Talent2 International Limited

ACN 000 737 744

Preliminary Final Report

This Preliminary Final Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3A.

Current Reporting Period:
Year Ended 30 June 2010

Previous Corresponding Period:
Year Ended 30 June 2009

talent2

Results for Announcement to the Market

Revenue and Net Profit				$000
Revenues from operations	up	6%	to	$242,591
Profit before interest, taxation, depreciation, amortisation and impairment (EBITDA)	up	87%	to	$19,763
Profit from ordinary activities after tax attributable to consolidated entity	up	NM*	to	$5,789
Net profit for the year attributable to owners of the parent	up	NM*	to	$5,751

* NM = Not meaningful

Dividends (distributions)	Amount per Security	Franked Amount per Security
Final dividend	4.00c	4.00c
Previous corresponding period	Nil	n/a
Record date for determining entitlements to the dividend	30 August 2010	n/a
Payable date for dividend	14 September 2010	n/a

Commentary

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.

The consolidated entity announced the acquisition of Origin HR subsequent to the year end, further strengthening the consolidated entity's vocationally training offerings.

Statement of Financial Position

As at 30 June 2010

		Consolidated Entity	
	Note	**2010**	**2009**
		$000	$000
Assets			
Current Assets			
Cash and cash equivalents		24,090	20,977
Trade and other receivables	5	44,487	30,466
Other current assets	6	6,428	5,184
Total Current Assets		**75,005**	**56,627**
Non-Current Assets			
Plant and equipment	7	7,330	7,996
Deferred tax assets	8	1,321	2,268
Intangible assets	9	93,038	55,397
Total Non-Current Assets		**101,689**	**65,661**
Total Assets		**176,694**	**122,288**
Liabilities			
Current Liabilities			
Trade and other payables	10	30,024	22,442
Unearned income	11	6,713	6,622
Interest-bearing borrowings	12	1,908	499
Current tax liabilities	13	3,434	439
Short-term provisions	14	4,737	4,870
Total Current Liabilities		**46,816**	**34,872**
Non-Current Liabilities			
Interest-bearing borrowings	12	30,457	16,196
Long-term provisions	14	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		101,619	83,287
Reserves		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**

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

Statement of Comprehensive Income

For the Financial Year ended 30 June 2010

		Consolidated Entity	
	Notes	2010	2009
		$000	$000
Revenue	2a	**242,591**	**228,993**
Cost of rendering of services: On hired labour and advertising costs		(46,786)	(56,880)
Outsourced services		(37,591)	(20,080)
Distributor commissions and licence fees		(1,710)	(615)
Gross Profit		**156,504**	**151,418**
Other income	2b	9	-
Employee benefits expense		(111,182)	(112,984)
Operating lease rental expense	2c	(13,878)	(14,833)
Advertising and marketing expense		(1,830)	(2,687)
Depreciation of plant and equipment	2c	(3,206)	(3,392)
Amortisation of acquired intangible assets	2c	(5,061)	(4,510)
Amortisation of software development	2c	(492)	(1,197)
Impairment of acquired assets	2c	-	(6,532)
Acquisition costs		(359)	-
Finance costs	2c	(739)	(675)
Other expenses	2c	(9,214)	(10,078)
Profit/(Loss) Before Income Tax		**10,552**	**(5,470)**
Income tax expense		(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/(loss) 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/(loss) for the year is attributable to:			
Non-controlling interest		38	(36)
Owners of the parent		7,135	(7,279)
		7,173	**(7,315)**

Statement of Comprehensive Income (cont)

For the Financial Year ended 30 June 2010

		Consolidated Entity	
	Notes	2010	2009
		$000	$000
Earnings per share for profit / (loss) attributable to the ordinary equity holders of the parent:			
Basic (cents per share)	4	4.36c	(6.00c)
Diluted (cents per share)	4	4.16c	(6.00c)

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

Statement of Changes in Equity

For the Year Ended 30 June 2010

			Reserves						
	Share Capital Ordinary	Accumulated Losses	Capital Profits Reserves	Equity Incentive Plans	Dividend Distribution Reserve	Foreign Exchange Reserve	Owners of the Parent	Non-Controlling Interest	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 period	-	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
Profit for the period	-	(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 the current period disclosure.

