Talent2 International Limited 2007 Business Review and Financial Report

Leading the revolution »

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The Annual General Meeting of Talent2 International Limited will be held at Grant Thornton, Level 17, 383 Kent Street, Sydney on Wednesday 7 November 2007 at 11.00am.

» and delivering on all fronts.

Who we are

Around the world, companies seeking competitive advantage are outsourcing their human resources (HR) requirements. To meet the increasing demand, Talent2 has strengthened its position as Asia Pacific's first end-to-end human resources outsourcing (HRO) business.

We are leading the region in executive recruitment, HR business process outsourcing and technology. We are focused on providing integrated HR solutions that are innovative and effective. We help our clients acquire, manage and optimise their talent so they can focus on growing their businesses.

Last year we said there's a revolution taking place in human resources. A year on and the global trend towards outsourcing is gathering pace as companies recognise the economic and strategic benefits.

This year's business review is about Talent2's leadership in human resources outsourcing (HRO) and how we're delivering.

We've strengthened our presence in Asia Pacific; we've built a strong recurring revenue stream through the Managed Services business; we've delivered a record profit; and we've added to our capability to offer a complete blend of HR services across the talent lifecycle.

It's a compelling story about an evolving industry, a big opportunity and a company that understands what it takes to lead – and importantly, what it takes to deliver. »

Building the largest HRO presence in Asia Pacific

Leading the revolution »

Phenomenal growth

Featuring more than half the world's population yet only 35% of the world's economy, the Asia Pacific region is growing so fast this gap is expected to close within eight years. From India to China, Japan and down to Singapore, these markets are key focal points of growth for a significant percentage of multinationals.

First mover advantage

Talent2 has harnessed favourable industry conditions to build capability quickly. It's a specific regional approach with experienced local people delivering to markets they understand. With its unique business model, Talent2 is proving it can deliver outsourcing solutions across multiple countries and cultures.

In 2007 we opened new Talent2 recruitment offices in Shanghai, Kuala Lumpur and London. We recently opened a new recruitment office in Japan, and are in the process of opening an office in Macau. We also invested in HR-One Management Consultants (HR-One) in India through a joint venture with TalentPro. We grew our existing teams in Hong Kong and Singapore to now employ around 160 people across Asia, in addition to a 600 strong team in Australia, New Zealand and the United Kingdom.

By 2015 Asia Pacific's GDP will be larger than the United States, United Kingdom and Europe combined

	Actual GDP Growth 1995-2005	Forecast GDP Growth 2005-2015	Actual GDP 2005 US$B	Forecast GDP 2015 US$B
United States	3.4%	3.2%	12,332	16,950
United Kingdom	2.8%	2.1%	1,826	2,250
Euro Area	2.0%	2.0%	9,000	11,000
Asia Pacific	**5.1%**	**6.1%**	**19,258**	**34,965**

ANZ Consensus Forecast April 2005

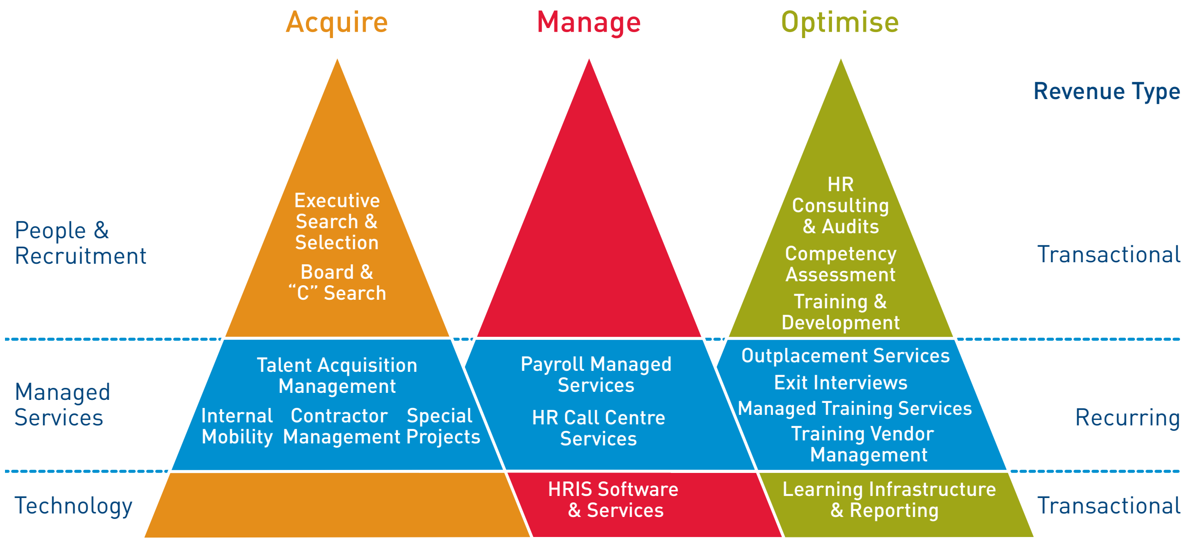
Case Study – Crown Macau

Located on China's southeast coast, Macau is experiencing significant growth in its gaming and entertainment industry. With already low unemployment, Macau is also experiencing shortages in both skilled and unskilled labour.

Crown Macau, the contemporary and luxurious hotel and casino pioneering the six star experience in Macau, partnered with Talent2 to recruit more than 4,000 local and foreign employees ahead of its opening in May 2007.

Through persistence and hard work, Talent2 delivered under tight timelines in the face of complex local legislation, ensuring impeccable service standards were achieved. As a result Crown Macau was able to open on time, with staffing budget levels achieved.

The Talent2 Business Model



Leading the revolution »

Our business

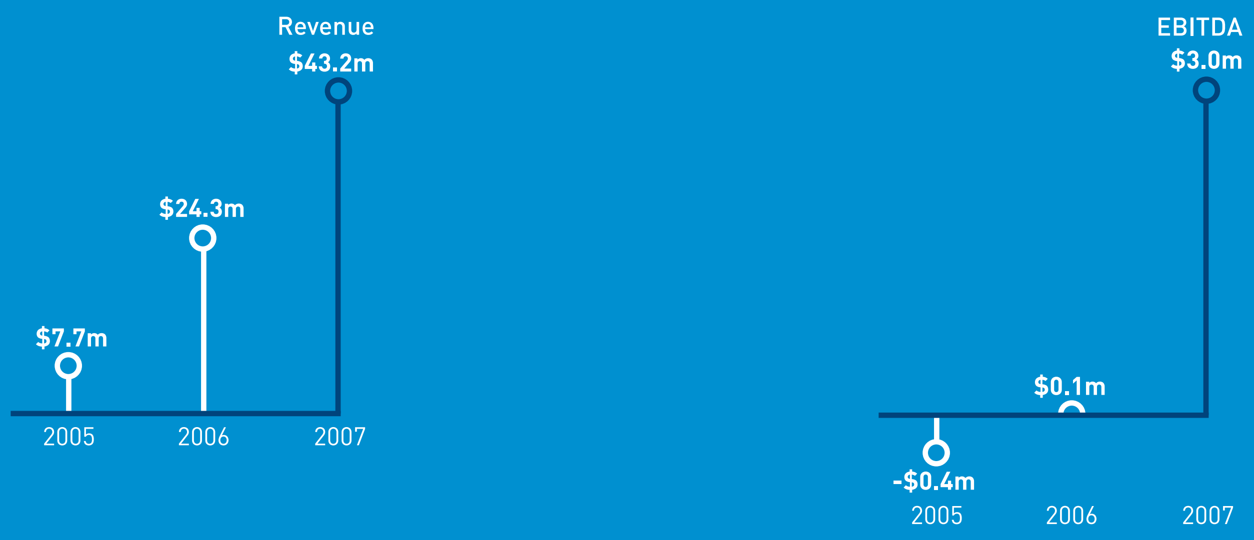
Talent2's operations are grouped and marketed under three categories: Acquire (recruitment services), Manage (payroll and ongoing HR services) and Optimise (HR consulting and learning and development services). Across these functions, revenue is segmented into People and Recruitment (transactional), Managed Services (recurring) and Technology (transactional).

Growing recurring revenue

While transactional revenue could fluctuate year to year, our Managed Services annuity income stream is cumulative and will continue to grow. This year was a standout, with Managed Services revenue increasing by 77.8% to $43.2 million.

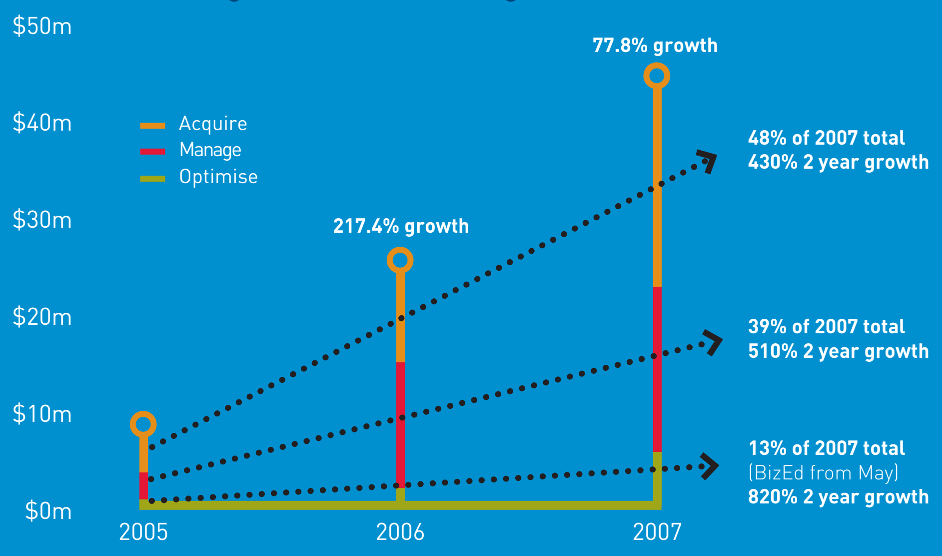
Based on this year's contract wins, current trends suggest that Managed Services annuity income should grow to more than $75 million in 2008.

Managed Services Results – Revenue & EBITDA



by creating an end-to-end Managed Services business that delivers an increasing stream of RECURRING REVENUE.

Managed Services Recurring Revenue



The results reinforce Talent2's position as one of the fastest growing companies in the services sector.

Leading the revolution »

Delivering growth

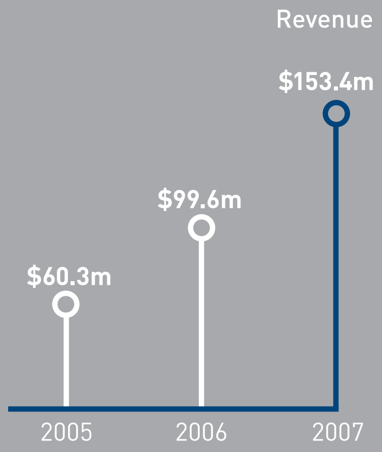
Total revenue increased by 54.1% to a record $153.4 million as a result of double digit growth across three diversified revenue streams.

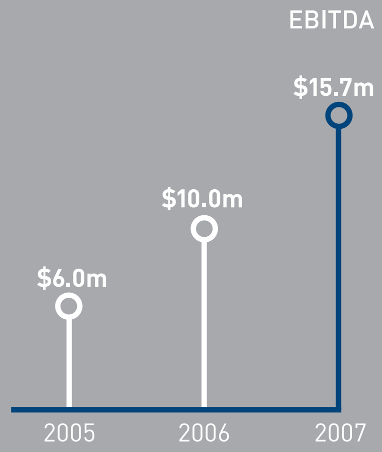
Gross profit was $98.0 million, up 36.4% from $71.8 million in 2006. Profit after tax was $6.8 million, up 81.9% from $3.7 million.

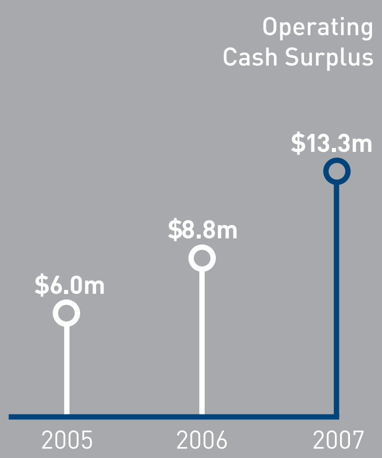
Maintaining margins

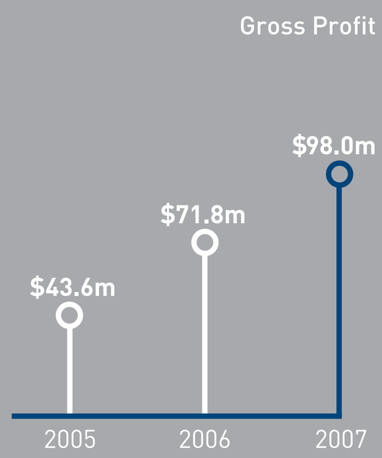
Strong growth in revenue led to a 56.0% increase in earnings before interest, tax, depreciation and amortisation (EBITDA) of $15.7 million. This means margins of over 10% were maintained alongside continued investment in new initiatives.

Group Revenue and Profit Growth









We continue to have a highly diversified client base, with broad sector exposure and no one client accounting for more than 3% of revenue.

Leading the revolution »

Executive Recruitment as our base

We make no apologies for focusing on the premium end of the market in Executive Search and Recruitment. It's a strategy that allows a specialist focus to build a solid platform in each market, from which we can add complementary HRO services.

We continue to have a highly diversified client base, with broad sector exposure and no one client accounting for more than 3% of revenue.

Award-winning excellence

In September 2007, Talent2 was awarded Executive Recruitment Firm of the Year at the Fairfax Employment Marketing Awards (FEMA) – its third consecutive win in the company's short history. The Award recognises creative and effective talent acquisition campaigns and overall excellence in the field of recruitment.

Case Study – Cement Australia

Cement Australia is the nation's leading supplier of cement and related products and services. Formed in 2003 as a merged entity, Cement Australia's objective was to create a new and responsible employer identity with a clear future direction.

Talent2 has emerged as a key partner in executive search, permanent recruitment and contractor management over the past two years, having attracted more than 100 employees across managerial, technical and operations, accounting, sales and marketing and human resources.

Having developed a thorough knowledge of Cement Australia's business, core initiatives have included: assisting with their diversity work program to increase the percentage of women in senior and mid-level roles; targeting 50-plus year-olds; running the Group's graduate recruitment program; and sponsoring its successful teenagers' and toddlers' room.

by establishing PREMIUM QUALITY executive recruitment businesses in the markets that we operate.

Market sectors we work in

Banking & Finance… Industrial & Manufacturing… Hospitality… FMCG… Financial Services… Industrial… Technology… IT&T… Consumer & Health… accounting… Human Resources… Technology & Operations… Legal & Compliance… engineering… Supply Chain… Financial & Professional Services… advertising & Public Relations… Property & Construction… Retail… Public Sector… Banking & Finance… Indus

"The Talent2 phenomenon, which began four years ago, has seen rapid growth around Australia and increasingly across Asia and in the UK."

Chairman's Report

Ken Allen

It gives me great pleasure on my first anniversary as your Chairman to report another record after tax profit of $6.8 million, up 81.9% on last year and record revenues of $153.4 million, up 54.1% on last year. Operating cash surplus also reported a record $13.3 million, up 52.1%.

The Talent2 phenomenon, which began four years ago, has seen rapid growth around Australia and increasingly across Asia and in the UK. The Company now has both the momentum and the market opportunity to leverage its capabilities and continue to deliver strong earnings growth.

As a result, and in the interests of shareholders, your Board has announced an unfranked final dividend of 3.5 cents per ordinary share, paid on 10 September 2007. It follows on from the payment of a return of capital of 3 cents per ordinary share in November 2006, and the special, partially franked dividend of 3 cents per share paid in August 2006.

The hallmark of our success during the past year was the significant growth we achieved in all divisions across all countries. Most notable was the growth pattern achieved in Managed Services, which grew 77.8% to contribute $43.2 million in revenue. This is a recurring income stream and a key point of difference which will underpin continued growth.

Talent2 also made several strategic acquisitions which have together contributed 5.5% of total revenue. These included BizEd Services, a leader and innovator in the Outsourced Learning Services market; Australasian Talent Company, a leading permanent, contract and short-term staffing business in the UK; and in addition we made a joint venture recruitment investment in HR-One in India.

