	Note	Consolidated Entity	
		2009	2008
		\$000	\$000
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		258,276	244,973
Payments to suppliers and employees		(241,560)	(231,355)
Interest received		286	416
Finance costs		(675)	(473)
Income tax paid		(4,096)	(1,764)
Income tax refund		444	54
<b>Net cash provided by Operating Activities</b>	18a	<b>12,675</b>	<b>11,851</b>
<b>Cash Flows from Investing Activities</b>			
Proceeds from sale of plant and equipment		4	20
Purchase of plant and equipment		(2,772)	(4,790)
Payment for subsidiaries, net of cash acquired	18b	(2,785)	(6,515)
Purchase of investments	7b	-	(4)
<b>Net cash used in Investing Activities</b>		<b>(5,553)</b>	<b>(11,289)</b>
<b>Cash Flows From Financing Activities</b>			
Proceeds from issues of shares		142	772
Payment of transaction costs relating to share issues		(22)	(13)
Proceeds from borrowings		2,549	11,343
Repayment of borrowings		(1,085)	(3,588)
Dividends paid		(5,582)	(4,220)
<b>Net cash (used in)/provided by Financing Activities</b>		<b>(3,998)</b>	<b>4,294</b>
Net increase in cash held		3,124	4,856
Cash at the beginning of the financial year		17,600	12,917
Effect of exchange rates on cash holdings in foreign currencies		253	(173)
<b>Cash at the end of the financial year</b>		<b>20,977</b>	<b>17,600</b>

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

# Notes to the Preliminary Final Report for the Financial Year ended 30 June 2009

## 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.

The accounting policies applied are consistent with those that will be applied in the 2009 annual report. There have been no changes in these accounting policies.

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

The Consolidated Entity in prior years has reported the Managed Services Segment and Technology segment separately. For the year ended 30 June 2009 the Consolidated Entity has combined the Technology segment into the Managed Services Segment as this more accurately reflects the reporting segments of the Consolidated Entity. All comparative information has been updated to reflect this.



## 2. Profits from Ordinary Activities

	Consolidated Entity	
	2009	2008
The operating (loss)/profit before income tax includes the following items of revenue and expense:	\$000	\$000
<b>2a. Operating Revenue</b>		
Managed Services	114,271	93,826
Recruitment Services	114,436	135,062
	<b>228,707</b>	<b>228,888</b>
Interest received	286	416
<b>Total Revenue</b>	<b>228,993</b>	<b>229,304</b>
<b>2b. Other Income</b>		
Net foreign exchange gain	-	878
<b>2c. Operating Expenses</b>		
Finance costs:		
Interest	637	435
Finance lease finance charges	38	38
	<b>675</b>	<b>473</b>
<b>Net provision for doubtful debts in respect of amounts receivable from:</b>		
Other entities	202	40
<b>Net transfer to provisions:</b>		
Employee entitlements	7	655
<b>Depreciation of non-current assets:</b>		
Plant and equipment	1,707	1,236
Leasehold Improvements	1,357	1,211
Leased assets	328	269
	<b>3,392</b>	<b>2,716</b>
<b>Amortisation of non-current assets:</b>		
Software Development	1,197	710
Acquired software intellectual property	3,180	2,712
Acquired candidate databases	1,081	950
Acquired brand name	190	-
Acquired clients list	57	-
Other	2	-
	<b>4,510</b>	<b>3,662</b>
	<b>5,707</b>	<b>4,372</b>
<b>Impairment of acquired assets:</b>		
Impairment of goodwill	6,200	-
Impairment of investment in associated company	332	-
	<b>6,532</b>	<b>-</b>
<b>Operating lease rental expenses:</b>		
Minimum lease payments	14,833	10,717

### 3. Comparison of Half Year Profits

	Consolidated Entity	
	2009	2008
	\$000	\$000
Consolidated profit after tax attributable to members of the parent entity reported for the first half year	234	4,152
Consolidated (loss)/profit after tax attributable to members of the parent entity reported for the second half year	(7,779)	5,123

