Talent2 International Limited

ACN 000 737 744

Interim Report

For the Half-Year ended December 2005

Results for Announcement to the Market

Revenue and Net Profit/(Loss)				$000
Revenues from ordinary activities	up	63.5%	to	45,187
Profit before interest, taxation, depreciation and amortisation (EBITDA)	up	63.1%	to	4,373
Profit from ordinary activities before tax attributable to members (refer note a below)	up	11.0%	to	2,137
Profit from ordinary activities after tax attributable to members (refer note b below)	down	59.0%	to	1,496
Net profit for the period attributable to members	down	59.0%	to	1,496

a Profits from ordinary activities before tax includes an additional $1,221,000 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 5 for further details of these business acquisitions.

b The previous half year's net profit after tax for the period ended 31 December 2004 includes a $2,011,000 positive adjustment to bring into account the income tax benefits of historical tax losses and the initial recognition of taxation timing differences.

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend Interim dividend	Nil Nil	N/A 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

DIRECTORS' REPORT

Your directors submit the financial report of Talent2 International Limited and its controlled entities ("economic entity") for the half-year ended 31 December 2005.

Directors

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

Mary-Beth Bauer	Chairman
Andrew Banks	Managing Director
Geoff Morgan	Non Executive Director
Brian Gibson	Non Executive Director
Albert Hawk	Non Executive Director (appointed 18 October 2005)

Review of Operations

Revenues increased by 63.5% to $45,187,000 for the six months ended 31 December 2005, as compared to $27,631,000 for the six months ended 31 December 2004.

Revenue from the Recruitment Services Business increased 63% to $27,423,000 for the six months ended 31 December 2005, as compared to $16,855,000 for the six months ended 31 December 2004. These revenues include both external revenues and internal charges across segments.

Revenue from the Managed Services Business increased 262% to $9,794,000 for the six months ended 31 December 2005, as compared to $2,702,000 for the six months ended 31 December 2004. These revenues include both external revenues and internal charges across segments.

Revenue from the Technology Services Business fell by 5% to $7,835,000 for the six months ended 31 December 2005, as compared to $8,288,000 for the six months ended 31 December 2004. These revenues include both external revenues and internal charges across segments.

The economic entity recorded a net profit after income tax of $1,496,000 for the six months ended 31 December 2005, as compared to a net profit after income tax of $3,647,000 for the corresponding six months ended 31 December 2004. The previous year's net profit after tax for the period ended 31 December 2004 included 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 2005 was $11,208,000 as compared to $9,095,000 on 30 June 2005.

Adoption of Australian Equivalents to International Financial Reporting Standards ("AIFRS")

This interim financial report has been prepared under AIFRS. A reconciliation of differences between previous GAAP and AIFRS has been included in Note 2 of the financial report.

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 Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 for the half year ended 31 December 2005 is set out on page 3.

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

Director

MB Bauer

Mary Beth Bauer

Dated 8 February 2006

Chartered Accountants
Business Advisers and Consultants

Grant Thornton

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF TALENT2 INTERNATIONAL LIMITED

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 2005, 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.

Grant Thornton NSW

GRANT THORNTON NSW
Chartered Accountants

M A ADAM-SMITH
Partner

Sydney 8 February 2006

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CONSOLIDATED INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Economic Entity	
	31 December 2005 $000	31 December 2004 $000
Revenue	45,187	27,631
Cost of Sales		
On hired labour and advertising costs	(11,598)	(6,905)
Distributor commissions and licence fees	(1,081)	(1,270)
	32,508	19,456
Employee benefits expense	(21,755)	(13,126)
Operating lease rental expense	(2,365)	(1,444)
Advertising and marketing expense	(785)	(609)
Depreciation of plant and equipment	(1,098)	(712)
Amortisation of acquired intangible assets	(1,353)	(132)
Finance costs	(8)	(23)
Other expenses	(3,007)	(1,485)
Profit before income tax	2,137	1,925
Income tax (expense) benefit	(641)	1,722
Profit attributable to members of the parent entity	1,496	3,647
Basic earnings per share (cents per share)	1.38c	3.88c
Diluted earnings per share (cents per share)	1.35c	3.69c
Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	108,674,219	94,061,962
Weighted average number of ordinary shares outstanding during the period used in the calculation of the Diluted EPS	110,844,021	98,794,869