Talent2 also opened new recruitment offices in Shanghai, Kuala Lumpur and London, which will be used to launch our human resources outsourcing offerings into those significant markets.

Grasping the global opportunity for talent

The 2008 year has started well, with good operational momentum across all our business units. For the remainder of the year, the Company's exceptional growth is expected to continue, particularly in the high growth opportunity of human resources outsourcing for our recruitment, payroll and learning service offerings.

As we look into the future, the Board sees great opportunities for continued growth, both organically and by acquisition. Asia remains our primary focus for geographic expansion, with more cities in both Japan and China in our sights. Any future acquisitions will continue to be financed through a combination of cash and equity and, should the need arise, additional capital raisings.

Board & Management

In October 2006, after four years of serving as Talent2's Chairman, Mary Beth Bauer stepped down from her position to take on the new role of Deputy Chairman. I express my appreciation for Mary Beth's contribution throughout her Board tenure, particularly for her long-held visions of building a truly end-to-end HR outsourcing business. That vision has been realised. Thank you also to Brian Gibson who is stepping down as a Non-Executive Director after five years of outstanding service.

I also congratulate Andrew Banks our Managing Director and John Rawlinson our CEO, for their outstanding leadership and tireless management. Thank you too to their divisional management and staff for another year of excellent performances. The quality results in their services and delivery have set new benchmarks of leadership throughout Australia and the Asia Pacific region.

Ken Allen
Chairman

"Talent2 is centre-stage in the fastest growing region in the world – at a time when competition for skills globally, has never been so high."

Chief Executive Officer's and Managing Director's Report

John Rawlinson (CEO) & Andrew Banks (MD)

Financial Highlights

		FY2007	FY2006	% Growth
Revenue	($m)	**153.4**	99.6	▲ 54.1
Gross profit	($m)	**98.0**	71.8	▲ 36.4
EBITDA	($m)	**15.7**	10.0	▲ 56.0
Return on gross profit	(%)	**16.0**	13.9	
Reported earnings after tax	($m)	**6.8**	3.7	▲ 81.9
Reported EPS, basic	(cents)	**5.7**	3.3	▲ 73.6
Adjusted earnings after tax*	($m)	**8.9**	5.7	▲ 56.2
Adjusted EPS, basic*	(cents)	**7.6**	5.1	▲ 49.1
Operating cash surplus	($m)	**13.3**	8.8	▲ 52.1

* Adjusting for amortisation for business acquisition intangibles under AIFRS

We are fortunate to be operating in this part of the world – where our Australian experience and the expertise offered by Talent2 can both contribute to and benefit from regional growth.

Companies have discovered long ago that their success is dependent on harnessing the talent of their workforce. And with the global shortage of skilled talent, its management is more vital than ever.

Over the past 12 months, Talent2 has proven the concept of managing multi-country, multi-company and multi-currency human talent pools on a professional basis. With competitive forces starting to bite, companies are seizing the opportunity to enhance the quality of their people and to protect their most valuable asset, while they focus on their own strategic outcomes.

On strategy, on target

It's a startling realisation: Talent2 is centre-stage in the fastest growing region in the world. With competition for skills globally at an all-time high, our eyes are firmly on the prize – to accelerate revenue growth in Asia to exceed 50% of total group revenues – and we have a detailed strategy in play to achieve that goal.

First, we identify new clients and optimise our first mover advantage. Second, we expand into actively growing markets. Third, we extend our existing business by adding more services. And finally, while all this is happening, we build our recurring income streams under the Managed Services business.

It's been an exciting year. We've focused on organic growth in Asia while selectively taking advantage of strategic acquisitions such as BizEd Services in Australia, Australasian Talent Company in the United Kingdom and a joint venture investment in HR-One in India. It's allowed us to build a strong platform for growth while at the same time adding to our capability to offer a complete blend of outsourced HR services that support the talent lifecycle.

We couldn't be more confident that the strategy set four years ago is turning into reality and that the opportunities for HR outsourcing and high-end recruiting have never been better. There has been significant acceptance of the HRO model in Australia, and in the less mature Asian markets, clients – as evidenced in Macau, Hong Kong and Singapore – are embracing the concept.

We are now poised for continued expansion, both by offering more services to existing clients and winning new clients in new markets as the HRO revolution gathers pace.

Financial highlights

The results reinforce Talent2's position as one of the fastest growing companies in the services sector.

After tax profit increased by 81.9% to $6.8 million, up from $3.7 million in 2006.

Total revenues grew by 54.1% to a record $153.4 million. This was underpinned by a 77.8% rise in Managed Services recurring revenue to $43.2 million and a 55.4% rise in People and Recruitment revenue to $94.0 million. Technology Services too contributed double digit growth of 13.2% to $17.4 million.

Importantly, the business has maintained margins of just over 10%, while continuing to reinvest for future profitable growth. Earnings before interest, tax, depreciation and amortisation (EBITDA) were $15.7 million, up 56.0% on $10.0 million in 2006.

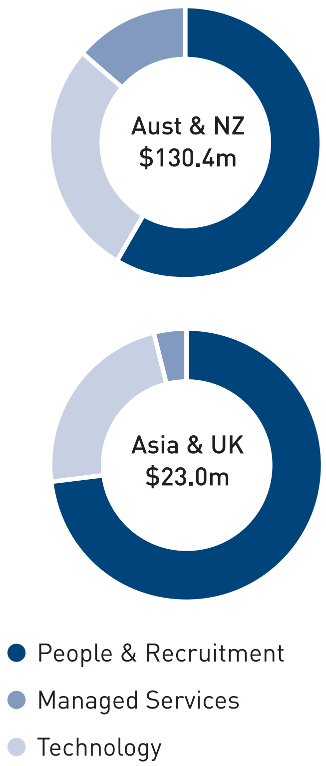
Operating cash surplus was also strong at $13.3 million up 52.1%, and net assets rose from $62.1 million to $66.4 million.

Operational excellence

This year we continued to create robust, efficient and effective services and processes across the region to build a competitive edge that no other HR provider will match.

"We've built a strong platform for growth and have added to our capability to offer a complete blend of outsourced HR services that support the talent lifecycle."

Segment Revenue



We've expanded our processing capability in Kuala Lumpur, which can now efficiently service clients in Hong Kong, Singapore and Malaysia, while providing localised, regional support to our people on the ground. In March, Talent2 operations commenced in Shanghai under a 70/30 joint venture with Harvin Management – an important milestone for our expansion into China.

Australian operations have performed very well. Our Executive Recruitment business was awarded Executive Recruitment Firm of the Year for the third consecutive year by the Fairfax Employment Marketing Awards (FEMA). And in Talent Management, the Talent2 Works technology division achieved Sarbanes-Oxley accreditation for our HRIS systems.

The acquisition of Australian outsourced learning company BizEd Services in May has really expanded our capability in the Optimise space. It's an ideal fit – not just to our existing services in Leadership Assessment and Learning Development, but to our Talent Acquisition and Talent Management service operations. BizEd is a leader in the corporate training administration arena in Australia and we will benefit from synergies in Asia as we introduce their services over the next 12 months.

We've generated a diversified service range and client base and broadened geographic reach. We've invested in people (we've now reached 760 employees) and infrastructure to enhance our technologies and build intellectual property that will benefit our clients.

Looking ahead

Three years ago we said that there wasn't much to buy in HRO because the concept was so new. So we've focused on growing organically and deepening our service offering. An interesting development in the last 12 months has been watching the market evolve globally – and with that, the emergence of potential acquisition targets that make sense.

Our key focus in this financial year is to enhance scale and category leadership. We'll open additional offices in China. We'll expand into at least one other Asian country, if not two. We'll deepen our presence in India. And we'll look for acquisitions that will build our market share and depth of capability in all existing locations.

At the end of the day, the consistent stand-out of this Company is the quality of our people. We want to acknowledge their unrelenting commitment to being the best, because it's their passion and energy that will continue to drive Talent2's growth well into the future.

John Rawlinson
Chief Executive Officer

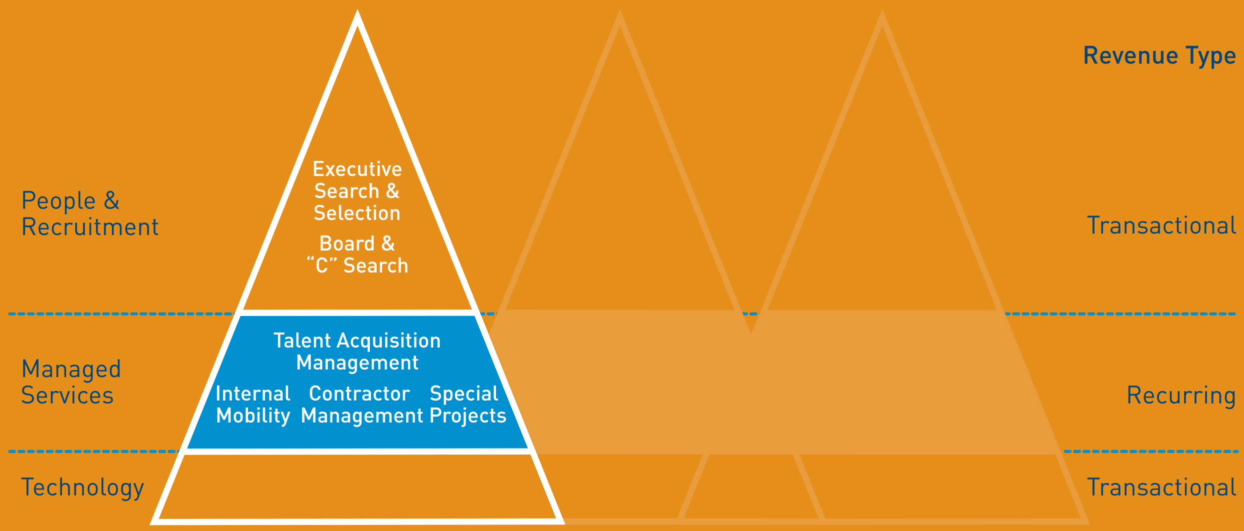
Andrew Banks
Managing Director

»

Acquire » find / **recruit** / attract
Identifying and attracting the right people for the right job.

Manage » look after / nurture / **retain**
Providing total HR administration services so clients can focus on their core businesses.

Optimise » **develop** / motivate / grow
Enhancing performance and motivating staff with learning and development services.



BUSINESS UNITS	– Talent Partners – Talent2 People – Talent Acquisition Management – Talent Partners Hansen & Searson – Australasian Talent Company
SERVICES	– Executive Search – Talent Acquisition Management/Recruitment Process Outsourcing – Executive Recruitment – Executive Contracting – Project Recruitment
KEY STATISTICS	– **20+** Talent Acquisition Management clients – Executive placements up **38%** to **2,800**
KEY DRIVERS	– The global competition for skills has never been so high. – Challenges in talent acquisition are encountered as organisations grow their Asian operations.

Through our high-end recruitment brands and innovative managed services, Talent2 provides the full spectrum of talent identification and management services.

Our traditional high-end recruitment brands, Talent2 and Talent Partners, focus on middle and senior level executive positions. Talent Acquisition Management partners with companies to manage HR processes such as Strategic Sourcing, Recruitment Process Management, Employer Branding, Talent Pool Management and Internal Mobility. Talent Partners Hansen & Searson specialises in local and national government.

Together, it's an integrated service offering from employee benchmarking to retention strategies.

2007 Highlights

- Talent2 acquired 100% of London-based Australasian Talent Company (ATC) in early 2007. Established for more than 17 years, ATC provides permanent, contract and short-term staffing of antipodean talent to its UK clients – as well as servicing the reverse flow. The acquisition provides a solid platform for the organic development of Talent2's UK business.
- Talent2 acquired a 24% equity interest in the Indian recruitment operation HR-One in April 2007. HR-One is one of India's premier HR companies offering recruitment process outsourcing, permanent and contract recruitment, training and human resources consulting services to a broad range of local and international clients.
- Talent2 People was awarded Executive Recruitment Firm of the Year for the third consecutive year by the Fairfax Employment Marketing Awards (FEMA).
- Key new clients this year include QBE, Telstra, Unisys, Jones Lang LaSalle and Vector New Zealand.

Case Study – Unisys

Unisys is a worldwide information technology (IT) services company with more than 31,000 employees based around the world. Competing in a rapidly moving candidate market where skills are high in demand and short in supply, its Australian business was searching for competitive advantage as an employer.

Its Western Australia joint venture, Unisys West, engaged Talent2 in 2005 due to its proven expertise in Talent Acquisition Management, growing Asian infrastructure and unique managed service offering. Over a two year period, Talent2 services included developing an employer value proposition, implementing a regional, centralised recruitment management system and proactively managing internal and external talent pools.

Following success in these areas, Talent2 has pioneered Australasia's first full managed service contracting solution, providing significant cost savings and contractor leverage. Now, around 60% of new employees within Unisys West are sourced proactively and the partnership with Unisys has expanded to embrace the entire Australia market.

Manage

BUSINESS UNITS	– Talent2 Works – Talent2 NPS
SERVICES	– HR and Payroll Outsourcing – HR and Payroll Systems – Employee Self Service – HR/Payroll Implementation Services – HR/Payroll Function Reviews
KEY STATISTICS	– **2,000+** clients paying **900,000+** people
KEY DRIVERS	– An emerging trend towards outsourcing as companies understand the economic and strategic benefits.

With the ultimate objective of achieving best practice, Talent2 provides a totally integrated approach to talent management and can service the entire HR administration function.

Talent2 Works provides HR systems consulting and support that is proven, reliable and scalable. We know because we've been doing it for over 20 years. Talent2 NPS (National Payroll Systems) is a leading provider of value-driven, internet-delivered payroll and HR application processing services for the SME market.

These Talent Management services efficiently take over our clients' back office functions, so that they can focus on more strategic imperatives.

2007 Highlights

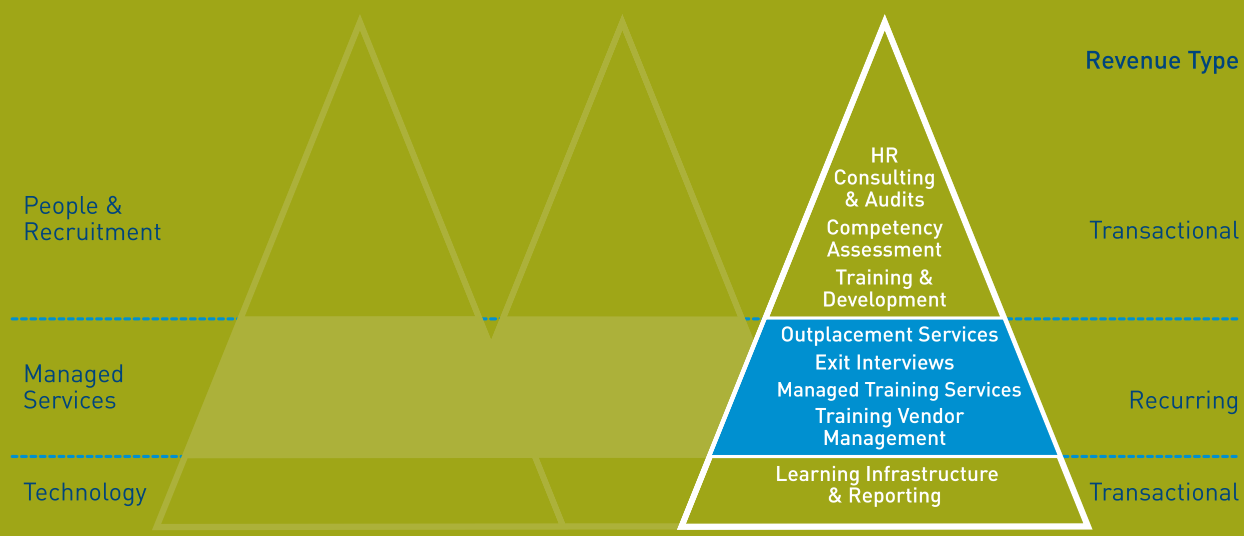
- Talent2 Works achieved Sarbanes-Oxley accreditation for its Payroll Application and Managed Services in October 2006. This means that our United States-based clients can rely on Talent2 systems and processes to fulfil their own Sarbanes-Oxley accreditation requirements.
- Talent2 NPS experienced strong growth and gained 230 new clients as the concept of fully managed payroll services becomes more entrenched.
- During the year, a further 11 WA Government agencies contracted to transition to Talent2 Managed Services, highlighting the ongoing confidence in our robust systems which now service over 25,000 agency employees.
- Key new clients this year include BP Australia, Bond University, Brisbane Catholic Education, Investa, Myer, NEC, WA Department of Housing & Works and WestNetRail.