### 4. Ratios

	Consolidated Entity	
	2009	2008
<b>(Loss)/profit before tax/revenue</b>		
Consolidated (loss)/profit before tax as a percentage of revenue	(2.4%)	5.7%
<b>(Loss)/profit after tax/equity interests</b>		
Consolidated net (loss)/profit after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	(3.3%)	12.1%
<b>NTA Backing</b>		
Net tangible asset backing per ordinary security	11.86c	11.33c
<b>Earnings per Share</b>		
(a) Basic EPS	(6.00c)	7.63c
(b) Diluted EPS	(6.00c)	7.33c
(c) Weighted average number of ordinary shares outstanding during the period used in the calculation of the basic EPS	125,746,633	121,624,707
(d) Weighted average number of options outstanding	135,509	2,951,733
(e) Weighted average number of performance rights	2,446,733	1,889,077
(f) Weighted average number of ordinary shares outstanding during the year used in the calculations of dilutive earnings per share (as inclusion of options and performance rights would be anti-dilutive in 2009)	125,746,633	126,465,517

### 5. Trade and Other Receivables

	Consolidated Entity	
	2009	2008
	\$000	\$000
Trade receivables	26,756	33,634
Provision for doubtful debts	(386)	(184)
	<b>26,370</b>	<b>33,450</b>
Other receivables	4,096	3,477
	<b>30,466</b>	<b>36,927</b>

## 6. Other Current Assets

	Consolidated Entity	
	2009	2008
	\$000	\$000
Prepayments	1,835	1,817
Bank guarantees	1,486	1,719
Other	1,863	1,855
	<b>5,184</b>	<b>5,391</b>

## 7. Investments using the Equity Method

### 7a. Associated Companies

Interest is held in the following unlisted associated company.

Name	Principal activities	Country of Incorporation	Shares	Ownership Interest		Carrying amount of Investment	
				2009	2008	2009	2008
				%	%	\$000	\$000
TalentPro Global Limited	Holding Company	British Virgin Islands	Ord.	32	32	-	332
						-	332

### 7b. Movement during the year in the Associated Company

	Consolidated Entity	
	2009	2008
	\$000	\$000
Balance at the beginning of the financial year	332	328
New investments during the year	-	4
Impairment charged against operating profit <sup>1</sup>	(332)	-
Share of associated company's profit after tax <sup>2</sup>	-	-
	<b>-</b>	<b>332</b>

1. During the year the Consolidated Entity wrote off the investment in TalentPro Global Limited as it was impaired.
2. During the year ended June 2009, the Consolidated Entity's share in the after tax results of the associated company is less than \$1,000.

## 8. Plant and Equipment

	Consolidated Entity	
	2009	2008
	\$000	\$000
<b>Leasehold Improvements</b>		
At cost	7,019	6,748
Accumulated depreciation	(4,090)	(2,906)
	<b>2,929</b>	<b>3,842</b>
<b>Plant and Equipment</b>		
At cost	12,960	11,319
Accumulated depreciation	(8,897)	(7,449)
	<b>4,063</b>	<b>3,870</b>
<b>Leased Plant and Equipment</b>		
At cost	2,407	1,584
Accumulated depreciation	(1,403)	(1,076)
	<b>1,004</b>	<b>508</b>
<b>Total Plant and Equipment</b>	<b>7,996</b>	<b>8,220</b>

### Movements in Carrying Amounts

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

## 9. Deferred Tax Assets

	Consolidated Entity	
	2009	2008
	\$000	\$000
Deferred tax assets are made up of the following estimated tax benefits:		
Tax losses	220	582
Temporary differences	2,048	2,722
	<b>2,268</b>	<b>3,304</b>

## 10. Intangible Assets

	Consolidated Entity	
	2009	2008
	\$000	\$000
Goodwill	41,362	46,048
	<b>41,362</b>	<b>46,048</b>
Acquired software intellectual property	22,708	21,304
Accumulated amortisation	(10,291)	(7,112)
	<b>12,417</b>	<b>14,192</b>
Acquired candidate databases	5,404	5,404
Accumulated amortisation	(3,971)	(2,890)
	<b>1,433</b>	<b>2,514</b>
Acquired clients list	226	-
Accumulated amortisation	(57)	-
	<b>169</b>	<b>-</b>
Acquired brand name	190	-
Accumulated amortisation	(190)	-
	<b>-</b>	<b>-</b>
Other	16	18
	<b>55,397</b>	<b>62,772</b>