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

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2005

	Economic Entity	
	31 December 2005 $000	30 June 2005 $000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	11,208	9,095
Trade and other receivables	13,056	10,526
Other current assets	2,434	1,765
TOTAL CURRENT ASSETS	26,698	21,386
NON-CURRENT ASSETS		
Property, plant and equipment	5,387	2,649
Deferred tax assets	6,342	6,469
Intangible assets	43,139	26,681
TOTAL NON-CURRENT ASSETS	54,868	35,799
TOTAL ASSETS	81,566	57,185
CURRENT LIABILITIES		
Trade and other payables	11,868	9,293
Short-term borrowings	168	162
Current tax liabilities	472	414
Short-term provisions	1,664	1,509
Unearned income	5,198	4,071
TOTAL CURRENT LIABILITIES	19,370	15,449
NON-CURRENT LIABILITIES		
Long-term borrowings	848	69
Deferred tax liabilities	-	66
Long-term provisions	1,049	819
TOTAL NON-CURRENT LIABILITIES	1,897	954
TOTAL LIABILITIES	21,267	16,403
NET ASSETS	60,299	40,782
EQUITY		
Issued capital	75,244	57,514
Reserves	916	625
Accumulated losses	(15,861)	(17,357)
TOTAL EQUITY	60,299	40,782
Net Tangible Asset Backing per ordinary share	14.63c	13.58c

As at 31 December 2004, Net Tangible Asset Backing per ordinary share was 13.25c

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	$000	$000	$000	$000	$000	$000
			Reserves			
	Share Capital Ordinary	Accumulated Losses	Capital Profits Reserves	Share Option Equity	Foreign Exchange Movement	Total
Balance at *1 July 2004*	41,790	(22,263)	105	137	-	19,769
Shares and Options issued	3,741	-	-	187	-	3,928
Net Profit	-	3,647	-	-	-	3,647
Foreign Exchange movement	-	-	-	-	10	10
Balance at *31 December 2004*	45,531	(18,616)	105	324	10	27,354
Balance at *1 July 2005*	57,514	(17,357)	105	510	10	40,782
Shares and Options issued	17,730	-	-	304	-	18,034
Net Profit	-	1,496	-	-	-	1,496
Foreign Exchange movement	-	-	-	-	(13)	(13)
Balance at *31 December 2005*	75,244	(15,861)	105	814	(3)	60,299

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Economic Entity	
	31 December 2005 $000	31 December 2004 $000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	49,237	30,855
Payments to suppliers and employees	(45,792)	(28,748)
Interest received	223	111
Finance costs	(8)	(23)
Income tax paid	(49)	(187)
Net cash provided by operating activities	3,611	2,008
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current assets	(1,871)	(774)
Payment for net business assets acquired	222	112
Net cash used in investing activities	(1,649)	(662)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	151	67
Net cash provided by financing activities	151	67
Net increase in cash held	2,113	1,413
Cash at 1 July	9,095	4,175
Cash at 31 December	11,208	5,588

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

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 134: Interim Financial Reporting, Urgent Issues Group Interpretations 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 2005 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*.

As this is the first interim 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.

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

(a) Principles of Consolidation

A controlled entity is any entity controlled by Talent2 International Limited whereby Talent2 International Limited has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities.

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 or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

(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 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.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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.

Talent2 International Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. Talent2 International Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The

NOTE 1: BASIS OF PREPARATION

group formed an income tax consolidated group to apply from 1 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) Property, Plant and Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis less 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.

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 building and capitalised lease assets, but excluding freehold land, 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	17 – 33%
Plant and equipment	9 – 44%
Equipment under finance lease	20 – 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(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 where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

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.

NOTE 1: BASIS OF PREPARATION

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) 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 systematic basis matched to the future economic benefits over the useful life of the project. It is the group's practice 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%.

