

Talent2 International Limited

ACN 000 737 744

Half-Year Report

For the Half-Year ended December 2004

Results for Announcement to the Market

Revenue and Net Profit/(Loss)				\$000
Revenues from ordinary activities	up	129.9%	to	27,631
Profit/(loss) from ordinary activities after tax attributable to members	up	124,366.7%	to	3,734
Net profit/(loss) for the period attributable to members	up	124,366.7%	to	3,734
Dividends (distributions)		Amount per security		Franked amount per security
Final dividend		Nil		N/A
Interim dividend		Nil		N/A
Previous corresponding period		Nil		N/A
Record date for determining entitlements to the dividend, (in the case of a trust, distribution)				
N/A				
Commentary:				
Refer to the attached announcement				

Talent2 International Limited

ABN 19 000 737 744

*Financial Report for the
Half-Year Ended 31 December 2004*

*Financial Report for the
Half-Year Ended 31 December 2004*

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Talent2 International Limited ABN 19 000 737 744

DIRECTORS' REPORT

Your directors submit the financial report of the economic entity for the half-year ended 31 December 2004.

Directors

The names of directors who held office during or since the end of the half-year are:

Mary-Beth Bauer	Chairman
Andrew Banks	Managing Director
Geoff Morgan	Non Executive Director
Brian Gibson	Non Executive Director

Review of Operations

Revenues increased by 129.9% to \$27,631,000 for the six months ended 31 December 2004, as compared to \$12,019,000 for the six months ended 31 December 2003.

Revenue from the Recruitment Services Business increased to \$17,965,000 for the six months ended 31 December 2004, as compared to \$1,599,000 for the six months ended 31 December 2003.

Revenue from the Technology Services Business fell by 8% to \$9,555,000 for the six months ended 31 December 2004, as compared to \$10,385,000 for the six months ended 31 December 2003.

The economic entity recorded a net profit after income tax of \$3,734,000 for the period ended 31 December 2004, as compared to a net profit after income tax of \$3,000 for the corresponding period ended 31 December 2003. Net profit after tax for the period ended 31 December 2004 includes a \$2,011,000 adjustment to bring into account the income tax benefits of historical tax losses and the recognition of timing differences.

Cash on hand at 31 December 2004 was \$5,588,000 as compared to \$4,175,000 on 30 June 2004.

Rounding of Amounts

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

Auditor's Independence Declaration

A copy of the independence declaration provided by the company's auditors in relation to the review of the 31 December 2004 half-year financial report is presented on page 10 and forms part of this directors' report.

This report is signed in accordance with a resolution of the Board of Directors.

Director



Mary-Beth Bauer

Dated this 17th day of February 2005

**CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

	Economic Entity	
	31 December 2004 \$'000	31 December 2003 \$'000
Revenues from ordinary activities	27,631	12,019
Cost of sales		
On hired labour and advertising costs	6,905	297
Distributor commissions and licence fees	1,270	1,405
Gross Profit	19,456	10,317
Employee benefits expense	13,350	7,724
Operating lease rental expense	1,444	474
Advertising and marketing expense	436	269
Depreciation and amortisation expense	852	498
Borrowing costs expense	23	31
Other expenses from ordinary activities	1,628	1,318
Profit from Ordinary Activities Before Income Tax Benefit	1,723	3
Income tax benefit relating to ordinary activities	2,011	-
Net Profit	3,734	3
Total Changes in Equity Other Than Transactions With Owners as Owners	3,734	3
Basic earnings per share (cents per share)	3.97c	0.00c
Diluted earnings per share (cents per share)	3.78c	0.00c
Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	94,061,962	70,961,821
Weighted average number of ordinary shares outstanding during the period used in the calculation of the Diluted EPS	98,794,869	74,598,212
The weighted average number of ordinary shares outstanding is stated after allowing for the 1 for 5 share consolidation in November 2004.		