### Movements in Carrying Amounts

	Goodwill	Acquired Software Intellectual Property	Acquired Candidate Databases	Acquired Client List	Acquired Brand Name	Other	Total	Total
	2009	2009	2009	2009	2009	2009	2009	2008
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 July 2008	46,048	14,192	2,514	-	-	18	62,772	53,433
Additions through acquisition of entity	1,514	1,405	-	226	190	-	3,335	13,001
Amortisation charged against operating profit	-	(3,180)	(1,081)	(57)	(190)	(2)	(4,510)	(3,662)
Impairment charged against operating profit	(6,200)	-	-	-	-	-	(6,200)	-
<b>Balance at 30 June 2009</b>	<b>41,362</b>	<b>12,417</b>	<b>1,433</b>	<b>169</b>	<b>-</b>	<b>16</b>	<b>55,397</b>	<b>62,772</b>

## 10. Intangible Assets (cont)

### Impairment disclosure

At reporting date the Consolidated Entity has 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.

	Goodwill	Acquired Software Intellectual Property	Acquired Candidate Databases	Acquired Client List	Acquired Brand Name	Other	Total	Total
	2009	2009	2009	2009	2009	2009	2009	2008
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Recruitment Services Segment	25,811	-	1,433	-	-	16	27,260	28,437
Less impairment	(6,200)	-	-	-	-	-	(6,200)	-
	19,611	-	1,433	-	-	16	21,060	28,437
Managed Services Segment	21,751	12,417	-	169	-	-	34,337	34,335
	<b>41,362</b>	<b>12,417</b>	<b>1,433</b>	<b>169</b>	<b>-</b>	<b>16</b>	<b>55,397</b>	<b>62,772</b>

The recoverable amount of each cash-generating unit is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5 year period for the Recruitment Services segment business units and a 5 year period plus a terminal value for the Managed Services segment business units.

The following assumptions were used in the value-in-use calculations.

Management has based the value-in-use on budgets extrapolated out for the testing period. These budgets take the bottom up developed business unit budgets for the next financial year forecast out for 5 years taking into account historical growth rates and expected economic conditions during the testing period. For the Managed Services segment acquired businesses, which has an annuity revenue stream, a 3% terminal growth rate is used after year 5. The pre-tax weighted average cost of capital (WACC) for the Consolidated Entity, adjusted for effect of interest rates in the local region has been used as the discount rate in the discounted cash flow calculations. The average WACC used is 10.3%.

Based on the above assumption the Consolidated Entity has calculated an impairment charge to the following acquired businesses:

UK Recruitment Business                      \$2,500,000

Hong Kong Recruitment Business              \$3,700,000

**Total**    **\$6,200,000**

## 11. Trade and Other Payables

	Consolidated Entity	
	2009	2008
	\$000	\$000
Trade payables	9,006	16,250
Employment liabilities	13,142	15,116
	<b>22,148</b>	<b>31,366</b>

## 12. Unearned Income

	Consolidated Entity	
	2009	2008
	\$000	\$000
Unearned income	6,622	5,020

## 13. Borrowings

	Consolidated Entity	
	2009	2008
	\$000	\$000
<b>Current</b>		
Bank loan <sup>1</sup>	352	265
Finance lease liabilities secured by the assets leased	147	335
	<b>499</b>	<b>600</b>
<b>Non-Current</b>		
Bank loan <sup>1</sup>	15,602	12,216
Finance lease liabilities secured by the assets leased	594	-
	<b>16,196</b>	<b>12,216</b>

1. Secured by a charge over assets of subsidiary entities guaranteed by the parent entity.

## 14. Tax Liabilities

	Consolidated Entity	
	2009	2008
	\$000	\$000
<b>Current</b>		
Income tax	439	3,471

## 15. Provisions

	Consolidated Entity	
	2009	2008
	\$000	\$000
<b>Current</b>		
Employee benefits	4,184	4,278
Operating lease costs	686	316
Other	294	179
	<b>5,164</b>	<b>4,773</b>
<b>Non-Current</b>		
Employee benefits	483	382
Other	303	1
	<b>786</b>	<b>383</b>
a) Aggregate employee benefits liability	4,667	4,660
b) Number of employees at the end of the financial year	1,038	1,116