Case Study – Myer

Following its acquisition from Coles Myer Ltd in June 2006, department store retailer Myer needed to transition more than 20,000 employees from existing systems and infrastructure.

It partnered with Talent2 for the implementation to full outsourced services, with an onsite Talent2 team working seamlessly with Myer HR to manage HR and payroll functions. With the successful transition to Talent2 systems, Myer team members can now access store information kiosks to apply for leave, check their leave entitlements, view payslips and undertake many other functions online.

These services are completely scalable to ensure Myer can continue to grow with minimum further investment. This allows Myer to focus its resources on its core business in an increasingly competitive market.



Optimise

BUSINESS UNITS	– Talent2 Learning
SERVICES	– Outsourced Learning Solutions – Learning Management & Administration – Learning Infrastructure & Content Development – Learning & Development Diagnostics – Training Event Management – Board Reviews – HR Diagnostics – Leadership & Cultural Diagnostics – Psychological Assessment – Outplacement & Career Management
KEY STATISTICS	– **236,000** online training enrolments – **400,000 +** training registrations processed
KEY DRIVERS	– Developing employee talent to increase productivity and retention. – The need to better manage training expenditure.

Against shrinking talent pools, more than ever organisations need to develop, engage and nurture their existing employees.

We call it optimising and have developed the diagnostic tools to provide greater employee insight at the organisational, team and individual levels. Called Talent2 Learning, they have proven to be powerful and cost effective management resources.

These insights are crucial in shaping a cultural environment where performance is more closely aligned with overall business objectives.

2007 Highlights

» Talent2 acquired 100% of Australian outsourced learning company BizEd Services in May 2007. Established in 1998, BizEd is recognised as Australia's leader and innovator in the corporate training arena. Its services are highly complementary and bring Talent2's Optimise offering to the top of its game in Training Administration and Management, Learning Systems and Vendor Management Services.

» Talent2 Learning has over 12 months conducted a complete review of all Telstra Learning Services which was coordinated by our newly launched learning management system. It provides a one-stop portal for all Telstra employees' career and professional development activities.

» Talent2 Learning has driven its success this year through a focus on the training and development employee cycle, geographical expansion and continued integration with the HRO concept.

» Key new clients this year include Telstra, Laminex, Linfox, Nestle, Foster's, Citigroup, Crown Macau and Stockland.

Case Study – ANZ

The Australia and New Zealand Banking Group (ANZ) understands that developing its people is critical to its success. The financial institution has long identified learning services as a key part of its strategy for attracting and growing talent.

Over a seven year period, ANZ has partnered with Talent2's BizEd Services to adopt a managed services approach and maximise the value of its investment in learning. Talent2 manages the ANZ Learning Centre with a dedicated team operating as a central hub for the deployment of high volume learning services across the Group.

This year, it managed more than 330,000 registrations in learning activities, 21,000 employee enquiries and 1,100 learning events, and provided over 10,000 management reports. The partnership provides cost savings, allows client management teams to focus on their core strategic initiatives, and ensures a consistent quality learning experience.

Board of Directors

& Chief Financial Officer

» 1. Ken Allen
Chairman (Non-Executive)

Ken has extensive international investment banking experience. He is currently a Senior Advisor to UBS Australia and Lexington Partners and Chairman Emeritus of Advance, the world's leading network of Australian professionals and entrepreneurs abroad. Prior to returning to Sydney in April 2006, Ken was the Australian Consul General in New York and was responsible for representing Australian interests in the United States. His major focus was the facilitation of US direct investment in Australia and the positioning of Australia as a global financial centre. Prior to that, Ken held senior positions in the UK, USA and Australia with the World Bank and other Investment Banks, including Merrill Lynch, County NatWest and Macquarie Bank. Ken holds a Bachelor of Economics (Hons) from the University of Adelaide. He is a board member of the Australian Chamber Orchestra and has served on the boards of the NSW Treasury Corporation, Film Finance Corporation, the State Bank of NSW and Australia Post.

Ken joined the Talent2 Board as Chairman in October 2006. He is also currently Chairman of the Nominations Committee. He presently holds no directorships in other listed companies.

» 2. Mary Beth Bauer
Deputy Chairman (Non-Executive)

Mary Beth brings to the Talent2 Board extensive experience in corporate finance, investor relations and mergers and acquisitions. In addition to her corporate financial expertise, Mary Beth is also founder and Managing Director of Value Enhancement Management Pty Ltd, the leading provider of strategic stakeholder solutions. Mary Beth previously held senior executive investor relations positions with

Coles Myer and Mayne Nickless. Her credentials include a Bachelor of Economics (University of California), Australian Chartered Accountant, Certified Public Accountant (US) and fellow of the Australian Institute of Company Directors.

Mary Beth joined the Talent2 Board in November 2001, and served as Talent2's Chairman between 2002 and 2006. She is currently the Chairman of the Remuneration Committee and a member of the Nominations and the Audit & Risk Committees. She presently holds no directorships in other listed companies.

» 3. Andrew Banks
Managing Director (Executive)

Andrew provides the Board with more than 20 years' experience in managing service businesses across the Asia Pacific region, and is widely regarded as a dynamic thought leader in the area of human capital management. Andrew is also an active principal of Morgan & Banks Investments, one of Talent2's significant shareholders. In partnership with fellow Director Geoff Morgan, he built up the Morgan & Banks recruitment business to generate more than A$700 million in sales before it was sold to TMP/Monster.com in 1999.

Andrew has been a Talent2 Board member since September 2002. He is the Company's Managing Director and a member of the Nominations Committee. He has no directorships in other listed companies.

» 4. Brian Gibson
Director (Non-Executive)

Brian's managerial experience spans both the public (government) and private sectors. He served as a Liberal Senator for Tasmania for nine years and, in 1996 was Parliamentary Secretary to the Treasurer. Before entering politics, he was Managing Director of Australian Newsprint Mills Ltd and Chairman of the Hydro Electric Commission of Tasmania. Brian's qualifications include a Science & Forestry and Arts degree (University of Melbourne) and he is a Graduate of Harvard Business School's senior international program.

Brian joined the Talent2 Board in June 2002. He is currently Chairman of the Audit and Risk Committee and is a member of the Nominations Committee. He has no directorships in other listed companies.

» 5. Albert (Bud) Hawk
Director (Non-Executive)

Residing in the United States, Bud has significant expertise in the human resources services sector overseas. He is a co-founder and Managing Partner of Corstone Capital Corporation, a private-equity firm headquartered in Washington, DC that specialises in high growth investments and services. He is also Chairman of InterPro Holdings Inc, (a significant shareholder of Talent2), which is an international business process outsourcing company with principal operations in Europe, India, China and Singapore. InterPro also operates under the trade name "PayStaff," where it is one of the largest human resources business process outsourcing companies in the US.

He has a law degree from the American University, has chaired various committees of the American Bar Association and is a renowned speaker before business groups.

Bud joined the Talent2 Board in October 2005 and is a member of the Nominations Committee. He has no directorships in other listed companies.

» 6. Geoff Morgan
Director (Non-Executive)

Geoff has more than 30 years' experience in sales and marketing as well as global experience in all aspects of human capital services. He is currently Chairman of Morgan & Banks Investments Pty Ltd. Prior to this role, he was regional Chairman for TMP Worldwide. Along with his partner, Andrew Banks, he was a Director of Morgan & Banks Limited from its inception through to its sale to TMP/Monster.com in 1999. Geoff and Andrew have co-authored four books on recruiting and in 2004 were the recipients of the Ernst & Young "Master Entrepreneur of the Year" Award for sustained success in business.

Geoff has been a Talent2 Board member since September 2003. He is a member of both the Remuneration Committee and the Nominations Committee. He is a board director of several companies including The Australian Motor Sport Foundation, The Heat Group and LinkMe Pty Limited.

» 7. Hans Neilson
Director (Non-Executive)

Hans has extensive international IT and HR experience. He joined Hewlett Packard in 1976 and held numerous positions including Interim Australia Managing Director and Managing Director New Zealand. Most recently he was Vice President of Hewlett Packard Company, leading its Human Resources for the Technology Solutions Group in Asia Pacific. He was also a Director for Hewlett Packard Australia and New Zealand from 1987 to 2006. For over ten years Hans was an evaluator for the Australian Quality Awards and a member of the Victorian State Committee for the Australian Quality Council. Hans has participated in numerous community and industrial forums, and holds a Bachelor of Engineering from Victoria University of Technology (Vic).

Hans joined the Talent2 Board in August 2006 and is a member of the Remuneration and Nominations Committees. He has no directorships in other listed companies.

» 8. Martin Brooke
Chief Financial Officer

Martin has over 15 years' experience in senior financial positions both within the accounting profession and the human resources industry. Prior to joining Talent2 in June 2003, Martin held the position of Group Controller – Asia Pacific for TMP Worldwide, with responsibility for the group's finance team throughout the region. Martin has a BA in Accounting (University of Kent, Canterbury) and is a member of the Institute of Chartered Accountants in England and Wales.

As Chief Financial Officer, Martin has responsibility for all finance and accounting matters and the Group's IT infrastructure.

Financial Statements »

Corporate Governance Statement

The Board of Directors ("the Board") is responsible for the corporate governance practices of Talent2 International Limited ("the Company") and its controlled entities. As with all its business activities, the Company is proactive in respect of corporate governance and puts in place those arrangements that it believes are in the best interests of the Company and its shareholders. It actively reviews corporate governance developments in Australia and overseas, and where appropriate, modifies its policies and practices to comply with best practice. As detailed in this statement, the Company complies with most Australian Stock Exchange Corporate Governance Council Guidelines (ASX Guidelines), and reasons and explanations are provided below for any departures from those Guidelines. A table summarising the Company's compliance with the ASX Guidelines is available on the Company's website www.talent2.com.

In addition, the Company has posted all copies of its charters, policies and processes on its website www.talent2.com in accordance with the ASX Guidelines.

Responsibilities of the Board

The Board has adopted a formal charter that sets out the responsibilities reserved by the Board. This charter is reviewed annually to ensure it remains consistent with accepted practice in the context of the Board's objectives and responsibilities.

The most significant responsibilities of the Board are to:

- Report to shareholders and the market;
- Ensure regulatory compliance;
- Review corporate risks, internal controls and external audit reports;
- Monitor and influence the culture, reputation and ethical standards of the Company;
- Monitor and review Board composition, director selection and Board processes and performance;
- Approve key executive appointments;
- Review the performance of the Managing Director, Chief Executive Officer, Chief Financial Officer and executive management;
- Review and approve executive remuneration;
- Ensure the Board has an in-depth understanding of each substantial segment of the Company;
- Validate and approve corporate strategy;
- Review the assumptions and rationale of annual budgets and approve such budgets;
- Review business results and monitor corrective action where applicable; and
- Authorise and monitor major investments and strategic commitments.

The Board may delegate any of its responsibilities to its various committees. All matters not specifically reserved for the Board and necessary for the day to day management of the Company are delegated to the Managing Director and the executive management team.

Directors may enter into arrangements with the Company. Directors or their firms may act in a professional capacity for the Company. These arrangements are subject to the restrictions of the Corporations Act 2001.

Composition of the Board

The Board believes that its membership should comprise directors with an appropriate mix of skills, experience and personal attributes that allow the Board collectively to discharge their duties, understand the business risks and enhance the Company's opportunities and vision. The Board currently consists of seven directors; one executive director and six non-executive directors, of whom Ken Allen, Brian Gibson and Hans Neilson are independent. The remaining non-executive directors, have a direct or indirect relationship with significant shareholders of the Company. (As part of its consideration of the independence of directors, the Board considered the definition set out in Box 2.1 of the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations and materiality thresholds of amounts above $100,000, in relation to suppliers or contractual relationships.)

This is a departure from the ASX Guidelines which recommends that the majority of the Board should be independent. However given the size and extent of operations of the Company, the Board believes that the number and degree of independence of the directors is at this stage appropriate. The Board also believes that at this stage it has a good representation of skills and adequate scope for the independent directors to balance the interests of shareholders.

Corporate Governance Statement

Composition of the Board (continued)

This situation is constantly monitored by the Board which during the past financial year appointed two new independent directors following recommendations from the Nomination Committee.

The executive director is the Managing Director, Andrew Banks.

The Chairman, Ken Allen, is an independent director in compliance with ASX Guidelines. He was appointed a director and Chairman on 4 October 2006. Mary Beth Bauer, the company's Chairman prior to October 2006, remains on the Board in her new position of Deputy Chairman. Ms Bauer is not an independent director but was an independent director at the time of her appointment as Chairman in 2002 and has since then successfully steered the Company through a period of transition and growth.

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the directors' report.

Board Performance Evaluation

In June 2007 the Board conducted a self-evaluation which included amongst others:

- A review of the Board, its processes and committee structures; and
- Issues regarding corporate governance and the challenges in growing the Company's international operations.

The self-evaluation process was conducted by a specialist in Board Performance Evaluation and involved individual interviews with directors.

Independent Professional Advice

With the prior approval of the Chairman, each director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors.

Audit and Risk Committee

The Company has an Audit and Risk Committee under the authority and governance of the Company's Audit and Risk Committee Charter, approved by the Board. This committee consists of two non-executive directors, one of whom is independent. This is a departure from the ASX Guidelines which recommends a minimum of three members, with a majority independent.

The Chair of the Audit and Risk Committee is Brian Gibson, an independent non-executive director. The other member of this Committee is Mary Beth Bauer, a qualified Chartered Accountant. The qualifications and responsibilities of the members of the Audit and Risk Committee are set out in the directors' report.

The Board considers a two person Audit and Risk Committee to be appropriate at this stage given the size of the Company, the extent of its operations and the qualifications of its members.

The Audit and Risk Committee meets at least twice every year, with authority to convene additional meetings as circumstances require. Its responsibilities include:

- Review of management information systems and systems of internal control;
- Review of the external audit function including the audit plans and audit reviews;
- Review of financial reports prior to their approval by the Board;
- Monitoring financial and liquidity aspects of the Company's activities;
- Requiring the Chief Executive Officer and the Chief Financial Officer to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- Requiring the Chief Executive Officer and Chief Financial Officer to state in writing to the Board that their statement regarding the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the risk management system is operating efficiently and effectively in all material respects;
- Review of the systems for monitoring the Company's compliance with laws and regulation; and
- Consideration and investigation of financial and operational risks identified by management and the external auditors.

The Board has established policies on risk oversight and management. The Committee regularly reviews these policies in consideration of changing circumstances. A review is currently in process.

Corporate Governance Statement

On a regular basis, the Chair of the Audit and Risk Committee is required to meet separately with the external auditors to discuss any matter that either believes should be discussed privately. In addition, the external auditor is requested to attend all shareholder meetings of the Company, including the annual general meeting, to be available to answer shareholder questions regarding the conduct of the audit and the preparation and content of the auditor's report.

The number of Audit and Risk Committee meetings and attendance at those meetings are set out in the directors' report.

Remuneration Committee

The Company has a Remuneration Committee under the authority and governance of the Company's Remuneration Committee Charter, approved by the Board. The Committee informs and advises the Board on remuneration policies which will best support the long-term performance objectives of the Company. The Company maintains a policy of remuneration based on goal congruence between shareholders, directors and executives. Further details regarding the Company's remuneration policies are outlined in the Remuneration Report within the directors' report.

This committee currently consists of three non-executive directors. Mary Beth Bauer, who is not an independent director, is currently the Chair of this Committee. The other members include Geoff Morgan and Hans Neilson. This is a departure from the ASX Guidelines which recommends that a majority of members be independent and the chair be independent.

The Board considers the composition of the Remuneration Committee to be appropriate at this stage given the size of the Company, the extent of its operations and the qualifications of its members. The Board also believes that given Mary Beth Bauer's extended knowledge and experience with the Company, it is appropriate for Mary Beth Bauer to be the Chair of the Remuneration Committee.