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

Talent2 International Limited ABN 19 000 737 744

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2004**

	Economic Entity	
	31 December 2004 \$'000	30 June 2004 \$'000
CURRENT ASSETS		
Cash assets	5,588	4,175
Receivables	7,547	7,577
Other	1,752	979
TOTAL CURRENT ASSETS	14,887	12,731
NON-CURRENT ASSETS		
Property, plant and equipment	2,344	1,918
Deferred tax assets	3,293	1,207
Intangible assets	14,365	11,031
TOTAL NON-CURRENT ASSETS	20,002	14,156
TOTAL ASSETS	34,889	26,887
CURRENT LIABILITIES		
Payables	5,633	5,635
Interest-bearing liabilities	198	170
Current tax liabilities	16	131
Provisions	1,030	1,213
Unearned Income	3,708	3,145
TOTAL CURRENT LIABILITIES	10,585	10,294
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	78	182
Deferred tax liabilities	75	-
Provisions	688	481
Other	48	-
TOTAL NON-CURRENT LIABILITIES	889	663
TOTAL LIABILITIES	11,474	10,957
NET ASSETS	23,415	15,930
EQUITY		
Contributed equity	45,531	41,790
Reserves	115	105
Accumulated losses	(22,231)	(25,965)
TOTAL EQUITY	23,415	15,930

Net Tangible Asset Backing per ordinary security \$0.10 \$0.05

As at 31 December 2003 Net Tangible Asset Backing per ordinary share was (\$0.004).

The number of ordinary shares used in the above calculations are stated after allowing for the 1 for 5 share consolidation in November 2004.

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

Talent2 International Limited ABN 19 000 737 744

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

	Economic Entity	
	31 December 2004 \$'000	31 December 2003 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	30,855	13,096
Payments to suppliers and employees	(28,748)	(12,121)
Interest received	111	35
Borrowing costs	(23)	(119)
Income tax paid	(187)	-
Net cash provided by operating activities	2,008	891
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current assets	(774)	(790)
Payment for subsidiaries, net of cash acquired	112	4,093
Net cash provided by/(used in) investing activities	(662)	3,303
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	67	47
Net cash provided by financing activities	67	47
Net increase in cash held	1,413	4,241
Cash at 1 July	4,175	1,245
Cash at 31 December	5,588	5,486

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE
HALF-YEAR ENDED 31 DECEMBER 2004**

NOTE 1: BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2004 and any public announcements made by Talent2 International Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June 2004 annual report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

Adoption of Australian Equivalents to International Financial Reporting Standards

Australia is currently preparing for the introduction of Australian Equivalents to International Financial Reporting Standards (AEIFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The economic entity's management, in consultation with its auditors, is assessing the significance of these changes and preparing for their implementation. An IFRS committee has been established to oversee and manage the economic entity's transition to IFRS. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised.

The directors are of the opinion that the key differences in the economic entity's accounting policies which will arise from the adoption of AEIFRS are:

- **Research and Development Expenditure**
AASB 138: Intangible Assets requires that costs associated with research be expensed in the period in which they are incurred. In terms of current policy, research costs are capitalised to the statement of financial position where it is expected beyond reasonable doubt that sufficient future benefits will be derived so as to recover these deferred costs.
- **Impairment of Assets**
The economic entity currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. It is unlikely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.
- **Goodwill on Consolidation**
Under AASB 3: Business Combinations, goodwill is to be capitalised to the statement of financial position and subjected to an annual impairment test. Amortisation of goodwill is to be prohibited. Current accounting policy of the entity is to amortise goodwill on a straight line basis over a period of no greater than 20 years.
- **Income Tax**
Currently, the economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB112: Income taxes, the economic entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

Talent2 International Limited ABN 19 000 737 744
NOTES TO THE FINANCIAL STATEMENTS FOR THE
HALF-YEAR ENDED 31 DECEMBER 2004

NOTE 1: BASIS OF PREPARATION

As a result of the above, on adoption of AEIFRS, a deferred tax asset will be created in relation to internally generated group intellectual property not recorded in the financial statements that becomes deductible for tax purposes on the forming a tax consolidated group. The directors are currently in the process of obtaining an independent valuation for tax purposes in order to quantify this deferred tax asset that will arise. An associated adjustment will be made to Accumulated Losses, reducing the Accumulated Losses balance by a similar amount. On transition to AEIFRS, there is no impact on the group's financial performance or earnings per share.