## 16. Issued Capital

### 16a. Ordinary Securities

	Consolidated Entity	
	2009	2008
	Total Number	Total Number
Balance at the beginning of the Financial Year	123,091,072	120,262,691
Changes during the Year		
Options exercised	112,393	1,233,376
Issued on acquisition of controlled entities	3,586,137	1,595,005
<b>Balance at the end of the Financial Year</b>	<b>126,789,602</b>	<b>123,091,072</b>



## 16. Issued Capital (cont)

### 16b. Non Quoted Options

	Balance 01/07/08	Issued	Exercised	Expiry/ Cancellations	Balance 30/06/09	Vested	Non Vested	Exercise Price	Expiry
Parcel N (Employee Share Option Plan)	135,000	-	-	135,000	-	-	-	102.0c	06/05/09
Parcel O (Employee Share Option Plan)	760,250	-	50,500	56,500	653,250	653,250	-	97.0c	01/07/09
Parcel Q (Employee Share Option Plan)	12,750	-	-	7,000	5,750	5,750	-	132.0c	05/08/09
Parcel R (Employee Share Option Plan)	72,500	-	-	-	72,500	72,500	-	137.0c	16/02/10
Parcel S (Employee Share Option Plan)	1,255,155	-	8,813	136,168	1,110,174	1,110,174	-	119.0c	24/06/10
Parcel T (Employee Share Option Plan)	44,750	-	-	11,250	33,500	24,500	9,000	105.0c	31/01/11
Parcel U (Employee Share Option Plan)	35,000	-	-	-	35,000	26,250	8,750	115.0c	15/06/11
Parcel V (Employee Share Option Plan)	1,093,000	-	5,500	122,750	964,750	451,900	512,850	134.0c	17/07/11
Parcel W (Employee Share Option Plan)	65,000	-	-	-	65,000	30,000	35,000	157.0c	25/10/11
Parcel X (Director Conditional Option Plan)	2,000,000	-	47,580	752,420	1,200,000	-	1,200,000	157.0c	30/06/12
Parcel Y (Employee Share Option Plan)	60,000	-	-	35,000	25,000	12,500	12,500	188.0c	07/02/12
Parcel Z (Employee Share Option Plan)	37,000	-	-	-	37,000	18,500	18,500	264.0c	16/05/12
Parcel A (Employee Share Option Plan)	1,299,000	-	-	149,500	1,149,500	287,375	862,125	301.0c	8/08/12

## 16. Issued Capital (cont)

### 16b. Non Quoted Options (cont)

	Balance 01/07/08	Issued	Exercised	Expiry/ Cancellations	Balance 30/06/09	Vested	Non Vested	Exercise Price	Expiry
Parcel B (Employee Share Option Plan)	800,000	-	-	16,000	784,000	-	784,000	293.0c	10/09/12
Parcel C (Employee Share Option Plan)	43,000	-	-	5,000	38,000	9,500	28,500	297.0c	5/12/12
Parcel D (Employee Share Option Plan)	152,000	-	-	57,500	94,500	23,625	70,875	225.0c	20/02/13
Parcel E (Employee Share Option Plan)	60,000	-	-	5,000	55,000	13,750	41,250	178.0c	23/04/13
Parcel F (Employee Share Option Plan)	-	75,000	-	10,000	65,000	-	65,000	125.0c	13/08/13
Parcel G (Director Conditional Option Plan)	-	480,000	-	-	480,000	-	480,000	150.0c	30/06/12
Parcel H (Employee Share Option Plan)	-	3,409,495	-	96,500	3,312,995	-	3,312,995	104.0c	22/10/13
Parcel I (Employee Share Option Plan)	-	56,000	-	-	56,000	-	56,000	62.0c	12/12/13
Parcel J (Employee Share Option Plan)	-	70,000	-	-	70,000	-	70,000	63.0c	18/02/14
Parcel K (Employee Share Option Plan)	-	20,000	-	-	20,000	-	20,000	55.0c	20/04/14
Parcel L (Employee Share Option Plan)	-	5,595,000	-	-	5,595,000	-	5,595,000	68.0c	03/06/14
<b>Total</b>	<b>7,924,405</b>	<b>9,705,495</b>	<b>112,393</b>	<b>1,595,588</b>	<b>15,921,919</b>	<b>2,739,574</b>	<b>13,182,345</b>		
<b>Percentage of ordinary shares at the end of the Financial Year</b>					<b>12.56%</b>	<b>2.16%</b>	<b>10.40%</b>		