The Remuneration Committee's responsibilities include:

- The establishment and review of appropriate remuneration and incentive plans for all directors and executive employees; and
- The establishment and granting of all equity based incentive plans including the Directors, Executive and Employee Share Option Plan.

Share Options granted to Directors are described in detail in the directors' report and were approved by shareholders by ordinary resolution on 20 September 2002, 29 September 2003 and 25 October 2006. Shareholder approval of share options to executive employees has not been sought, and hence the Company does not comply with the ASX Guidelines.

The Company considers it has provided and will continue to provide sufficient information to shareholders to assess the financial impacts of these incentive plans, given that:

- All executive and employee share options are based on current market price at time of grant;
- Option vesting is dependant upon future years of employment tenure; and
- A detailed description and summary of these share options have been provided in the Company's financial reports each year and in regular Appendix 3B submissions to the ASX which include details of options on issue, options exercised, details of vesting and expiry dates.

There are no schemes for retirement benefits other than statutory superannuation for non-executive directors.

The number of Remuneration Committee meetings and attendance at those meetings are set out in the directors' report.

Nomination Committee

The Company has a Nomination Committee under the authority and governance of the Company's Nomination Committee Charter, approved by the Board. This Committee currently consists of all directors, three of whom are independent. The Board is currently reviewing the composition of all its Committees which includes reviewing the functions and participants of its Nomination Committee.

In summary, the Nomination Committee:

- Reviews current and desirable competencies of the Board;
- Evaluates Board performance;
- Recommends appointment and removal of directors based on performance review and assessment of competencies; and
- Manages Board succession plan.

Corporate Governance Statement

Nomination Committee (continued)

Board performance and that of individual directors is subject to review by external consultants based on structured interviews with all directors. Performance evaluations of the Board and its members took place in accordance with this procedure during the current reporting period.

The number of Nomination Committee meetings and attendance at those meetings are set out in the directors' report.

Code of Conduct

As part of the Board's commitment to the highest standard of conduct, the Company adopts a code of conduct to guide directors, executives, management and employees in carrying out their duties and responsibilities. The code of conduct covers:

» Responsibilities to shareholders, customers and employees;

» Compliance with laws and regulations;

» Conflicts of interest;

» Confidentiality of company and client's information;

» Fair dealing with all legitimate stakeholders;

» The promotion of ethical behaviour;

» Good employment practices; and

» Respect for privacy.

Disclosure Policy

The Company has a Disclosure Policy premised on its core values of honesty & integrity and to ensure compliance with ASX and ASIC requirements. The policy also requires an authorised disclosure officer to immediately release to the market all material and price sensitive information.

Trading Policy

Share trading and procurement of share trading by directors, managers and employees possessing price sensitive information is prohibited.

In addition, no share purchases or sales may be made by directors, managers and employees outside clearly designated four to six week trading windows following material announcements to the ASX and following shareholder meetings. Internal communications regularly remind directors, managers and employees of their obligations under this policy, including the timing of "open" and "closed" periods.

Short-selling or the use of derivative strategies with this effect, is not permitted by directors, managers and employees. Directors, managers and employees who are granted options are not permitted to hedge those options until they have met relevant timing and/or performance hurdles and those options have vested.

Share purchases and divestments by directors, or companies associated with directors, are notified to the ASX within two days.

Shareholder Communication

The Company is passionate about what it does and wants its shareholders to share in that passion. It's Shareholder Communications Policy is designed to:

» Ensure effective communication with shareholders;

» Provide shareholders with ready access to balanced and understandable information about the Company and corporate proposals; and

» Make it easier for shareholders to participate in general meetings.

The Company Secretary is responsible for overseeing and coordinating disclosure of information to the ASX, shareholders, analysts and brokers. The Company maintains an up to date investor relations section on its corporate website www.talent2.com which includes all financial reports, ASX announcements, recent news articles & press releases, investor newsletters and all relevant contact details. Investors can register through this website to automatically receive newsletters and significant announcements immediately upon release to the market.

Other Information

Any further information relating to the Company's corporate governance practices and policies has been made publicly available on the Company's web site at www.talent2.com.

Directors' Report

Your directors present their report on the Company and its controlled entities (the consolidated entity) for the financial year ended 30 June 2007.

Directors

The names of directors in office at any time during or since the end of the financial year are:

Ken Allen
Chairman (Non-Executive)

Ken has extensive international investment banking experience. He is currently a Senior Advisor to UBS Australia and Lexington Partners and Chairman Emeritus of Advance, the world's leading network of Australian professionals and entrepreneurs abroad. Prior to returning to Sydney in April 2006, Ken was the Australian Consul General in New York and was responsible for representing Australian interests in the United States. His major focus was the facilitation of US direct investment in Australia and the positioning of Australia as a global financial centre. Prior to that, Ken held senior positions in the UK, USA and Australia with the World Bank and other Investment Banks, including Merrill Lynch, County NatWest and Macquarie Bank. Ken holds a Bachelor of Economics (Hons) from the University of Adelaide. He is a board member of the Australian Chamber Orchestra and has served on the boards of the NSW Treasury Corporation, Film Finance Corporation, the State Bank of NSW and Australia Post.

Ken joined the Talent2 Board as Chairman in October 2006. He is also currently Chairman of the Nomination Committee. He presently holds no directorships in other listed companies.

Mary Beth Bauer
Deputy Chairman (Non-Executive)

Mary Beth brings to the Talent2 Board extensive experience in corporate finance, investor relations and mergers and acquisitions. In addition to her corporate financial expertise, Mary Beth is also founder and Managing Director of Value Enhancement Management Pty Ltd, the leading provider of strategic stakeholder solutions. Mary Beth previously held senior executive investor relations positions with Coles Myer and Mayne Nickless. Her credentials include a Bachelor of Economics (University of California), Australian Chartered Accountant, Certified Public Accountant (US) and fellow of the Australian Institute of Company Directors.

Mary Beth joined the Talent2 Board in November 2001, and served as Talent2's Chairman between 2002 and 2006. She is currently the Chairman of the Remuneration Committee and a member of the Nomination and the Audit & Risk Committees. She presently holds no directorships in other listed companies.

Andrew Banks
Managing Director (Executive)

Andrew provides the Board with more than 20 years' experience in managing service businesses across the Asia Pacific region, and is widely regarded as a dynamic thought leader in the area of human capital management. Andrew is also an active principle of Morgan & Banks Investments, one of Talent2's significant shareholders. In partnership with fellow director Geoff Morgan, he built up the Morgan & Banks recruitment business to generate more than A$700 million in sales before it was sold to TMP/ Monster.com in 1999.

Andrew has been a Board member since September 2002. He is the Company's Managing Director and a member of the Nomination Committee. He has no directorships in other listed companies.

Directors' Report

Directors (continued)

Geoff Morgan
Director (Non-Executive)

Geoff has more than 30 years' experience in sales and marketing as well as global experience in all aspects of human capital services. He is currently Chairman of Morgan & Banks Investments Pty Ltd. Prior to this role, he was regional Chairman for TMP Worldwide. Along with his partner, Andrew Banks, he was a director of Morgan & Banks Limited from its inception through to its sale to TMP/Monster.com in 1999. Geoff and Andrew have co-authored four books on recruiting and in 2004 were the recipients of the Ernst & Young "Master Entrepreneur of the Year" Award for sustained success in business.

Geoff has been a Talent2 Board member since September 2003. He is a member of both the Remuneration Committee and the Nomination Committee. He is a board director of several unlisted companies including, The Australian Motor Sport Foundation, The Heat Group and LinkMe Pty Limited. He has no directorships in other listed companies.

Brian Gibson
Director (Non-Executive)

Brian's managerial experience spans both the public (government) and private sectors. He served as a Liberal Senator for Tasmania for nine years and, in 1996 was Parliamentary Secretary to the Treasurer. Before entering politics, he had been Managing Director of Australian Newsprint Mills Ltd and Chairman of the Hydro Electric Commission of Tasmania. Brian's qualifications include a Science & Forestry and Arts degree (University of Melbourne) and a Graduate of Harvard Business School's senior international program.

Brian joined the Board in June 2002. His current responsibilities include Chairman of the Audit and Risk Committee and a member of the Nomination Committee. He has no directorships in other listed companies.

Albert "Bud" Hawk
Director (Non-Executive)

Residing in the United States, Bud has significant expertise in the human resources services sector overseas. He is a co-founder and Managing Partner of Corstone Capital Corporation, a private-equity firm headquartered in Washington, DC that specialises in high growth investments and services. He is also Chairman of InterPro Holdings Inc, (a significant shareholder of Talent2), which is an international business process outsourcing company with principal operations in Europe, India, China and Singapore. InterPro also operates under the trade name "PayStaff", where it is one of the largest human resources business process outsourcing companies in the US.

Bud joined the Talent2 Board in October 2005. He is a member of the Nomination Committee. He has a law degree from the American University, has chaired various committees of the American Bar Association and is a renowned speaker before business groups. He has no directorships in other listed companies.

Hans Neilson
Director (Non-Executive)

Hans has extensive international IT and HR experience. He joined Hewlett Packard in 1976 and held numerous positions including Interim Australia Managing Director and Managing Director New Zealand. Most recently he was Vice President of Hewlett Packard Company, leading its Human Resources for the Technology Solutions Group in Asia Pacific. He was also a director for Hewlett Packard Australia and New Zealand from 1987 to 2006. For over ten years Hans was an evaluator for the Australian Quality Awards and a member of the Victorian State Committee for the Australian Quality Council. Hans has participated in numerous community and industrial forums, and holds a Bachelor of Engineering from Victoria University of Technology (Vic).

Hans joined the Talent2 Board in August 2006 and is a member of the Remuneration Committee and the Nomination Committee. He has no directorships in other listed companies.

Directors' Report

The following person held the position of company secretary at the end of the financial year:

Michael Bermeister
Company Secretary

Michael is a Chartered Accountant in both Australia and South Africa. His qualifications include Bachelor of Commerce and Bachelor of Accounting (Witwatersrand University, South Africa). He has been an employee of Talent2 since February 2001 including being the Company's Chief Financial Officer until August 2005. Michael was appointed Company Secretary in March 2001 and was a director of the Company between 2001 and 2003.

Ken Allen was appointed to the Board on 4 October 2006. Hans Neilson was appointed to the Board on 22 August 2006. All other directors and the Company Secretary have been in office since the start of the financial year to the date of this report.

Principal Activities

The principal activities of the consolidated entity during the financial year were the development, sale and support of people management and elearning software, executive recruitment and contracting, training administration and the provision of human resources managed services solutions. There were no significant changes in the nature of the consolidated entity's principal activities during the financial year.

Operating Results

The consolidated profit of the consolidated entity after providing for income tax amounted to $6.8 million.

Dividends

Subsequent to the year end, the consolidated entity announced a dividend policy to distribute between 50% and 70% of its after tax profits. In line with this policy the Company declared and paid a final dividend in relation to the year ended 30 June 2007 of 3.5 cents per ordinary share. This final unfranked dividend was declared on 13 August 2007 and paid on 10 September 2007 and amounted to $4.2 million. It has not been accrued in the attached financial statements.

Review of Operations

Revenues for the 2007 year increased by 54.1% to $153.4 million, up from $99.6 million in the previous year. Margins were maintained at just over 10%, delivering an EBITDA profit of $15.7 million, up 56.0% year on year. Strong cash generation continued to underpin the company's growth with operating cash flow up 52.1% year on year to $13.3 million.

Growth is being led by the Managed Services business, which is the business' annuity income stream.

- The **Managed Services** business grew by 77.8% on the previous year to $43.2 million. This was underwritten by significant new business from major national and international companies both in the domestic and Asian markets.
- **Talent2 People**, the core executive recruitment and search business, continued to deliver strong growth with revenue up 55.4% to $94.0 million, reflecting steady growth and good contributions from new offices in Shanghai, Malaysia and London.
- **Talent2 Works**, the company's technology arm, contributed revenue of $17.4 million up 13.2% year on year, and continued to make an excellent contribution to the Managed Services business.
- **Talent2 Learning** continues to acquire significant new customer wins, and is establishing itself as a preferred partner to companies wishing to optimise their productivity and development.

Talent2 also made a number of strategic acquisitions including BizEd, a recognised leader in outsourced learning services, and Australasian Talent Company, a staffing solutions company based in the United Kingdom. These acquisitions contributed 5.5% of the group's revenue in the year to 30 June 2007.

Directors' Report

Review of Operations (continued)

Other financial highlights during the 2007 year include:

- » Earnings per share of 5.7c compared to 3.3c in 2006.
- » EBIT of $9.6 million compared to $4.8 million in 2006. EBIT was $5.8 million in the second half of 2007, up from $3.8 million in the first half.

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significant affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future Developments, Prospects and Business Strategies

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results from those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year other than those referred to in this report, the financial statements or notes thereto.

Environmental Issues

The consolidated entity's operations are not subjected to significant environmental regulations under the law of the Commonwealth or any State.

Remuneration Report

This report details the nature and amount of remuneration for each director of Talent2 International Limited and for key management personnel.

(i) Remuneration policy

The remuneration policy of the Group has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component, a variable remuneration component and sometimes long-term incentives based on the consolidated entity's financial results and share price. The Board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors and executives to run and manage the consolidated entity, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the consolidated entity is set out below.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Remuneration Committee and approved by the Board. All executives receive a base salary package (which includes a minimum 9% superannuation guarantee contribution, fringe benefits and attributable fringe benefits taxation) determined on factors such as position and experience, and performance incentives. Individuals may choose to sacrifice part of their salary to increase payments towards superannuation. The executive directors and executives do not receive any other retirement benefits. The Remuneration Committee reviews executive packages annually by reference to the consolidated entity's performance, the executive's performance and comparable information from industry sectors and other listed companies in similar industries.

Directors' Report

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the performance of the consolidated entity and growth in shareholders' value. All bonuses and incentives are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the Committee's recommendations. Any changes must be justified by reference to performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the consolidated entity's standard employee share option arrangements.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the binomial methodology.

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Remuneration Committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. Standard fees for non-executive directors are not linked to the performance of the consolidated entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the employee share option plan.

(ii) Performance based remuneration

As part of each executive directors' and executives' remuneration package there is a performance-based component, based on achievement of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between directors/executives with that of the business and shareholders. The KPIs are set annually, with consultation with directors/executives to ensure buy-in. The measures are specifically tailored to the areas each director/executive is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short- and long-term goals.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on KPIs achieved. Following the assessment, the KPIs are reviewed by the Remuneration Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, the Group bases the assessment on management accounts that form the basis for audited figures.

(iii) Company performance, shareholder wealth and directors' and executives' remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. There have been two methods applied in achieving this aim, the first being a performance based bonus based on key performance indicators, and the second being the issue of options to the directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy to have been effective in increasing shareholder wealth over the past five years.

The following table shows the gross revenue and profits for the last five years for the listed entity, as well as the share price and market capitalisation at the end of the respective financial years. Analysis of the actual figures shows an increase in profits each year as well as an increase in shareholder value.

Directors' Report

Remuneration Report (continued)

The improvement in the consolidated entity's performance over the last five years has been reflected in the Company's share price with an increase each year. The Board is of the opinion that these results can be attributed in part to the previously described remuneration policy and is satisfied that this continued improvement has lead to increased shareholder wealth over the past five years.