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%.

(f) 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.

(g) 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-

NOTE 1: BASIS OF PREPARATION

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 difference 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.
- 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.

(h) 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.

(i) 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 results and that outflow can be reliably measured.

(j) Cash and Cash Equivalents

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

(k) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

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

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

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

(l) 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.

(m) 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

NOTE 1: BASIS OF PREPARATION

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.

(n) Comparative Figures

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

(o) Rounding of Amounts

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

	Note	Previous GAAP at 1 July 2004	Adjustments on introduction of AIFRS	AIFRS at 1 July 2004
Reconciliation of Equity 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		979	-	979
TOTAL CURRENT ASSETS		12,731	-	12,731
NON-CURRENT ASSETS				
Property, 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		5,634	-	5,634
Short-term borrowings		170	-	170
Current tax liabilities		131	-	131
Short-term provisions	2 e	1,213	77	1,290
Unearned Income		3,145	-	3,145
TOTAL CURRENT LIABILITIES		10,293	77	10,370
NON-CURRENT LIABILITIES				
Long-term borrowings		182	-	182
Deferred tax liabilities	2 b	-	-	-
Long-term provisions		482	-	482
TOTAL NON-CURRENT LIABILITIES		664	-	664
TOTAL LIABILITIES		10,957	77	11,034
NET ASSETS		15,930	3,839	19,769
EQUITY				
Issued capital		41,790	-	41,790
Reserves	2 f	105	137	242
Accumulated Losses	2 e	(25,965)	3,702	(22,263)
TOTAL EQUITY		15,930	3,839	19,769

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Reconciliation of Equity at 31 December 2004	Note	Previous GAAP at 31 Dec 2004 $000	Adjustments on introduction of AIFRS $000	AIFRS at 31 Dec 2004 $000
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		5,588	-	5,588
Trade and other receivables		7,547	-	7,547
Other current assets		1,752	-	1,752
TOTAL CURRENT ASSETS		14,887	-	14,887
NON-CURRENT ASSETS				
Property, plant and equipment		2,344	-	2,344
Deferred tax assets	2 a	3,293	3,641	6,934
Intangible assets	2 a 2 c 2 d	14,365	(14) 551 (132)	14,770
TOTAL NON-CURRENT ASSETS		20,002	4,046	24,048
TOTAL ASSETS		34,889	4,046	38,935
CURRENT LIABILITIES				
Trade and other payables		5,633	-	5,633
Short-term borrowings		198	-	198
Current tax liabilities		16	-	16
Short-term provisions	2 e	1,030	107	1,137
Unearned Income		3,708	-	3,708
TOTAL CURRENT LIABILITIES		10,585	107	10,692
NON-CURRENT LIABILITIES				
Long-term borrowings		78	-	78
Deferred tax liabilities	2 b	75	-	75
Long-term provisions		688	-	688
Other Non-Current Liabilities		48	-	48
TOTAL NON-CURRENT LIABILITIES		889	-	889
TOTAL LIABILITIES		11,474	107	11,581
NET ASSETS		23,415	3,939	27,354
EQUITY				
Issued capital		45,531	-	45,531
Reserves	2 f	115	324	439
Accumulated Losses	2 e	(22,231)	3,615	(18,616)
TOTAL EQUITY		23,415	3,939	27,354