### 16c. Performance Rights

	Balance 01/07/08	Issued	Exercised	Expiry/ Cancellations	Balance 30/06/09	Vested	Non Vested	Exercise Price	Expiry
Performance Rights	3,004,649	-	-	438,414	2,566,235	-	2,566,235	-	01/08/12
<b>Percentage of ordinary shares at the end of the Financial Year</b>					<b>2.4%</b>	<b>0%</b>	<b>2.4%</b>		

## 17. Business Segment Information

Primary Reporting	Managed Services		Recruitment Services		Unallocated		Eliminations		Consolidated Entity	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue										
External Sales	114,271	93,826	114,436	135,062	286	416	-	-	228,993	229,304
Other Segments	437	976	1,080	1,136	-	-	(1,517)	(2,112)	-	-
<b>Total Revenue</b>	<b>114,708</b>	<b>94,802</b>	<b>115,516</b>	<b>136,198</b>	<b>286</b>	<b>416</b>	<b>(1,517)</b>	<b>(2,112)</b>	<b>228,993</b>	<b>229,304</b>
Less Cost of rendering of services										
External Sales	(29,240)	(33,987)	(48,335)	(52,567)	-	-	-	-	(77,575)	(86,554)
Other Segments	(329)	(1,218)	(85)	(125)	-	-	414	1,343	-	-
<b>Gross Profit</b>	<b>85,139</b>	<b>59,597</b>	<b>67,096</b>	<b>83,506</b>	<b>286</b>	<b>416</b>	<b>(1,103)</b>	<b>(769)</b>	<b>151,418</b>	<b>142,750</b>
<b>EBITDA</b>	<b>12,919</b>	<b>9,446</b>	<b>(2,369)</b>	<b>10,828</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,550</b>	<b>20,274</b>
Depreciation & Amortisation	(6,710)	(4,840)	(2,389)	(2,248)	-	-	-	-	(9,099)	(7,088)
Impairment	-	-	(6,532)	-	-	-	-	-	(6,532)	-
<b>EBIT</b>	<b>6,209</b>	<b>4,606</b>	<b>(11,290)</b>	<b>8,580</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,081)</b>	<b>13,186</b>
Finance cost									(389)	(57)
<b>(Loss)/profit Before Income Tax</b>									<b>(5,470)</b>	<b>13,129</b>
Income Tax Expense									(2,111)	(3,828)
<b>(Loss)/profit For The Year</b>									<b>(7,581)</b>	<b>9,301</b>
Net Loss/(profit) Attributable to Minority Interest									36	(26)
<b>(Loss)/profit Attributable to Members of The Parent Entity</b>									<b>(7,545)</b>	<b>9,275</b>
<b>Segment Assets and Liabilities:</b>										
Assets	77,053	62,578	45,235	71,968	-	-	-	-	122,288	134,546
Liabilities	31,888	20,891	19,966	36,938	-	-	-	-	51,854	57,829
<b>Other Segment Information:</b>										
Investments accounted for using the equity method	-	332	-	-	-	-	-	-	-	332
Acquisition of non-current segment assets	2,069	2,063	703	2,898	-	-	-	-	2,772	4,961

## 17. Business Segment Information (cont)

### Secondary reporting – Geographic segments

	Segment Revenue		Carrying Amount of Segment Assets		Acquisitions of non-current Segment Assets	
	2009	2008	2009	2008	2009	2008
	\$000	\$000	\$000	\$000	\$000	\$000
Geographical Location:						
Australia and New Zealand	177,125	177,313	88,999	93,049	1,867	2,791
Asia	32,557	32,091	23,333	26,715	651	1,835
EMEA	19,297	19,668	9,776	14,533	254	335
Other locations	14	232	180	249	-	-
	<b>228,993</b>	<b>229,304</b>	<b>122,288</b>	<b>134,546</b>	<b>2,772</b>	<b>4,961</b>