	2003*	2004*	2005	2006	2007
Revenue	$16.7m	$32.3m	$60.3m	$99.6m	$153.4m
Net Profit before Income Tax	($1.81m)	$1.24m	$4.19m	$5.16m	$9.83m
Share Price** at year-end	$0.85	$1.00	$1.29	$1.30	$2.85
Market capitalisation at year end	$37.2m	$91.5m	$133.9m	$152.7m	$342.7m

* Australian GAAP as reported in previous Annual Reports

** Share Prices have been adjusted after taking into account the 1:5 share consolidation in November 2004

				Share based payment			
	Cash, Salary and Commissions	Super-annuation	Cash Bonus	Options	Long Term Incentive	Total	Performance Related
2007	$000	$000	$000	$000	$000	$000	%
Directors							
Ken Allen (appointed 4/10/06)	58	5	–	158	–	221	–
Mary Beth Bauer	85	8	–	143	–	236	–
Andrew Banks	252	23	180	143	–	598	30.1
Geoff Morgan	60	–	–	143	–	203	–
Brian Gibson	64	1	–	143	–	208	–
Albert "Bud" Hawk	55	–	–	158	–	213	–
Hans Neilson (appointed 22/8/06)	43	4	–	158	–	205	–
	617	41	180	1,046	–	1,884	9.6
Other Key Management Personnel							
John Rawlinson	330	30	150	36	96	642	38.3
Martin Brooke	232	18	105	30	33	418	33.0
Mark Brayan (resigned 31/5/07)	262	13	–	–	16	291	5.5
Paul Jury	237	13	235	24	40	549	50.1
Eileen Aitken	207	13	160	24	44	448	45.5
Michael Bermeister	180	13	30	–	–	223	13.5
	1,448	100	680	114	229	2,571	35.4
2006							
Directors							
Mary Beth Bauer	76	7	–	–	–	83	–
Andrew Banks	229	21	220	–	–	470	46.8
Geoff Morgan	51	–	–	–	–	51	–
Brian Gibson	51	5	–	–	–	56	–
Albert "Bud" Hawk	23	–	–	–	–	23	–
	430	33	220	–	–	683	32.2
Other Key Management Personnel							
John Rawlinson	291	26	145	48	46	556	34.4
Martin Brooke	192	15	100	24	15	346	33.2
Mark Brayan	263	12	50	–	16	341	19.4
Paul Jury	202	18	185	30	20	455	45.1
Eileen Aitken	180	12	140	15	38	385	46.2
Michael Bermeister	180	12	20	–	–	212	9.4
	1,308	95	640	117	135	2,295	33.8

Directors' Report

(iv) Performance income as a proportion of total remuneration

Executive directors and executives are paid performance based bonuses based on set monetary figures, rather than proportions of their salary. This has led to the proportions of remuneration related to performance varying between individuals. The remuneration committee has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the consolidated entity. The remuneration committee will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit, to ensure use of the most cost effective and efficient methods.

(v) Options issued as part of remuneration for the year ended 30 June 2007

Options are issued to directors and executives as part of their remuneration. Pre existing Director options will vest based on performance criteria linked to the entity's annual earnings per share calculations.

	Granted	Options Granted as Part of Remuneration	Total Remuneration Represented by Options	Options Exercised	Options Lapsed	Total
	No.	$000	%	$000	$000	$000
Directors						
Ken Allen	400,000	158	71.5	–	–	158
Mary Beth Bauer	320,000	143	60.6	5	(5)	143
Andrew Banks	320,000	143	23.9	5	(5)	143
Geoff Morgan	320,000	143	70.5	22	(22)	143
Brian Gibson	320,000	143	68.8	5	(5)	143
Albert "Bud" Hawk	400,000	158	74.2	–	–	158
Hans Neilson	400,000	158	77.1	–	–	158
	2,480,000	**1,046**	**55.5**	**37**	**(37)**	**1,046**
Other Key Management Personnel						
John Rawlinson	60,000	36	5.6	–	–	36
Martin Brooke	50,000	30	7.2	–	–	30
Mark Brayan	–	–	–	59	(25)	34
Paul Jury	40,000	24	4.4	–	–	24
Eileen Aitken	40,000	24	5.4	24	–	48
Michael Bermeister	–	–	–	52	(13)	39
	190,000	**114**	**4.4**	**135**	**(38)**	**211**

(vi) Employment contracts of directors and senior executives

The employment conditions of the specified executives are formalised in contracts of employment. The Managing Director, Andrew Banks, has no formal contract of employment. Other than the Managing Director, all executives are permanent employees of the Company.

The employment contracts stipulate a one to three month resignation period. The Company may terminate an employment contract by providing written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment calculated in accordance with the Company's standard redundancy calculations applicable to all employees. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time. Any options not vested before or on the date of termination will lapse.

Directors' Report

Meetings of Directors

During the financial year, meetings of directors (including committees of directors) were held. Attendances by each director during the year were:

			COMMITTEE MEETINGS					
	DIRECTORS' MEETINGS		AUDIT AND RISK COMMITTEE		REMUNERATION COMMITTEE		NOMINATION COMMMITTEE*	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Ken Allen	6	6	–	–	–	–	–	–
Mary Beth Bauer	8	8	2	2	5	5	–	–
Andrew Banks	8	8	–	–	–	–	–	–
Geoff Morgan	8	6	–	–	5	3	–	–
Brian Gibson	8	8	2	2	–	–	–	–
Albert "Bud" Hawk	8	3	–	–	–	–	–	–
Hans Nielsen	6	6	–	–	4	4	–	–

* The Nomination Committee consists of all Board Members and matters associated with the Nomination Committee have been dealt with during normal directors' meetings.

Indemnifying Officers or Auditor

During or since the end of the financial year the Company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

» The Company has paid premiums to insure all directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

Options

At the date of this report, the unissued ordinary shares of Talent2 International Limited under option are as follows:

Parcel	Grant Date	Date of Expiry	Exercise Price	Number Under Option	Vested Units	Non -Vested Units
J	20 Sep 02	30 Jun 08	$0.195	440,000	–	440,000
K	29 Sep 03	30 Jun 08	$0.345	80,000	–	80,000
L	29 Sep 03	30 Jun 08	$0.320	75,000	–	75,000
M	1 Sep 03	12 Jun 08	$0.420	340,000	340,000	–
N	26 May 04	6 May 09	$1.020	135,000	97,500	37,500
O	1 Jul 04	1 Jul 09	$0.970	862,750	587,500	275,250
Q	5 Aug 04	5 Aug 09	$1.320	12,750	6,750	6,000
R	16 Feb 05	16 Feb 10	$1.370	95,000	30,000	65,000
S	24 Jun 05	24 Jun 10	$1.190	1,343,556	587,125	756,431
T	31 Jan 06	31 Jan 11	$1.050	51,000	12,750	38,250
U	15 Jun 06	15 Jun 11	$1.150	40,250	8,750	31,500
V	17 Jul 06	17 Jul 11	$1.340	1,239,000	281,250	957,750
W	25 Oct 06	25 Oct 11	$1.570	70,000	–	70,000
X	25 Oct 06	30 Jun 12	$1.570	2,480,000	–	2,480,000
Y	7 Feb 07	7 Feb 12	$1.880	63,000	–	63,000
Z	16 May 07	16 May 12	$2.640	37,000	–	37,000
A	8 Aug 07	8 Aug 12	$3.010	1,393,500	–	1,393,500
				8,757,806	1,951,625	6,806,181

Directors' Report

During the year ended 30 June 2007, the following ordinary shares of Talent2 International Limited were issued on the exercise of options granted under the Talent2 International Limited Employee Option Plan. No amounts are unpaid on any of the shares.

Parcel	Grant Date	Exercise Price	Number of Shares Issued
J	20 Sep 02	$0.225	220,000
K	29 Sep 03	$0.375	40,000
L	29 Sep 03	$0.350	37,500
M	1 Sep 03	$0.450	166,000
		$0.420*	136,000
N	26 May 04	$1.020*	15,000
O	1 Jul 04	$1.000	97,750
		$0.970*	106,500
R	16 Feb 05	$1.370*	25,000
S	24 Jun 05	$1.220	26,150
		$1.190*	86,014
			955,914

The following shares have been issued after 30 June 2007

Parcel	Grant Date	Exercise Price	Number of Shares Issued
M	1 Sep 03	$0.420*	76,500
O	1 Jul 04	$0.970*	82,750
Q	5 Aug 04	$1.320*	11,250
R	16 Feb 05	$1.370*	10,000
S	24 Jun 05	$1.190*	76,800
U	15 Jun 06	$1.150*	1,750
V	17 Jul 06	$1.340*	38,000
			297,050

* Exercise price reduced by $0.03 per option as a result of the November 2006 shareholder approved $0.03 equal capital reduction to all shareholders.

Directors' Report

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-audit Services

The Board of Directors, in accordance with advice from the Audit and Risk Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the Audit and Risk Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Profession and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2007:

- SAS 70 Report for group payroll applications $121,000.

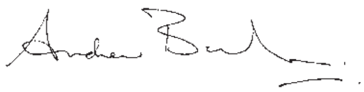
Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2007 has been received and can be found on page 39 and forms part of the Directors' Report.

Rounding of Amounts

The company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Board of Directors.



Ken Allen
Chairman

Andrew Banks
Managing Director

Dated this 26th day of September 2007

Auditor's Independence Declaration

Grant Thornton

Chartered Accountants
Business Advisers and Consultants

**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 audit of Talent2 International Limited for the year ended 30 June 2007, 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 audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton NSW

GRANT THORNTON NSW
Chartered Accountants

N J BRADLEY
Partner

Sydney 26 September 2007

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Income Statement

for the year ended 30 June 2007

	Note	Consolidated Entity		Parent Entity	
		2007	2006	2007	2006
		$000	$000	$000	$000
Revenue	2	153,425	99,557	9,079	7,918
Cost of Sales					
On hired labour and advertising costs	3	(35,525)	(18,237)	–	–
Outsourced services	3	(17,546)	(7,620)	–	–
Distributor commissions and license fees	3	(2,404)	(1,897)	–	–
Gross profit		**97,950**	**71,803**	**9,079**	**7,918**
Employee benefits expense		(67,523)	(49,368)	(3,488)	(693)
Operating lease rental expense		(6,743)	(5,716)	(43)	–
Advertising and marketing expense		(1,985)	(1,474)	(154)	–
Amortisation of acquired intangible assets	3	(3,106)	(2,862)	–	–
Amortisation of software development	3	(790)	(863)	–	–
Depreciation of plant and equipment	3	(2,184)	(1,533)	–	–
Finance costs	3	(180)	(65)	–	–
Other expenses		(5,608)	(4,765)	(1,041)	(1,424)
Profit before income tax		**9,831**	**5,157**	**4,353**	**5,801**
Income tax expense	4	(3,067)	(1,439)	(17)	(195)
Profit attributable to members of the parent entity		**6,764**	**3,718**	**4,336**	**5,606**
Basic earnings per share (cents per share)	7	5.71c	3.29c		
Diluted earnings per share (cents per share)	7	5.56c	3.24c		

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

Balance Sheet
as at 30 June 2007

	Note	Consolidated Entity		Parent Entity	
		2007	2006	2007	2006
		$000	$000	$000	$000
Current Assets					
Cash and cash equivalents	8	12,917	14,565	1,725	287
Trade and other receivables	9	28,260	17,446	25,495	34,104
Other current assets	10	3,311	2,128	525	180
Total Current Assets		**44,488**	**34,139**	**27,745**	**34,571**
Non-Current Assets					
Investments accounted for using the equity method	11	328	–	328	–
Financial assets	12	–	–	49,053	40,206
Plant and equipment	13	5,790	5,000	–	–
Deferred tax assets	14	3,858	5,569	2,375	2,392
Intangible assets	15	53,433	41,879	–	–
Total Non-Current Assets		**63,409**	**52,448**	**51,756**	**42,598**
Total Assets		**107,897**	**86,587**	**79,501**	**77,169**
Current Liabilities					
Trade and other payables	16	31,413	19,920	295	307
Short-term borrowings	17	283	293	–	–
Current tax liabilities	14	1,702	367	–	–
Short-term provisions	18	4,140	2,240	92	–
Total Current Liabilities		**37,538**	**22,820**	**387**	**307**
Non-Current Liabilities					
Long-term borrowings	17	3,320	525	–	–
Long-term provisions	18	599	1,132	–	–
Total Non-Current Liabilities		3,919	1,657	–	–
Total Liabilities		**41,457**	**24,477**	**387**	**307**
Net Assets		**66,440**	**62,110**	**79,114**	**76,862**
Equity					
Issued capital	19	77,069	75,434	77,069	75,434
Reserves	20	3,995	3,844	4,511	4,010
Accumulated losses		(14,624)	(17,168)	(2,466)	(2,582)
Total Equity		**66,440**	**62,110**	**79,114**	**76,862**

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

Statement of Changes in Equity

for the year ended 30 June 2007

	Share Capital Ordinary	Accum-ulated Losses	Reserves: Capital Profits Reserves	Reserves: Equity Incentive Plans	Reserves: Dividend Distribution Reserve	Reserves: Foreign Exchange Movement	Total
	$000	$000	$000	$000	$000	$000	$000
Consolidated Entity:							
Balance at 1 July 2005	**57,514**	**(17,357)**	**105**	**335**	**–**	**10**	**40,607**
Foreign exchange movement	–	–	–	–	–	(176)	(176)
Net profit	–	189	–	–	3,529	–	3,718
Total recognised income and expense	–	189	–	–	3,529	(176)	3,542
Shares and options issued	17,920	–	–	601	–	–	18,521
Elimination of treasury shares	–	–	–	(560)	–	–	(560)
Balance at 30 June 2006	**75,434**	**(17,168)**	**105**	**376**	**3,529**	**(166)**	**62,110**
Balance at 1 July 2006	**75,434**	**(17,168)**	**105**	**376**	**3,529**	**(166)**	**62,110**
Foreign exchange movement	–	–	–	–	–	(350)	(350)
Net profit	–	2,544	–	–	4,220	–	6,764
Total recognised income and expense	–	2,544	–	–	4,220	(350)	6,414
Shares and options issued	5,176	–	–	673	–	–	5,849
Capital repayment	(3,541)	–	–	–	–	–	(3,541)
Elimination of treasury shares	–	–	–	(863)	–	–	(863)
Dividends paid	–	–	–	–	(3,529)	–	(3,529)
Balance at 30 June 2007	**77,069**	**(14,624)**	**105**	**186**	**4,220**	**(516)**	**66,440**
Parent Entity:							
Balance at 1 July 2005	**57,514**	**(4,659)**	**105**	**335**	**–**	**–**	**53,295**
Net profit	–	2,077	–	–	3,529	–	5,606
Total recognised income and expense	–	2,077	–	–	3,529	–	5,606
Shares and options issued	17,920	–	–	601	–	–	18,521
Elimination of treasury shares	–	–	–	(560)	–	–	(560)
Balance at 30 June 2006	**75,434**	**(2,582)**	**105**	**376**	**3,529**	**–**	**76,862**
Balance at 1 July 2006	**75,434**	**(2,582)**	**105**	**376**	**3,529**	**–**	**76,862**
Net profit	–	116	–	–	4,220	–	4,336
Total recognised income and expense	–	116	–	–	4,220	–	4,336
Shares and options issued	5,176	–	–	673	–	–	5,849
Capital repayment	(3,541)	–	–	–	–	–	(3,541)
Elimination of treasury shares	–	–	–	(863)	–	–	(863)
Dividends paid	–	–	–	–	(3,529)	–	(3,529)
Balance at 30 June 2007	**77,069**	**(2,466)**	**105**	**186**	**4,220**	**–**	**79,114**

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

Cash Flow Statement
for the year ended 30 June 2007

	Note	Consolidated Entity		Parent Entity	
		2007	2006	2007	2006
		$000	$000	$000	$000
Cash Flows From Operating Activities					
Receipts from customers		158,248	103,594	–	–
Payments to suppliers and employees		(145,253)	(95,174)	(1,788)	(2,390)
Dividends received		–	–	5,700	–
Interest received		426	437	17	18
Finance costs		(180)	(65)	–	–
Income tax refund (paid)		72	(39)	–	–
Net cash provided by/(used in) operating activities	**24(a)**	**13,313**	**8,753**	**3,929**	**(2,372)**
Cash Flows From Investing Activities					
Proceed from sale of plant and equipment		115	–	–	–
Purchase of plant and equipment		(3,064)	(2,750)	–	–
Payment for subsidiaries, net of cash acquired	**24(b)**	(8,265)	(635)	(4,279)	(822)
Purchase of investments		(328)	–	(328)	–
Purchase of other non-current assets		(1)	–	–	–
Net cash used in investing activities		**(11,543)**	**(3,385)**	**(4,607)**	**(822)**
Cash Flows From Financing Activities					
Proceeds from issue of shares		594	181	594	181
Payment of transaction costs relating to share issues		(17)	(79)	(17)	(79)
Proceeds from borrowings		3,075	–	–	–
Capital repayment to shareholders		(3,541)	–	(3,541)	–
Dividends paid		(3,529)	–	(3,529)	–
Loans repaid by related entities		–	–	8,609	3,271
Net cash (used in)/provided by financing activities		**(3,418)**	**102**	**2,116**	**3,373**
Net (decrease)/increase in cash held		(1,648)	5,470	1,438	179
Cash at beginning of financial year		14,565	9,095	287	108
Cash at end of financial year	**8**	**12,917**	**14,565**	**1,725**	**287**

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

Notes to the Financial Statements

for the year ended 30 June 2007

Note 1. Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated group of Talent2 International Limited and controlled entities, and Talent2 International Limited (the Company) as an individual parent entity. The Company is a listed public company, incorporated and domiciled in Australia.