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

Cash Flow Statement

For the Financial Year ended 30 June 2010

		Consolidated Entity	
	Note	2010	2009
		$000	$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	17a	**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	17b	(19,216)	(2,785)
Net cash flows used in Investing Activities		**(21,346)**	**(5,553)**
Cash Flows From Financing Activities			
Proceeds from issues 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 the financial year		20,977	17,600
Cash and cash equivalents at end of the financial year		**24,090**	**20,977**

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 2010

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 2010 annual report.

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

2. Profits from Ordinary Activities

	Consolidated Entity	
	2010	2009
	$000	$000
The operating profit/(loss) before income tax includes the following items of revenue and expense:		
2a. Operating Revenue		
Managed Services	134,824	114,271
Recruitment Services	107,480	114,436
	242,304	**228,707**
Interest received	287	286
Total Revenue	**242,591**	**228,993**
2b. Other Income		
Net foreign exchange gain	9	-
Total other income	**9**	**-**
2c. Operating Expenses		
Finance costs:		
Interest	691	637
Finance lease finance charges	48	38
Total finance costs	**739**	**675**
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	**5,061**	**4,510**
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	**3,206**	**3,392**
Amortisation of non-current assets:		
Software development	**492**	**1,197**
Impairment of acquired assets:		
Impairment of goodwill	-	6,200
Impairment of investment in associated company	-	332
Total impairment of acquired assets	**-**	**6,532**
Net foreign exchange loss	-	178
Bad and doubtful debts:		
Trade receivables	(171)	202
Net transfer to provisions:		
Employee entitlements	505	7
Operating lease rental expenses:		
Minimum lease payments	13,878	14,833

3. Comparison of Half Year Profits

	Consolidated Entity	
	2010	2009
	$000	$000
Consolidated profit after tax attributable to owners of the parent reported for the first half year	1,856	234
Consolidated profit/(loss) after tax attributable to owners of the parent reported for the second half year	3,895	(7,779)

4. Ratios

	Consolidated Entity	
	2010	2009
NTA Backing		
Net tangible asset backing per ordinary security	4.00c	11.86c
Earnings per Share		
(a) Basic EPS	4.36c	(6.00c)
(b) Diluted EPS	4.16c	(6.00c)
(c) Weighted average number of ordinary shares outstanding during the period used in the calculation of the basic EPS	132,738,078	125,746,633
(d) Weighted average number of options outstanding	3,760,138	135,509
(e) Weighted average number of performance rights	2,725,276	2,446,733
(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)	139,223,492	125,746,633

5. Trade and Other Receivables

	Consolidated Entity	
	2010	2009
	$000	$000
Trade receivables	37,745	26,756
Provision for doubtful debts	(215)	(386)
	37,530	**26,370**
Other receivables	6,957	4,096
	44,487	**30,466**

6. Other Current Assets

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

7. Plant and Equipment

	Consolidated Entity	
	2010	2009
	$000	$000
Leasehold Improvements		
At cost	7,268	7,019
Accumulated depreciation	(5,154)	(4,090)
	2,114	**2,929**
Plant and Equipment		
At cost	16,944	12,960
Accumulated depreciation	(12,286)	(8,897)
	4,658	**4,063**
Leased Plant and Equipment		
At cost	1,388	2,407
Accumulated depreciation	(830)	(1,403)
	558	**1,004**
Total Plant and Equipment	**7,330**	**7,996**

Movements in Carrying Amounts

	Leasehold Improvements	Plant and Equipment	Leased Plant and Equipment	Total
	$000	$000	$000	$000
Balance at 30 June 2009	2,929	4,063	1,004	7,996
Additions	333	1,836	-	2,169
Disposals	(107)	(135)	-	(242)
Additions through acquisition of entities	108	567	-	675
Reclassification of assets	-	62	(62)	-
Depreciation / amortisation charge for the year	(1,133)	(1,795)	(278)	(3,206)
Foreign exchange movement	(16)	60	(106)	(62)
Balance at 30 June 2010	**2,114**	**4,658**	**558**	**7,330**