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Reconciliation of Equity at 30 June 2005	Note	Previous GAAP at 30 June 2005 $000	Adjustments on introduction of AIFRS $000	AIFRS at 30 June 2005 $000
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		9,095	-	9,095
Trade and other receivables		10,526	-	10,526
Other current assets		1,765	-	1,765
TOTAL CURRENT ASSETS		21,386	-	21,386
NON-CURRENT ASSETS				
Property, plant and equipment		2,649	-	2,649
Deferred tax assets	2 a	3,005	3,464	6,469
Intangible assets	2 a	26,166	(126)	26,681
	2 c		986	
	2 d		(330)	
	2 h		(15)	
TOTAL NON-CURRENT ASSETS		31,820	3,979	35,799
TOTAL ASSETS		53,206	3,979	57,185
CURRENT LIABILITIES				
Trade and other payables		9,293	-	9,293
Short-term borrowings		162	-	162
Current tax liabilities		414	-	414
Short-term provisions	2 e	1,379	130	1,509
Unearned Income		4,071	-	4,071
TOTAL CURRENT LIABILITIES		15,319	130	15,449
NON-CURRENT LIABILITIES				
Long-term borrowings		69	-	69
Deferred tax liabilities	2 b	66	-	66
Long-term provisions		819	-	819
TOTAL NON-CURRENT LIABILITIES		954	-	954
TOTAL LIABILITIES		16,273	130	16,403
NET ASSETS		36,933	3,849	40,782
EQUITY				
Issued capital		57,514	-	57,514
Reserves	2 f	115	510	625
Accumulated Losses	2 e	(20,696)	3,339	(17,357)
TOTAL EQUITY		36,933	3,849	40,782

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS	Note	Previous GAAP	Effect of transition to AIFRS	AIFRS
Reconciliation of Profit or Loss for the half-year 31 December 2004		$000	$000	$000
Revenue		27,631	-	27,631
Cost of Sales				
On hired labour and advertising costs		(6,905)	-	(6,905)
Distributor commissions and licence fees		(1,270)	-	(1,270)
		19,456	-	19,456
Employee benefits expense	2 f	(12,939)	(187)	(13, 126)
Operating lease rental expense	2 g	(1,414)	(30)	(1,444)
Advertising and marketing expense		(609)	-	(609)
Depreciation of plant and equipment		(712)	-	(712)
Amortisation of acquired intangible assets	2 c 2 d	(551)	551 (132)	(132)
Finance costs		(23)	-	(23)
Other expenses		(1,485)	-	(1,485)
Profit before income tax		1,723	202	1,925
Income tax benefit	2 e	2,011	(289)	1,722
Net Profit		3,734	(87)	3,647
Reconciliation of Profit or Loss for the full year to 30 June 2005				
Revenue		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 f	(29,881)	(373)	(30,254)
Operating lease rental expense	2 g	(3,191)	(52)	(3,243)
Advertising and marketing expense		(987)	-	(987)
Depreciation of plant and equipment		(915)	-	(915)
Amortisation of acquired intangible assets	2 c 2 d	(1,032)	986 (330)	(376)
Finance costs		(42)	-	(42)
Other expenses	2 h	(3,533)	(15)	(3,548)
Profit before income tax		3,972	216	4,188
Income tax benefit	2 e	1,297	(578)	719
Net Profit		5,269	(362)	4,907

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the Reconciliations of Equity and Profit and Loss at 1 July 2004, 31 December 2004 and 30 June 2005	30 June 2005 $000	31 Dec 2004 $000	1 July 2004 $000
(a) Deferred tax assets comprise:			
Temporary differences arising from valuation of acquired software intellectual property	4,350	4,350	4,350
- less amounts expensed to income statement prior to adoption of AIFRS	(1,012)	(723)	(434)
Temporary differences arising from valuations of acquired candidate databases	126	14	-
	3,464	3,641	3,916
Historical accumulated tax losses recoverable in future periods	2,047	2,047	1,207
Temporary differences on accrued expenses	958	1,246	-
Total	6,469	6,934	5,123
(b) Deferred tax liabilities comprise:			
Temporary differences on prepayments	66	75	-
Total	66	75	-

(c) Goodwill amortisation

Under AASB 3, goodwill is no longer amortised but subject to annual impairment testing. Acquired goodwill values have been retained at their book values applicable as at 30 June 2004. All goodwill amortised after 1 July 2004 under previous GAAP has been reversed. Goodwill amounting to $986,000 previously amortised in the 2005 full financial year has been reversed in the income statement for the year ended 30 June 2005. Goodwill amounting to $551,000 previously amortised for the 2004 half year has been reversed in the income statement for the half year ended 31 December 2004.