The financial report of Talent2 International Limited and controlled entities, and Talent2 International Limited as an individual parent entity, complies with Australian Accounting Standards, which include Australian equivalent to International Financial Reporting Standards (AIFRS), in the entirety. Compliance with AIFRS ensures that the financial report also complies with International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity the Company has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 12 to the financial statements. All controlled entities have a June financial year-end.

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

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

(b) Income Tax

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

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

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

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

Notes to the Financial Statements
for the year ended 30 June 2007

(c) Plant and Equipment

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

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's 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 capitalised lease assets, is depreciated on a straight-line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	15–33%
Plant and equipment	7–33%
Leased plant and equipment	25%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. 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 consolidated entity are classified as finance leases.

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

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

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

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

(e) Financial Instruments

Recognition

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

Loans and receivables

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

Financial liabilities

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

(f) Impairment of Assets

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

Notes to the Financial Statements
for the year ended 30 June 2007

Note 1. Statement of Significant Accounting Policies (continued)

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

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

(g) Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised the group's share of the post-acquisition reserves of its associates.

(h) Investments in Subsidiaries

Investments in subsidiaries are carried at cost in the accounts of the parent entity.

(i) 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 technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a straight-line basis matched to the future economic benefits of the project. It is the group's practise to fully amortise software development costs in the financial period incurred which also corresponds to the useful life of the asset.

Software Intellectual Property

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

Candidate Databases

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

(j) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

» assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;

» income and expenses are translated at average exchange rates for the period; and

» retained profits are translated at the exchange rates prevailing at the date of the transaction.

Notes to the Financial Statements

for the year ended 30 June 2007

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.

(k) Employee Benefits

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

Equity-settled compensation

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

Executive Long Term Incentives

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

(l) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) Cash and Cash Equivalents

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

(n) Revenue

Licence Sales and Disposal of Assets

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

Rendering of Technology Services

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

Permanent Placements

Revenue is recognised once the outcome of a placement can be reliably estimated which is considered to be when the appointment is accepted by both the client and the candidate.

Contract Placements

Revenue is recognised when the services are provided.

Royalties

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

Interest

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

Dividends

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

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

(o) 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 as expenses in the income statement in the period in which they are incurred.

Notes to the Financial Statements
for the year ended 30 June 2007

Note 1. Statement of Significant Accounting Policies (continued)

(p) Goods and Services Tax (GST)

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

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

(q) Comparative Figures

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

(r) Rounding of Amounts

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

(s) Critical Accounting Estimates and Judgments

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

Key estimates — Impairment

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

No impairment has been recognised in respect of goodwill for the year ended 30 June 2007. Should the projected turnover figures be materially outside of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of goodwill at 30 June 2007 amounting to $34,369,000.

Key estimates — Options Valuation

The group values share options issued to directors and employees on date of grant using the binomial option pricing model. See note 25 for further disclosure.

Notes to the Financial Statements
for the year ended 30 June 2007

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	$000	$000	$000	$000
Note 2. Revenue				
Operating activities:				
Managed Services	42,758	24,225	–	–
Recruitment Services	93,113	60,082	–	–
Technology Services	17,128	14,813	–	–
Dividends received from wholly-owned subsidiaries	–	–	4,960	5,700
Interest received from other persons	426	437	17	18
Management fee received from wholly-owned subsidiaries	–	–	4,100	2,200
Other revenue	–	–	2	–
Total Revenue	**153,425**	**99,557**	**9,079**	**7,918**
Note 3. Profit from Ordinary Activities				
Expenses				
Cost of sales:				
On hired labour and advertising costs	35,525	18,237	–	–
Outsourced services	17,546	7,620	–	–
Distributor commissions and license fees	2,404	1,897	–	–
Total cost of sales	**55,475**	**27,754**	**–**	**–**
Finance costs:				
External interest	110	15	–	–
External finance lease charges	70	50	–	–
Total finance costs	**180**	**65**	**–**	**–**
Depreciation of non-current assets:				
Plant and equipment	1,869	1,319	–	–
Leased assets	315	214	–	–
	2,184	**1,533**	**–**	**–**
Amortisation of non-current assets:				
Software development	790	863	–	–
Acquired software intellectual property	2,295	2,060	–	–
Acquired candidate databases	811	802	–	–
	3,106	**2,862**	**–**	**–**
	3,896	**3,725**	**–**	**–**
Bad and doubtful debts:				
Trade receivables	74	42	–	–
Rental expense on operating leases:				
Minimum lease payments	5,451	4,591	–	–

Notes to the Financial Statements
for the year ended 30 June 2007

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	$000	$000	$000	$000
Note 4. Income Tax Expense				
(a) The components of tax expense comprise:				
Current tax	1,265	8	–	–
Deferred tax (refer note 14(c))	1,802	1,431	17	195
	3,067	**1,439**	**17**	**195**
(b) The prima facie tax on profit before income tax, is reconciled to the income tax as follows:				
Prima facie tax payable on profit before income tax at 30%				
Consolidated entity	2,949	1,547	–	–
Parent entity	–	–	1,306	1,740
	2,949	**1,547**	**1,306**	**1,740**
Add:				
Tax effect of:				
Non-deductible depreciation and amortisation	76	76	–	–
Other non-allowable items	107	179	–	–
Share options expensed during year	202	165	202	165
	3,334	**1,967**	**1,508**	**1,905**
Less:				
Tax effect of:				
Dividends received from other members of the income tax consolidated group	–	–	(1,491)	(1,710)
Research and development	(115)	(30)	–	–
Deductible amortisation of intangible assets not brought to account as an expense	(152)	(498)	–	–
Income tax attributable to entity	**3,067**	**1,439**	**17**	**195**
The applicable weighted average effective tax rates are as follows:	31.2%	27.9%	0.4%	3.4%

Notes to the Financial Statements
for the year ended 30 June 2007

Note 5. Directors' and Key Management Personnel Remuneration

(a) Names and positions held of parent entity directors and other key management personnel in office at any time during the financial year are:

Parent Entity Directors	
Ken Allen	Chairman – Non Executive (appointed 4 Oct 2006)
Mary Beth Bauer	Deputy Chairman – Non Executive
Andrew Banks	Managing Director – Executive
Geoff Morgan	Director – Non Executive
Brian Gibson	Director – Non Executive
Albert "Bud" Hawk	Director – Non Executive
Hans Neilson	Director – Non Executive (appointed 22 Aug 2006)
Other Key Management Personnel	
John Rawlinson	Chief Executive Officer
Martin Brooke	Chief Financial Officer
Mark Brayan	Chief Operating Officer (resigned 31 May 2007)
Paul Jury	National General Manager – Recruitment
Eileen Aitken	National General Manager – Technology
Michael Bermeister	Company Secretary

(b) Parent Entity Directors' Remuneration

					Share Based Payment		
	Cash, Salary & Commissions	Super-annuation	Cash Bonus	Non-Cash Benefits	Options	Long Term Incentives	Total
	$000	$000	$000	$000	$000	$000	$000
2007							
Ken Allen (appointed 4/10/06)	58	5	–	–	158	–	221
Mary Beth Bauer	85	8	–	–	143	–	236
Andrew Banks	252	23	180	–	143	–	598
Geoff Morgan	60	–	–	–	143	–	203
Brian Gibson	64	1	–	–	143	–	208
Albert "Bud" Hawk	55	–	–	–	158	–	213
Hans Neilson (appointed 22/8/06)	43	4	–	–	158	–	205
	617	**41**	**180**	**–**	**1,046**	**–**	**1,884**
2006							
Ken Allen	–	–	–	–	–	–	–
Mary Beth Bauer	76	7	–	–	–	–	83
Andrew Banks	229	21	220	–	–	–	470
Geoff Morgan	51	–	–	–	–	–	51
Brian Gibson	51	5	–	–	–	–	56
Albert "Bud" Hawk	23	–	–	–	–	–	23
Hans Neilson	–	–	–	–	–	–	–
	430	**33**	**220**	**–**	**–**	**–**	**683**

The service and performance criteria set to determine remuneration are included per Note 5(g).

Notes to the Financial Statements
for the year ended 30 June 2007

Note 5. Directors' and Key Management Personnel Remuneration (continued)

(c) Other Key Management Personnel Remuneration

					Share Based Payment		
	Cash, Salary & Commissions	Super-annuation	Cash Bonus	Non-Cash Benefits	Options	Long Term Incentives	Total
	$000	$000	$000	$000	$000	$000	$000
2007							
John Rawlinson	330	30	150	–	36	96	642
Martin Brooke	232	18	105	–	30	33	418
Mark Brayan (resigned 31/5/07)	262	13	–	–	–	16	291
Paul Jury	237	13	235	–	24	40	549
Eileen Aitken	207	13	160	–	24	44	448
Michael Bermeister	180	13	30	–	–	–	223
	1,448	**100**	**680**	**–**	**114**	**229**	**2,571**
2006							
John Rawlinson	291	26	145	–	48	46	556
Martin Brooke	192	15	100	–	24	15	346
Mark Brayan	263	12	50	–	–	16	341
Paul Jury	202	18	185	–	30	20	455
Eileen Aitken	180	12	140	–	15	38	385
Michael Bermeister	180	12	20	–	–	–	212
	1,308	**95**	**640**	**–**	**117**	**135**	**2,295**

The service and performance criteria set to determine remuneration are included per note 5(g).

(d) Remuneration Options

Options Granted As Remuneration

	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date	Exercise Price	First Exercise Date	Last Exercise Date
Parent Entity Directors							
Ken Allen	–	400,000	25/10/06	$0.39	$1.57*	1/7/07	30/6/12
Mary Beth Bauer	40,000	320,000	25/10/06	$0.46	$1.57*	1/7/08	30/6/12
Andrew Banks	40,000	320,000	25/10/06	$0.46	$1.57*	1/7/08	30/6/12
Geoff Morgan	40,000	320,000	25/10/06	$0.46	$1.57*	1/7/08	30/6/12
Brian Gibson	40,000	320,000	25/10/06	$0.46	$1.57*	1/7/08	30/6/12
Albert "Bud" Hawk	–	400,000	25/10/06	$0.39	$1.57*	1/7/07	30/6/12
Hans Neilson	–	400,000	25/10/06	$0.39	$1.57*	1/7/07	30/6/12
Other Key Management Personnel							
John Rawlinson	32,500	60,000	17/7/06	$0.60	$1.34*	17/7/07	17/7/11
Martin Brooke	17,500	50,000	17/7/06	$0.60	$1.34*	17/7/07	17/7/11
Mark Brayan	62,500	–					
Paul Jury	20,000	40,000	17/7/06	$0.60	$1.34*	17/7/07	17/7/11
Eileen Aitken	38,750	40,000	17/7/06	$0.60	$1.34*	17/7/07	17/7/11
Michael Bermeister	132,500	–					
	463,750	**2,670,000**					

* Exercise price reduced by $0.03 per option as a result of the November 2006 shareholder approved $0.03 equal capital reduction to all shareholders.

Notes to the Financial Statements

for the year ended 30 June 2007

25% of all employee options vest within one year of the grant date with another 25% vesting per year on each successive anniversary and expire within five years of the grant date.
The exercise price equals the market price at date of the grant.
The service and performance criteria set to determine remuneration are included in Note 5(g).

(e) Options and Rights Holdings

Number of Options Held by Parent Entity Directors and other Key Management Personnel (Options exercised during the year were granted as remuneration in prior periods).

	Balance 1.7.06	Granted as Remun-eration	Options Exercised	Ave. Amount Paid per Share	Net Change Other*	Balance 30.6.07	Total Vested 30.6.07	Total Exercis-able 30.6.07	Total Unexer-cisable 30.6.07
Parent Entity Directors									
Ken Allen	–	400,000	–	–	–	400,000	–	–	400,000
Mary Beth Bauer	160,000	320,000	(40,000)	$0.195	(40,000)	400,000	–	–	400,000
Andrew Banks	160,000	320,000	(40,000)	$0.195	(40,000)	400,000	–	–	400,000
Geoff Morgan	160,000	320,000	(40,000)	$0.345	(40,000)	400,000	–	–	400,000
Brian Gibson	160,000	320,000	(40,000)	$0.195	(40,000)	400,000	–	–	400,000
Albert "Bud" Hawk	–	400,000	–	–	–	400,000	–	–	400,000
Hans Neilson	–	400,000	–	–	–	400,000	–	–	400,000
Other Key Management Personnel									
John Rawlinson	130,000	60,000	–	–	–	190,000	65,000	65,000	125,000
Martin Brooke	70,000	50,000	–	–	–	120,000	35,000	35,000	85,000
Mark Brayan	250,000	–	(87,500)	$0.721	(37,500)	125,000	–	–	125,000
Paul Jury	80,000	40,000	–	–	–	120,000	40,000	40,000	80,000
Eileen Aitken	105,000	40,000	(46,250)	$0.732	–	98,750	31,250	31,250	67,500
Michael Bermeister	530,000	–	(190,000)	$0.375	(100,000)	240,000	25,000	25,000	215,000
Total	**1,805,000**	**2,670,000**	**(483,750)**		**(297,500)**	**3,693,750**	**196,250**	**196,250**	**3,497,500**

* The net change other reflected above includes those options that have been forfeited by holders.

Notes to the Financial Statements
for the year ended 30 June 2007

Note 5. Directors' and Key Management Personnel Remuneration (continued)

(f) Shareholdings

Number of Shares held directly or indirectly by Parent Entity Directors and other Key Management Personnel.

	Balance 1.7.06	Received as LTI	Options Exercised	Net Change* Other	Balance 30.6.07
Parent Entity Directors					
Ken Allen	–	–	–	–	–
Mary Beth Bauer	417,713	–	40,000	–	457,713
Andrew Banks**	37,912,969	–	40,000	(1,864,000)	36,088,969
Geoff Morgan**	38,166,302	–	40,000	(1,917,333)	36,288,969
Brian Gibson	243,915	–	40,000	–	283,915
Albert "Bud" Hawk	9,586,466	–	–	–	9,586,466
Hans Neilson	–	–	–	–	–
	86,327,365	**–**	**160,000**	**(3,781,333)**	**82,706,032**
Morgan & Banks Investments**	(37,912,969)	–	(40,000)	1,864,000	(36,088,969)
	48,414,396	**–**	**120,000**	**(1,917,333)**	**46,617,063**
Other Key Management Personnel					
John Rawlinson	2,184,702	74,568	–	164,667	2,423,937
Martin Brooke	268,633	25,936	–	102,516	397,085
Mark Brayan	105,572	–	87,500	35,000	228,072
Paul Jury	703,913	32,420	–	(52,542)	683,791
Eileen Aitken	38,984	25,936	46,250	(43,748)	67,422
Michael Bermeister	285,295	–	190,000	(46,977)	428,318
	3,587,099	**158,860**	**323,750**	**158,916**	**4,228,625**

* Net change other refers to shares purchased or sold during the financial year.

** Shares held by Morgan & Banks Investments, a company associated with both Andrew Banks and Geoff Morgan.

(g) Remuneration Practices

The Company's policy for determining the nature and amount of emoluments of board members and other key management personnel of the Company is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including position, particular experience of the individual concerned, and overall performance of the consolidated entity. The contracts for service between the Company and parent entity directors and other key management personnel are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement specified directors and executives are paid employee benefit entitlements accrued to the date of their retirement. The Company may terminate the respective contracts without cause by providing 1–3 months written notice or making payment in lieu of notice based on the individual's annual salary component together with a standard redundancy payment calculation applicable to all Company employees. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time. Any options not vested before or on the date of termination will lapse.

The group seeks to emphasise payment for results through providing various cash bonus reward schemes. Specifically, the incorporation of incentive payments based on the key performance indicators such as sales targets and operating profits. Bonuses included are based on these targets. The objective of the reward schemes is to both reinforce the short and long-term goals of the Company and to provide a common interest between management and shareholders. The bonuses were granted to both parent entity directors and other key management personnel on 13 August 2007. There has been no alteration to the terms of the bonuses paid since grant date.