## 18. Cash Flow Information

### 18a. Reconciliation of Cash Flow from Operations with (loss)/profit after Income Tax

	Consolidated Entity	
	2009	2008
	\$000	\$000
(Loss)/profit for the year	(7,581)	9,301
Employee share option plans and performance rights expensed to equity	1,859	2,227
Depreciation of plant and equipment	3,392	2,716
Amortisation of acquired intangible assets	4,510	3,662
Loss on disposal of non-current assets	264	13
Impairment of Goodwill	6,200	-
Impairment of investments accounted for using the equity method	332	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
(Increase)/decrease in assets:		
Trade and other receivables	8,889	(5,348)
Other current assets	1,151	(1,442)
Deferred tax assets	1,197	555
Increase/(decrease) in liabilities:		
Trade and other payables	(5,674)	(1,474)
Unearned income	856	(2)
Income taxes payable	(2,905)	1,281
Provisions	(233)	601
Other liabilities	418	(239)
<b>Net cash from Operating Activities</b>	<b>12,675</b>	<b>11,851</b>

### 18b. Acquisition of Entities

The Consolidated Entity acquired 100% of The Learning Group, a specialist e-learning development and learning services company during the period. The purchase was satisfied by a cash payment of \$1,831,000 and the issue of 1,942,050 ordinary shares at an effective price 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 an effective price 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 an effective price 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 reporting period, totalling \$342,000.

## 18. Cash Flow Information (cont)

### 18b. Acquisition of Entities (cont)

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.

	Consolidated Entity 30 June					
	The Learning Group 2009 \$000	Talent2 Singapore 2009 \$000	BizEd 2009 \$000	Others 2009 \$000	Total 2009 \$000	Total 2008 \$000
<b>The purchase price was allocated as follows:</b>						
Purchase consideration	3,384	1,618	292	342	5,636	14,182
Cash consideration	1,831	687	19	342	2,879	7,814
Cash acquired at acquisition date	(94)	-	-	-	(94)	(1,299)
<b>Cash outflow/(inflow)</b>	<b>1,737</b>	<b>687</b>	<b>19</b>	<b>342</b>	<b>2,785</b>	<b>6,515</b>
<b>Assets and liabilities acquired at acquisition date:</b>						
Cash	94	-	-	-	94	1,299
Receivables	1,394	-	-	-	1,394	3,778
Other current assets	-	-	-	-	-	823
Plant & equipment	85	-	-	-	85	288
Deferred tax assets	104	-	-	-	104	-
Tax liabilities	177	-	-	-	177	(446)
Payables & accruals	(620)	-	-	-	(620)	(2,900)
Short-term borrowings	-	-	-	-	-	(257)
Short-term provisions	(240)	-	-	-	(240)	-
Unearned income	(746)	-	-	-	(746)	(504)
Other non-current liabilities	-	-	-	-	-	(9)
Long-term borrowings	-	-	-	-	-	(1,030)
	<b>248</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>248</b>	<b>1,042</b>
Minority equity interests in acquisitions	-	-	-	-	-	(162)
Value attributable to identifiable intangible assets	1,820	-	-	-	1,820	1,327
Goodwill on consolidation	1,316	1,618	292	342	3,568	11,975
<b>Total purchase consideration</b>	<b>3,384</b>	<b>1,618</b>	<b>292</b>	<b>342</b>	<b>5,636</b>	<b>14,182</b>
(Loss)/profit for the period (attributable to members of the parent entity) included in consolidated profit of the group since the acquisition date.	(93)	-	-	-	(93)	823

## 18. Cash Flow Information (cont)

### **18b. Acquisition of Entities (cont)**

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

### **18c. Non-cash Financing Activities**

During the year the Consolidated Entity acquired plant and equipment with an aggregate value of \$824,000 (2008: \$171,000) by means of finance leases. These acquisitions are not reflected in the cash flow statement.

## 19. Subsequent Events

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect on the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.