(d) Acquired intangible assets

Under AASB 138, the company is required to separate goodwill from other separately identifiable intangible assets acquired in business combinations. Intangibles are identifiable if they can be separated from the entity and sold, transferred, licenced or exchanged or where they arise from contractual or other legal rights. Under the transition provisions, only identifiable intangibles acquired after 1 July 2004, the date of the transition, have been separately identified from Goodwill.

Upon various business acquisitions, the company has recognised as an asset under AASB 138, Candidate Database property amounting to $3,974,000 in the 2005 financial year ($1,579,000 in the half year ended 31 December 2004) with a corresponding adjustment to Goodwill and hence no changes to the total value of Intangible Assets. Amortisation over 5 years has resulted in an additional $330,000 amortisation adjustment In the income statement for the year ended 30 June 2005 ($132,000 in the half year ended 31 December 2004).

The company has already recognised acquired Software Intellectual Property amounting to $2,720,000 in the 30 June 2005 financial year. This is amortised on a straight line basis over 8 years.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

	30 June 2005	31 Dec 2004	1 July 2004
(e) Accumulated losses comprise:			
Previously reported accumulated losses	(20,696)	(22,231)	(25,965)
Adjustment to reflect deferred tax asset on acquired intellectual property prior to June 2004 (refer 2 a)	4,350	4,350	4,350
- less amounts expensed to income statement prior to adoption of AIFRS (refer 2 a)	(1,012)	(723)	(434) -
Reversal of goodwill previously amortised (refer 2 c)	986	551	-
Depreciation on Candidate Database adjustments (refer 2 d)	(330)	(132)	-
Expense of Employee Share Options (refer 2 f)	(510)	(324)	(137)
Operating Lease costs adjustment (refer 2 g)	(130)	(107)	(77)
Trademark costs adjustment (refer 2 h)	(15)	-	-
Accumulated losses under AIFRS	(17,357)	(18,616)	(22,263)

(f) Share based employee payments

Under AASB2 Share Based Payments, the group now recognises an as expense all share based remuneration, including deferred shares and options, and amortise those expenses over the relevant vesting period.

Charge to Income Statement as an employee expense	373	187	-
Share Option Equity Balance in balance sheet	510	324	137

(g) Operating lease payments

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 as an operating expense	52	30	-
Cumulative adjustment to accumulated losses	(130)	(107)	(77)

(h) Trademarks expenses

Under AASB136 Impairment of Assets, the group reassessed its impairment testing policy and tested all assets for impairment as at 1 July 2004 and 30 June 2005. As a result, the group recorded an impairment loss against trademark costs previously capitalised.

Charge to Income Statement as an operating expense	15	-	-

NOTE 3: EQUITY SECURITIES ISSUED	31 Dec 2005 6 months No.	30 June 2005 12 months No.	31 Dec 2005 6 months $000	30 June 2005 12 months $000
Balance at beginning of Financial Period / Year	103,806,741	457,574,866	57,514	41,790
Adj. to reflect 1:5 consolidation in Nov 2004	-	(366,060,290)	-	-
	103,806,741	91,514,576	57,514	41,790
Issues on acquisition of controlled entities	12,979,012	9,504,357	17,628	11,899
Issues on acquisition of business'	-	2,588,808	-	3,764
Employee options exercised	470,250	199,000	171	108
Transaction costs relating to share issues	-	-	(69)	(47)
Balance at the end of Financial Period / Year	117,256,003	103,806,741	75,244	57,514

NOTE 4: DIVIDENDS

No interim dividend is proposed.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

NOTE 5: ACQUISITION OF SUBSIDIARIES

As approved by shareholders at the annual general meeting, the parent entity acquired 100% of the NPS group on 26 October 2005. The purchase was satisfied by the issue of 12,593,985 ordinary shares at an effective price of $1.36 each, being the share price of the security on the effective date of the acquisition, being 1 August 2005. The purchase consideration includes $202,000 in transaction costs.