8. Deferred Tax Assets

	Consolidated Entity	
	2010	2009
	$000	$000
Deferred tax assets are made up of the following estimated tax benefits:		
Tax losses	201	220
Temporary differences	1,120	2,048
	1,321	**2,268**

9. Intangible Assets

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

9. Intangible Assets (cont)

Movements in Carrying Amounts

	Goodwill	Acquired Software Intellectual Property	Acquired Candidate Databases	Acquired Customer Contracts	Acquired Customer Relationships	Acquired Brand Name	Total
	2010	2010	2010	2010	2010	2010	2010
	$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**
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**

10. Trade and Other Payables

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

11. Unearned Income

	Consolidated Entity	
	2010	**2009**
	$000	$000
Unearned income	6,713	6,622

12. Borrowings

	Consolidated Entity	
	2010	**2009**
	$000	$000
Current		
Bank loan [1]	1,731	352
Finance lease liabilities secured by the assets leased	177	147
	1,908	**499**
Non-Current		
Bank loan [1]	30,039	15,602
Finance lease liabilities secured by the assets leased	418	594
	30,457	**16,196**

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

13. Tax Liabilities

	Consolidated Entity	
	2010	**2009**
	$000	$000
Current		
Income tax	3,434	439

14. Provisions

	Consolidated Entity	
	2010	2009
	$000	$000
Current		
Employee benefits	4,414	4,184
Operating lease costs	323	686
	4,737	**4,870**
Non-Current		
Employee benefits	758	483
Operating lease costs	-	266
Other	-	37
	758	**786**
a) Aggregate employee benefits liability	5,172	4,667
b) Number of employees at the end of the financial year	1,392	1,038

15. Issued Capital

	Consolidated Entity	
	2010	2009
	Total Number	Total Number
Balance at the beginning of the Financial Year	126,789,602	123,091,072
Changes during the Year		
Options exercised	1,252,004	112,393
Issued on acquisition of controlled entities	12,526,001	3,586,137
Balance at the end of the Financial Year	**140,567,607**	**126,789,602**

16. Operating Segment Information

	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/Segment results	**12,620**	**12,919**	**7,143**	**(2,369)**	**19,763**	**10,550**	**-**	**-**	**-**	**-**	**19,763**	**10,550**
Reconciliation of segment EBITDA to profit before income tax												
Depreciation and amortisation											(8,759)	(9,099)
Impairment of assets											-	(6,532)
EBIT											11,004	(5,081)
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 which represents the segment results.

17. Cash Flow Information

17a. Reconciliation of Cash Flow from Operations with Profit/(Loss) after Income Tax

	Consolidated Entity	
	2010	**2009**
	$000	$000
Profit/(loss) for the year	5,789	(7,581)
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
Loss on disposal of non-current assets	203	264
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	(10,731)	8,889
Other current assets	(1,330)	1,151
Deferred tax assets	(1,508)	1,197
Increase/(decrease) in liabilities:		
Trade and other payables	4,329	(5,674)
Unearned income	(1,126)	856
Income taxes payable	2,913	(2,905)
Provisions	327	(233)
Other liabilities	(393)	418
Net cash from Operating Activities	**9,973**	**12,675**

17b. 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.

17. Cash Flow Information (cont)

17b. Business Combination

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$7,625,000 and the issue of 5,727,152 ordinary shares at a fair value 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.

17. Cash Flow Information (cont)

17b. Business Combination (cont)

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

	Consolidated Entity 30 June					
	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 borrowings	(2)	-	-	-	(2)	-
Short-term provisions	-	(177)	-	-	(177)	(240)
Unearned income	(65)	(1,152)	-	-	(1,217)	(746)
Long-term borrowings	(12)	(1,502)	-	-	(1,514)	-
	388	**(681)**	**-**	**(166)**	**(459)**	**248**
Minority equity 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)**
(Loss)/profit for the period (attributable to members of the parent entity) included in consolidated profit of the group since the acquisition date.	809	583	n/a	n/a	1,392	(93)

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

17. Cash Flow Information (cont)

17c. 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.

18. Contingent Liability

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.

19. Subsequent 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. 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%).