- **Share – Based Payments**

The group does not currently recognise an expense for options issued to staff, under the Directors' and Employee Share Option Plan. Under AASB2: Share based payments, the group will recognise an expense for all share-based remuneration, including deferred shares and options, and will amortise those expenses over the relevant vesting periods. This will result in additional expenses being recorded and therefore lower earnings. There will be an initial negative impact on opening balances of retained earnings at 1 July 2004 when retrospective adjustments are made for options that are not vested by 1 January 2005.

Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown.

NOTE 2: DIVIDENDS

No interim dividend is proposed.

NOTE 3: ACQUISITION OF SUBSIDIARIES AND BUSINESSES

During the half-year, the company made the following acquisitions:

Name of Entity	Principal Activity	Date of Acquisition	Proportion of Shares Acquired	Cost of Acquisition (\$000)
Paper Shuffle Pty Limited	Recruitment Services	1 August 2004	100%	3,568
boardSEARCH	Recruitment Services	1 August 2004	N/A	217
				<u>3,785</u>

The total contribution of these acquisitions to the reporting entity's results from ordinary activities during the period since acquisition, is included in Recruitment Services in Note 5: Segment Information.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

NOTE 4: EQUITY SECURITIES ISSUED	31	30	31	30
	December 2004 Number	June 2004 Number	December 2004 \$'000	June 2004 \$'000
Issues of ordinary shares	3,294,544	47,680,000	3,624	11,175
Options exercised	177,000	46,667	87	47
Options granted as part consideration for business acquisition	-	-	50	-
Issue costs	-	-	(20)	(56)
Net Increase in Contributed equity			3,741	11,166

Issues of ordinary shares and options exercised are stated after allowing for the 1 for 5 share consolidation in November 2004.

NOTE 5: SEGMENT INFORMATION

Primary Reporting – Business Segments

	Technology Services		Recruitment Services		Unallocated		Eliminations		Economic Entity	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Revenue										
- External Sales	9,555	10,385	17,965	1,599	111	35	-	-	27,631	12,019
- Other Segments	66	-	31	-	-	-	(97)	-	-	-
	9,621	10,385	17,996	1,599	111	35	(97)	-	27,631	12,019
EBITDA	690	963	1,797	(466)					2,487	497
Depreciation & Amortisation									852	498
EBIT									1,635	(1)
Net Interest									88	4
Profit from ordinary activities before tax									1,723	3
Income tax benefit									2,011	-
Net Profit after tax									3,734	3

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

NOTE 6: CONTINGENCIES

The Directors believe there are no contingent liabilities at the reporting date.

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

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

NOTE 8: NON-CASH FINANCING ACTIVITIES

During the financial period, the economic entity acquired 100% of Paper Shuffle Pty Limited, an executive search business operating as Hansen & Searson Executive Search, and boardSEARCH, an executive search business.

These acquisitions resulted in the issue of 16,472,722 ordinary shares, (3,294,544 shares after taking into account the 1 for 5 share consolidation in November 2004).

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 2 to 8.
 - a. comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations; and
 - b. give a true and fair view of the economic entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director



Mary-Beth Bauer

Dated this 17th day of February 2005

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Talent2 International Limited for the half-year ended 31 December 2004, I declare that, to the best of my knowledge and belief, there have been:

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



M A ADAM-SMITH
Partner
Grant Thornton NSW

Sydney

17 February 2005

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**INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF TALENT2 INTERNATIONAL LIMITED****Scope***The half-year financial report and directors' responsibility*

The half-year financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the consolidated entity, for the half-year ended 31 December 2004. The consolidated entity comprises both the Talent2 International Limited (the company) and the entities it controlled during that half-year.

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

Review approach

We conducted an independent review of the half-year financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the half-year financial report is not presented fairly in accordance with Australian Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the consolidated entity's financial position and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the half-year financial report with the Australian Securities & Investments Commission/Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

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

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**INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF TALENT2 INTERNATIONAL LIMITED (cont)**

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Talent2 International Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



GRANT THORNTON NSW
Chartered Accountants



M A ADAM-SMITH
Partner

Sydney

17 February 2005