The purchase price was allocated as follows:

	$000
Purchase consideration	17,330
Assets and liabilities acquired at acquisition date:	
Cash	376
Receivables	1,042
Property, plant and equipment	551
Deferred tax assets	575
Payables	(2,359)
	185
Value attributable to identifiable intangible assets	14,584
Goodwill on consolidation	2,561
Total purchase consideration	17,330

The assets and liabilities arising from acquisition are recognised at fair value which was equal to their carrying value at acquisition date. Profit after taxation relating to the NPS group (excluding amortisation of acquired intangible assets of $532,000 after taxation) amounting to $253,000 is included in the consolidated income statement for the half-year ended 31 December 2005.

The parent entity acquired 100% of Stonyer & Associates on 15 November 2005. The purchase was satisfied by a partial payment of $164,000 plus the issue of 385,027 ordinary shares at an effective price of $1.30 each being the share price of the security on the effective date of the acquisition, being 1 November 2005. The purchase consideration includes $31,000 in transaction costs.

The purchase price was allocated as follows:

	$000
Purchase consideration	696
Assets and liabilities acquired at acquisition date:	
Cash	267
Receivables	103
Property, plant and equipment	55
Deferred tax assets	5
Payables	(350)
	80
Value attributable to identifiable intangible assets	53
Goodwill on consolidation	563
Total purchase consideration	696

The assets and liabilities arising from the acquisition are recognised at fair value which are equal to their 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 $45,000 is included in the consolidated income statement for the half-year ended 31 December 2005.

Had the results relating to the NPS group and Stonyer & Associates been consolidated from 1 July 2005, total consolidated revenue would have been $46,737,000 and total consolidated profit after taxation $1,693,000 for the half year ended 31 December 2005.

NOTE 5: ACQUISITION OF SUBSIDIARIES

$24,000 in transaction costs was incurred by the economic entity in the six months ended 31 December 2005 that relates to the prior acquisition of Wall Street Associated Limited. This has had the net effect of increasing Goodwill on consolidation by an additional $24,000.

	$000
Total cash consideration	(164)
Acquisition costs	(257)
Cash acquired	643
Net cash inflow	222

NOTE 6: SEGMENT INFORMATION

Primary Reporting — Business Segments

	Managed Services		Recruitment Services		Technology Services		Unallocated Interest		Eliminations		Economic Entity	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Sales Revenue												
- External Sales	9,761	2,459	27,377	16,815	7,826	8,246	223	111	-	-	45,187	27,631
- Other Segments	33	243	46	40	9	42	-	-	(88)	(325)	-	-
	9,794	2,702	27,423	16,855	7,835	8,288	223	111	(88)	(325)	45,187	27,631
Cost of Sales												
- External Sales	(3,383)	(1,011)	(8,431)	(5,932)	(865)	(1,232)	-	-	-	-	(12,679)	(8,175)
- Other Segments	-	(222)	-	-	-	-	-	-	-	222	-	-
	6,411	1,469	18,992	10,923	6,970	7,056	223	111	(88)	(103)	32,508	19,456
EBITDA	(405)	(604)	3,659	1,661	1,119	1,624					4,373	2,681
Depreciation and amortisation	(1,140)	(56)	(726)	(276)	(585)	(512)					(2,451)	(844)
EBIT	(1,545)	(660)	2,933	1,385	534	1,112					1,922	1,837
Net Interest											215	88
Profit before income tax											2,137	1,925
Income tax benefit (expense)											(641)	1,722
Profit after income tax											1,496	3,647

EBITDA = Profits excluding interest, taxation, depreciation and amortisation

EBIT = Profits excluding interest and taxation which represents the segment result

NOTE 7: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 8: 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.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 2 to 21:
   a. comply with Accounting Standard AASB 134: 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 2005 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 8 February 2006

Chartered Accountants
Business Advisers and Consultants

Grant Thornton

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 consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the accompanying notes to the financial statements, and the directors' declaration for the consolidated entity, for the half-year ended 31 December 2005. The consolidated entity comprises both 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 134: 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 2005 and of its performance for the half-year ended on that date; and

- (ii) complying with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Grant Thornton NSW

GRANT THORNTON NSW
Chartered Accountants

M A ADAM-SMITH
Partner

Sydney

8 February 2006