Notes to the Financial Statements
for the year ended 30 June 2007

	Consolidated Entity 2007 $000	Consolidated Entity 2006 $000	Parent Entity 2007 $000	Parent Entity 2006 $000
Note 6. Auditors' Remuneration				
Remuneration of the auditor of the parent entity for:				
Auditing or reviewing the financial reports	197	123	6	5
Other assurance services	121	1	–	–
	318	**124**	**6**	**5**
Remuneration of overseas affiliates of the auditor:				
Auditing or reviewing the financial report of subsidiaries	80	18	–	–
	80	**18**	**–**	**–**
Remuneration of other auditors of subsidiaries for:				
Auditing or reviewing the financial report of subsidiaries	3	2	–	–
	3	**2**	**–**	**–**

Note 7. Earnings per Share

(a) Reconciliation of Earnings to Profit

	Consolidated Entity 2007 $000	Consolidated Entity 2006 $000
Profit	6,764	3,718
Earnings used in the calculation of basic and dilutive EPS	**6,764**	**3,718**

(b) Weighted average number of ordinary shares

	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**118,359,592**	**112,935,139**
Weighted average number of options outstanding	3,193,249	1,927,115
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	**121,552,841**	**114,862,254**

	Consolidated Entity 2007 $000	Consolidated Entity 2006 $000	Parent Entity 2007 $000	Parent Entity 2006 $000
Note 8. Cash and Cash Equivalents				
Cash at bank and in hand	12,572	11,328	1,725	287
Short-term bank deposits	345	3,237	–	–
	12,917	**14,565**	**1,725**	**287**
Note 9. Trade and Other Receivables				
Current				
Trade receivables	28,404	17,520	–	–
Provision for impairment of receivables	(144)	(74)	–	–
	28,260	17,446	–	–
Amounts receivable from:				
Wholly-owned subsidiaries	–	–	25,495	34,104
	28,260	**17,446**	**25,495**	**34,104**

Notes to the Financial Statements
for the year ended 30 June 2007

	Consolidated Entity 2007 $000	Consolidated Entity 2006 $000	Parent Entity 2007 $000	Parent Entity 2006 $000
Note 10. Other Current Assets				
Current				
Prepayments	1,417	796	266	49
Security deposits and other current assets	1,894	1,332	259	131
	3,311	**2,128**	**525**	**180**
Note 11. Investments Accounted for Using the Equity Method				
Associated company	328	–	328	–
	328	**–**	**328**	**–**

Interests are held in the following associated company

Name	Principal Activities	Country of Incorporation	Shares	Ownership Interest 2007 %	Ownership Interest 2006 %	Carry amount of Investment 2007 $000	Carry amount of Investment 2006 $000
Unlisted:							
TalentPro Global Limited*	Investment Holding	British Virgin Island	Ord	32	–	328	–

	Consolidated Entity 2007 $000	Consolidated Entity 2006 $000	Parent Entity 2007 $000	Parent Entity 2006 $000
Movements During the Year in Equity Accounted Investment in Associated Companies				
Balance at beginning of the financial year	–	–	–	–
Add: New investments during the year	328	–	328	–
Share of associated company's profit after income tax**	–	–	–	–
Balance at end of the financial year	**328**	**–**	**328**	**–**

* TalentPro Global Limited holds a 75% interest in HR-One Management Consultants Limited, a recruitment company operating in India. A deferred payment of approximately A$365,000 is payable to the vendors of HR-One Management Consultants Limited in the event of certain performance criteria being met.

** During the 3 months ended June 2007, being the relevant period since the consolidated entity's initial investment in the associated company, this associated company produced a small after tax profit.

	Consolidated Entity 2007 $000	Consolidated Entity 2006 $000	Parent Entity 2007 $000	Parent Entity 2006 $000
Note 12. Financial Assets				
Shares in controlled entities – at cost	–	–	49,053	40,206
	–	**–**	**49,053**	**40,206**

Notes to the Financial Statements
for the year ended 30 June 2007

(a) Controlled Entities

	Country of Incorporation	Percentage Owned 2007	Percentage Owned 2006
Parent Entity:			
Talent2 International Limited	Australia		
Controlled Entities:			
Talent2 Works Pty Ltd	Australia	100%	100%
Talent2 Holdings Limited	Hong Kong	100%	100%
Talent2 Works Limited	Hong Kong	100%	100%
TWO Talent2 Malaysia Sdn Bhd	Malaysia	100%	100%
Talent2 Pty Limited	Australia	100%	100%
Margot Davis & Company Pty Limited	Australia	Deregistered	100%
T2 Pty Ltd	Australia	100%	100%
Talent2 Limited	Hong Kong	100%	100%
Wall Street Associates Limited	Hong Kong	100%	100%
Wall Street Associates Outsourcing Limited	Hong Kong	100%	100%
Talent Partners Pty Ltd	Australia	100%	100%
Talent2 Consult Pty Ltd	Australia	100%	100%
Talent2 Hong Kong Limited	Hong Kong	100%	100%
Talent-Pro Limited	Hong Kong	100%	100%
Paper Shuffle Pty Ltd	Australia	100%	100%
Hansen & Searson Management Services Pty Ltd	Australia	Deregistered	100%
Talent2 Macau Limited	Macau	99%	–
Agensi Pekerjaan Talent2 International Sdn Bhd	Malaysia	100%	–
Talent2 Shanghai Co Ltd	China	70%	–
Talent2 Singapore Pte Ltd	Singapore	90%	90%
Talent 2 NZ Limited	New Zealand	100%	100%
Stonyer & Associates Limited	New Zealand	100%	100%
NPS International Pty Ltd	Australia	100%	100%
NPS Holdings Pty Ltd	Australia	100%	100%
National Payroll Systems Pty Ltd	Australia	100%	100%
Inter City Computer Services Pty Ltd	Australia	100%	100%
Business Micros Queensland Pty Ltd	Australia	100%	100%
BizEd Services Pty Ltd	Australia	100%	–
GME International Pty Ltd	Australia	100%	–
Talent2 Japan Co Ltd	Japan	100%	–
Talent2 Corporation	USA	100%	–
Talent2 UK Limited	UK	100%	–
Australasian Talent Company Limited	UK	100%	–
Talent2 UK Executive Limited	UK	100%	–

Notes to the Financial Statements
for the year ended 30 June 2007

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	$000	$000	$000	$000
Note 13. Plant and Equipment				
Plant and Equipment:				
At cost	8,848	7,423	–	–
Accumulated depreciation	(6,102)	(4,947)	–	–
	2,746	**2,476**	**–**	**–**
Leasehold improvements:				
At cost	4,150	2,337	–	–
Accumulated amortisation	(1,711)	(733)	–	–
	2,439	**1,604**	**–**	**–**
Leased plant and equipment:				
Capitalised leased assets	1,412	1,412	–	–
Accumulated depreciation	(807)	(492)	–	–
	605	**920**	**–**	**–**
Total plant and equipment	**5,790**	**5,000**	**–**	**–**

Movements in Carrying Amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year

	Leasehold Improve-ments	Plant and Equipment	Leased Plant and Equipment	Total
	$000	$000	$000	$000
Consolidated Entity:				
Balance at 1 July 2005	950	1,426	273	2,649
Additions	1,388	1,362	861	3,611
Disposals	(251)	(70)	–	(321)
Additions through acquisition of entities	–	605	–	605
Depreciation expense charged against operating profit	(479)	(840)	(214)	(1,533)
Depreciation expense charged against restructuring provision	(4)	(7)	–	(11)
Balance at 30 June 2006	**1,604**	**2,476**	**920**	**5,000**
Additions	1,660	1,404	–	3,064
Disposals	(34)	(77)	–	(111)
Additions through acquisition of entities	–	33	–	33
Asset reclassification	37	(37)	–	–
Depreciation expense charged against operating profit	(817)	(1,052)	(315)	(2,184)
Foreign exchange movement	(11)	(1)	–	(12)
Balance at 30 June 2007	**2,439**	**2,746**	**605**	**5,790**

Notes to the Financial Statements
for the year ended 30 June 2007

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	$000	$000	$000	$000
Note 14. Taxation				
(a) Assets				
Non-Current				
Deferred tax assets comprise:				
Future income tax benefits attributable to tax losses	2,681	2,392	2,375	2,392
Temporary differences	1,177	3,177	–	–
Total	**3,858**	**5,569**	**2,375**	**2,392**
(b) Liabilities				
Current				
Income Tax	**1,702**	**367**	**–**	**–**

(c) Reconciliations

Gross Movements

The overall movement in the deferred tax account is as follows:

	Opening Balance	Charged to Income	Business Acquisition	Other	Closing Balance
	$000	$000	$000	$000	$000
Consolidated Entity:					
Plant & equipment – tax allowances	14	–	–	–	14
Acquired intangible assets	1,330	(2,697)	–	–	(1,367)
Future income tax benefit attributable to tax losses	2,392	289	–	–	2,681
Employment expenses	1,504	381	75	–	1,960
Other	329	225	16	–	570
Balance 30 June 2007	**5,569**	**(1,802)**	**91**	**–**	**3,858**
Plant & equipment - tax allowances	25	(11)	–	–	14
Acquired intangible assets	3,338	(2,008)	–	–	1,330
Future income tax benefit attributable to tax losses	1,772	255	365	–	2,392
Employment expenses	1,226	278	–	–	1,504
Other	42	55	229	3	329
Balance 30 June 2006	**6,403**	**(1,431)**	**594**	**3**	**5,569**
Parent Entity:					
Future income tax benefit attributable to tax losses	2,392	(17)	–	–	2,375
Balance 30 June 2007	**2,392**	**(17)**	**–**	**–**	**2,375**
Future income tax benefit attributable to tax losses	1,772	255	365	–	2,392
Other	1,167	(450)	–	(717)	–
Balance 30 June 2006	**2,939**	**(195)**	**365**	**(717)**	**2,392**

Notes to the Financial Statements
for the year ended 30 June 2007

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	$000	$000	$000	$000
Note 15. Intangible Assets				
Goodwill				
Cost	34,369	23,767	–	–
Accumulated impairment losses	–	–	–	–
Net carrying value	**34,369**	**23,767**	**–**	**–**
Acquired software intellectual property				
Cost	21,304	17,304	–	–
Accumulated amortisation and impairment	(4,400)	(2,105)	–	–
Net carrying value	**16,904**	**15,199**	**–**	**–**
Acquired candidate databases				
Cost	4,084	4,027	–	–
Accumulated amortisation and impairment	(1,942)	(1,131)	–	–
Net carrying value	**2,142**	**2,896**	**–**	**–**
Other – at cost	18	17	–	–
Total intangibles	**53,433**	**41,879**	**–**	**–**

	Goodwill	Software Intellectual Property	Candidate Databases	Other
	$000	$000	$000	$000
Consolidated Entity:				
Year ended 30 June 2006				
Balance at the beginning of year	20,344	2,675	3,645	17
Acquisitions through business combinations	3,423	14,584	53	–
Amortisation charge	–	(2,060)	(802)	–
Closing carrying value at 30 June 2006	**23,767**	**15,199**	**2,896**	**17**
Year ended 30 June 2007				
Balance at the beginning of year	23,767	15,199	2,896	17
Acquisitions through business combinations	10,602	4,000	57	1
Amortisation charge	–	(2,295)	(811)	–
Closing carrying value at 30 June 2007	**34,369**	**16,904**	**2,142**	**18**

Intangible assets, other than goodwill, have finite useful lives. Goodwill has an infinite life.

Notes to the Financial Statements
for the year ended 30 June 2007

Impairment Disclosures

Goodwill is allocated to cash-generating units which are based on the group's reporting segments as follows:

	Consolidated Entity	
	2007	2006
	$000	$000
Managed Services	10,419	2,335
Recruitment Services	19,067	15,629
Technology Services	4,883	5,803
Total	**34,369**	**23,767**

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5 year period with the period extending beyond one year extrapolated using an estimated growth rate. The cash flows are discounted using the yield of 5 year government bonds at the beginning of the budget period.

The following assumptions were used in the value-in-use calculations in respect of each segment:

	Growth Rate	Discount Rate
Managed Services	3–20%	12–14%
Recruitment Services	5–20%	12–14%
Technology Services	3%	12–14%

Management has based the value-in-use calculations on estimates for each reporting segment. Medium to long term estimates use weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated inflation rates over the period which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

Note 16. Trade and Other Payables

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	$000	$000	$000	$000
Current				
Trade payables	13,523	7,570	265	307
Employment expenses payable	13,372	8,107	30	–
Unearned income	4,518	4,243	–	–
	31,413	**19,920**	**295**	**307**

Note 17. Borrowings

	Consolidated Entity 2007 $000	Consolidated Entity 2006 $000	Parent Entity 2007 $000	Parent Entity 2006 $000
Current				
Finance lease liabilities secured by the assets leased	283	293	–	–
Non-Current				
Finance lease liabilities secured by the assets leased	248	525	–	–
Bank loan secured by a charge over assets of a UK based subsidiary entity guaranteed by the parent entity	3,072	–	–	–
	3,320	**525**	**–**	**–**

Notes to the Financial Statements
for the year ended 30 June 2007

Note 18. Provisions

	Employee Entitlements	Operating Lease Costs	Other	Total
	$000	$000	$000	$000
Consolidated Entity:				
Opening balance at 1 July 2006	3,108	182	82	3,372
Additions through acquisition of entities	306	31	497	834
Additional provisions	1,109	171	57	1,337
Amounts used	(508)	(61)	(221)	(790)
Foreign exchange movements	(10)	–	(4)	(14)
Balance at 30 June 2007	**4,005**	**323**	**411**	**4,739**

Analysis of Total Provisions

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
Current	4,140	2,240	92	–
Non-Current	599	1,132	–	–
	4,739	**3,372**	**92**	**–**

Provision for Employee Entitlements

A provision has been recognised for employee entitlements relating to annual and long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

Note 19. Issued Capital

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	$000	$000	$000	$000
120,262,691 (2006: 117,442,466) fully paid ordinary shares	77,069	75,434	77,069	75,434
	77,069	**75,434**	**77,069**	**75,434**

	2007	2006
	No.	No.
(a) Ordinary Shares		
At the beginning of reporting period	117,442,466	103,806,741
Shares issued during the year		
26 October 2005	–	12,593,985
15 November 2005	–	385,027
30 June 2006	–	145,843
2 May 2007	1,864,311	–
Share options exercised during year	955,914	510,870
At reporting date	**120,262,691**	**117,442,466**

(b) Options

(i) For information relating to the Company employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 25.

(ii) For information relating to share options issued to executive directors during the financial year, refer to Note 25.

Notes to the Financial Statements
for the year ended 30 June 2007

Note 20. Reserves

The Statement of Changes in Equity includes the following reserves:

(a) Capital Profits Reserve

The capital profits reserve records non-taxable profits on sale of investments.

(b) Equity Incentive Plans

The equity incentive plans reserve records items recognised as expenses on valuation of employee share options and the elimination of employee long term incentive shares not yet vested.

(c) Dividend Distribution Reserve

The dividend distribution reserve records funds set aside for distribution by way of future period dividends by the parent entity from current year earnings.

(d) Foreign Exchange Movement Reserve

The foreign exchange movement reserve records exchange differences arising on translation of a foreign controlled subsidiary.

Note 21. Capital and Leasing Commitments

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	$000	$000	$000	$000
(a) Finance Lease Commitments				
Payable — minimum lease payments				
not later than 1 year	318	354	–	–
between 2 years and 5 years	256	569	–	–
greater than 5 years	–	–	–	–
Minimum lease payments	**574**	**923**	**–**	**–**
Less future finance charges	(43)	(105)	–	–
Present value of minimum lease payments	531	818	–	–
(b) Operating Lease Commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Payable — minimum lease payments				
not later than 1 year	6,799	5,376	–	–
between 2 years and 5 years	9,728	7,945	–	–
greater than 5 years	–	16	–	–
	16,527	**13,337**	**–**	**–**

Notes to the Financial Statements
for the year ended 30 June 2007

Note 22. Contingent Liabilities

The directors believe there are no Contingent Liabilities at the reporting date.

Note 23. Segment Reporting

Business and Geographical Segments

Business segments

The consolidated entity has the following three business segments:

- Managed Services division provides recurring Human Resource Outsourcing services (HRO) including talent acquisition management services, payroll and human resource administration services, elearning and training management services, plus software Application Service Provider (ASP) services.
- Recruitment Services division includes executive recruitment, executive search and specialised human resource consulting services.
- Technology Services division includes the licence sale, support and implementation services for human resource and payroll software.

Geographical segments

The consolidated entity's business segments are located in many countries within Asia Pacific, United Kingdom and USA.

The most significant country of operation is within Australia.

Notes to the Financial Statements
for the year ended 30 June 2007

Primary Reporting – Business Segments

	Managed Services		Recruitment Services		Technology Services		Unallocated Interest		Eliminations		Consolidated Entity	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Sales Revenue												
External sales	42,758	24,225	93,113	60,082	17,128	14,813	426	437	–	–	153,425	99,557
Other segments	454	74	854	398	245	539	–	–	(1,553)	(1,011)	–	–
	43,212	**24,299**	**93,967**	**60,480**	**17,373**	**15,352**	**426**	**437**	**(1,553)**	**(1,011)**	**153,425**	**99,557**
Cost of Sales												
External sales	(18,928)	(8,282)	(34,723)	(18,086)	(1,824)	(1,386)	–	–	–	–	(55,475)	(27,754)
Other segments	(540)	(15)	(155)	(163)	(130)	(497)	–	–	825	675	–	–
Gross Profit	**23,744**	**16,002**	**59,089**	**42,231**	**15,419**	**13,469**	**426**	**437**	**(728)**	**(336)**	**97,950**	**71,803**
EBITDA	**3,029**	**115**	**9,849**	**7,673**	**2,787**	**2,254**	**–**	**–**	**–**	**–**	**15,665**	**10,042**
Depreciation and amortisation	(3,443)	(2,627)	(1,815)	(1,524)	(822)	(1,107)	–	–	–	–	(6,080)	(5,258)
EBIT	**(414)**	**(2,512)**	**8,034**	**6,149**	**1,965**	**1,147**	**–**	**–**	**–**	**–**	**9,585**	**4,784**
Net interest											246	373
Profit before income tax											**9,831**	**5,157**
Income tax expense											(3,067)	(1,439)
Profit after income tax											**6,764**	**3,718**
Assets												
Segment assets	42,074	24,937	52,733	46,130	13,090	15,520	–	–	–	–	107,897	86,587
Liabilities												
Segment liabilities	12,124	4,002	22,035	12,148	7,298	8,327	–	–	–	–	41,457	24,477
Other												
Acquisitions of non-current segment assets	1,119	1,141	1,584	1,500	361	970	–	–	–	–	3,064	3,611

Notes to the Financial Statements
for the year ended 30 June 2007

Note 23. Segment Reporting (continued)

Secondary Reporting — Geographical Segments

	Segment Revenues from External Customers		Carrying Amount of Segment Assets		Acquisitions of Non-Current Segment Assets	
	2007	2006	2007	2006	2007	2006
	$000	$000	$000	$000	$000	$000
Geographical location:						
Australia and New Zealand	130,447	91,789	88,100	82,553	3,064	3,248
Asia	18,016	7,768	15,127	4,034	–	363
UK	4,929	–	4,668	–	–	–
Other locations	33	–	2	–	–	–
	153,425	**99,557**	**107,897**	**86,587**	**3,064**	**3,611**

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, intangibles and plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings.

Intersegment Transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the consolidated entity at discounted arm's length. These transfers are eliminated on consolidation.

Note 24. Cash Flow Information

(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	$000	$000	$000	$000
Profit after income tax	6,764	3,718	4,336	5,606
Non-cash flows in profit:				
Share options expensed	673	551	673	551
Amortisation of acquired software intellectual property and candidate databases	3,106	2,862	–	–
Depreciation of plant and equipment	2,184	1,533	–	–
Net gain on disposal of plant and equipment and trademarks	–	48	–	–
Deferred tax asset utilised	1,802	1,431	17	547
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:				
Decrease/(increase) in trade and term receivables	(9,019)	(5,733)	(832)	(8,473)
Decrease/(increase) in prepayments	(1,177)	(538)	(345)	(19)
Increase/(decrease) in trade payables and accruals	8,233	4,390	(12)	153
Increase/(decrease) in income taxes payable	1,335	(47)	–	(737)
Increase/(decrease) in unearned income	(349)	172	–	–
Increase/(decrease) in provisions	(239)	366	92	–
Cash flow from/(used in) operations	**13,313**	**8,753**	**3,929**	**(2,372)**

Notes to the Financial Statements
for the year ended 30 June 2007

(b) Acquisition of Entities

During the year 100% of the controlled entity BizEd Services Pty Ltd (BizEd) and its subsidiaries were acquired and 100% of the controlled entity Australasian Talent Company Limited (ATC) was acquired.

Other investments include Hills Payroll a former distributor of group subsidiary National Payroll Systems Pty Ltd which was acquired on 1 February 2007.

The BizEd purchase was satisfied by a cash payment of $4,629,000 plus the issue of 1,864,311 ordinary shares at an effective price of $2.4674 each, being the 20 day weighted average share price of the security on the effective date of the acquisition (1 May 2007). The purchase consideration of BizEd includes $129,000 of transaction costs.

The ATC purchase was satisfied by a cash payment of $3,491,000 which includes $416,000 in transaction costs. The effective date of the acquisition was 15 January 2007. All other purchases were satisfied by cash payments.

	Consolidated Entity				Parent Entity
	BizEd	ATC	Other	Total	BizEd
	2007	2007	2007	2007	2007
	$000	$000	$000	$000	$000
The purchase price was allocated as follows:					
Purchase consideration	9,229	3,491	495	13,215	9,229
Cash consideration	4,629	3,491	495	8,615	4,629
Cash acquired at acquisition date	(350)	–	–	(350)	(350)
Cash outflow	**4,279**	**3,491**	**495**	**8,265**	**4,279**
Assets and liabilities acquired at acquisition date:					
Cash	350	–	–	350	350
Receivables	1,795	–	–	1,795	1,795
Other current assets	4	–	–	4	4
Plant & equipment	33	–	–	33	33
Deferred tax assets	92	–	–	92	92
Payables	(3,590)	–	–	(3,590)	(3,590)
Unearned income	(128)	–	–	(128)	(128)
	(1,444)	**–**	**–**	**(1,444)**	**(1,444)**
Value attributable to identifiable intangible assets	4,000	57	–	4,057	4,000
Goodwill on consolidation	6,673	3,434	495	10,602	6,673
Total purchase consideration	**9,229**	**3,491**	**495**	**13,215**	**9,229**
Profit after taxation (excluding amortisation of acquired intangible assets) included in consolidated profit of the group since the acquisition date	41	(148)	–	(107)	41

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

Had the results of these acquisitions been consolidated from 1 July 2006, total consolidated revenue would have been $169,942,000 and total consolidated profit after taxation $6,845,000 for the year ended 30 June 2007.

Notes to the Financial Statements
for the year ended 30 June 2007

Note 25. Share-based Payments – non quoted options

	Balance 01/07/06	Issued	Exercised	Expiry/ Cancellations	Balance 30/06/07	Vested	Non Vested	Exercise Price	Expiry
Parcel J (Director Conditional Option Plan)	440,000 440,000	– –	220,000 –	220,000 –	– 440,000	– –	– 440,000	19.5c 19.5c	30/06/07 30/06/08
Parcel K (Director Conditional Option Plan)	80,000 80,000	– –	40,000 –	40,000 –	– 80,000	– –	– 80,000	34.5c 34.5c	30/06/07 30/06/08
Parcel L (Director Conditional Option Plan)	75,000 75,000	– –	37,500 –	37,500 –	– 75,000	– –	– 75,000	32.0c 32.0c	30/06/07 30/06/08
Parcel M (Employee Share Option Plan)	710,000	–	292,000	1,500	416,500	416,500	–	42.0c	12/06/08
Parcel N (Employee Share Option Plan)	150,000	–	15,000	–	135,000	97,500	37,500	102.0c	06/05/09
Parcel O (Employee Share Option Plan)	1,235,000	–	214,250	75,250	945,500	393,000	552,500	97.0c	01/07/09
Parcel Q (Employee Share Option Plan)	24,000	–	–	–	24,000	12,000	12,000	132.0c	05/08/09
Parcel R (Employee Share Option Plan)	130,000	–	25,000	–	105,000	40,000	65,000	137.0c	16/02/10
Parcel S (Employee Share Option Plan)	1,595,850	–	112,164	63,330	1,420,356	663,925	756,431	119.0c	24/06/10
Parcel T (Employee Share Option Plan)	71,000	–	–	20,000	51,000	12,750	38,250	105.0c	31/01/11
Parcel U (Employee Share Option Plan)	–	55,000	–	13,000	42,000	10,500	31,500	115.0c	15/06/11
Parcel V (Employee Share Option Plan)	–	1,324,000	–	47,000	1,277,000	–	1,277,000	134.0c	17/07/11
Parcel W (Employee Share Option Plan)	–	70,000	–	–	70,000	–	70,000	157.0c	25/10/11
Parcel X (Director Conditional Option Plan)	–	2,480,000	–	–	2,480,000	–	2,480,000	157.0c	30/06/12
Parcel Y (Employee Share Option Plan)	–	63,000	–	–	63,000	–	63,000	188.0c	07/02/12
Parcel Z (Employee Share Option Plan)	–	37,000	–	–	37,000	–	37,000	264.0c	16/05/12
Total	**5,105,850**	**4,029,000**	**955,914**	**517,580**	**7,661,356**	**1,646,175**	**6,015,181**		
Percentage of ordinary shares at the end of the Financial Year					6.37%	1.37%	5.00%		

Notes to the Financial Statements
for the year ended 30 June 2007

	Consolidated Entity			
	2007		2006	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		$		$
Outstanding at the beginning of the year	5,105,850	0.834	4,818,620	0.601
Granted	4,029,000	1.503	1,751,825	1.214
Forfeited	(517,580)	0.622	(953,725)	0.609
Exercised	(955,914)	0.603	(510,870)	0.354
Outstanding at year-end	**7,661,356**	**1.209**	**5,105,850**	**0.834**
Exercisable at year-end	**1,646,175**	**0.937**	**1,319,713**	**0.872**

	Parent Entity			
	2007		2006	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		$		$
Outstanding at the beginning of the year	5,105,850	0.834	4,818,620	0.601
Granted	4,029,000	1.503	1,751,825	1.214
Forfeited	(517,580)	0.622	(953,725)	0.609
Exercised	(955,914)	0.603	(510,870)	0.354
Outstanding at year-end	**7,661,356**	**1.209**	**5,105,850**	**0.834**
Exercisable at year-end	**1,646,175**	**0.937**	**1,319,713**	**0.872**

There were 955,914 options exercised during the year ended 30 June 2007. These options had a weighted average share price of $1.841 at exercise date.

The options outstanding at 30 June 2007 had a weighted average exercise price of $1.209 and a weighted average remaining contractual life of 3.448 years. Exercise prices range from $0.195 to $2.640 in respect of options outstanding at 30 June 2007.

The weighted average fair value of the options granted during the year was $0.500.

This price was calculated by using a binomial option pricing model applying the following inputs:

Weighted average exercise price	$1.503
Weighted average life of the option	4.1 years
Weighted underlying share price	$1.500
Weighted expected share price volatility	45.6%
Weighted risk free interest rate	5.95%

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under employee benefits expense in the income statement relating to employee share options is $673,000 (2006: $551,000) and relates, in full, to the value of employee share option payments at their grant date.

Notes to the Financial Statements
for the year ended 30 June 2007

Note 26. Events After the Balance Sheet Date

Subsequent to the year end, the consolidated entity declared and paid a final dividend in relation to the year ended 30 June 2007 of 3.5 cents per ordinary share on 10 September 2007. This final unfranked dividend amounted to $4,220,000. It has not been accrued in these financial statements.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significant affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

The financial report was authorised for issue on 26 September 2007 by the Board of Directors.

Note 27. Related Party Transactions

(a) Equity Interests in related parties

Equity Interests in Controlled Entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 12 to the financial statements.

(b) Key Management Personnel Remuneration and Retirement Benefits

Details of Directors' and other Key Management Personnel remuneration are disclosed in the Remuneration Report section of the Directors Report, and in note 5 to the financial statements.

(c) Key Management Personnel Equity Holdings

Details of Directors' and other Key Management Personnel Equity Holding are disclosed in note 5 to the financial statements.

(d) Other Transactions with Key Management Personnel

The operating profit before income tax includes the following items of revenue and expense that resulted from transactions with directors or their director-related entities:

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	$000	$000	$000	$000
Revenue:				
Recruitment Services	16	33	–	–
Consulting Services	7	24	–	–
Other Revenue	23	32	4,100	2,200
Expense:				
Professional Services	65	45	–	–

During the financial year, the consolidated entity provided recruitment services to LinkMe Pty Ltd (an entity associated with Geoff Morgan) and Value Enhancement Management Pty Ltd (an entity associated with Mary Beth Bauer, Andrew Banks and Geoff Morgan) totalling $4,000 (2006: $32,000) and $12,000 (2006: $1,000) respectively. During the financial year, the consolidated entity provided consulting services and office accommodation services to Value Enhancement Management Pty Ltd totalling $7,000 (2006: $24,000) and $23,000 (2006: $32,000) respectively. All these services were provided on negotiated commercial terms.

During the financial year, LinkMe Pty Ltd provided professional services to entities within the group totalling $31,000 (2006: $4,000). During the financial year, Value Enhancement Management Pty Ltd provided professional services to entities within the group totalling $34,000 (2006: $41,000). All these services were provided on negotiated commercial terms.

Notes to the Financial Statements
for the year ended 30 June 2007

(e) Transactions within the Wholly-Owned Group

The wholly-owned group includes:

- » The ultimate parent entity in the wholly-owned group;
- » Wholly-owned controlled entities; and
- » Other entities in the wholly-owned group.

The ultimate parent entity in the wholly-owned group is Talent2 International Limited.

No interest expense, provisions for doubtful receivables and write-downs of receivables in respect of transactions with entities in the wholly-owned group was incurred.

Amounts receivable from entities in the wholly-owned group are disclosed in note 9.

During the financial year Talent2 International Limited received dividends of $4,960,000 (2006: $5,700,000) from entities in the wholly-owned group.

During the financial year Talent2 International Limited provided accounting and administration services to entities in the wholly-owned group and charged $1,200,000 (2006: $1,100,000) to Talent2 Works Pty Ltd, $2,000,000 (2006: $1,100,000) to Talent2 Pty Limited, $300,000 (2006: nil) to Talent Partners Pty Ltd, $140,000 (2006: nil) to Paper Shuffle Pty Ltd and $460,000 (2006: nil) to National Payroll Systems Pty Ltd for such services.

During the financial year, Talent2 Pty Limited provided recruitment services to Talent2 Works Pty Ltd, and Talent2 Works Pty Ltd provided technology services to Talent2 Pty Limited. In addition various administrative functions are shared between entities within the wholly-owned group. All such transactions occur within the Australian operations and are undertaken on an at cost basis.

Other transactions that occurred during the financial year between entities in the wholly-owned group were the advancement of interest-free loans.

Note 28. Financial Instruments

(a) Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills, and leases.

Financial Risks

The main risks the group is exposed to through its financial instruments are foreign currency risk, liquidity risk and credit risk.

Foreign currency risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency.

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The consolidated entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated entity.

Notes to the Financial Statements
for the year ended 30 June 2007

Note 28. Financial Instruments (continued)

(b) Interest Rate Risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Consolidated Entity											
					Fixed Interest Rate Maturing							
	Weighted Average Effective Interest Rate		Floating Interest Rate		Within 1 Year		1–5 Years		Non-Interest Bearing		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	%	%	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Financial Assets:												
Cash	3.7	3.9	12,917	14,565	–	–	–	–	–	–	12,917	14,565
Receivables	–	–	–	–	–	–	–	–	28,260	17,446	28,260	17,446
Total Financial Assets			**12,917**	**14,565**	–	**–**	**–**	**–**	**28,260**	**17,446**	**41,177**	**32,011**
Financial Liabilities:												
Trade and sundry payables	–	–	–	–	–	–	–	–	31,413	19,920	31,413	19,920
Bank loan	6.1	–	3,072	–	–	–	–	–	–	–	3,072	–
Lease liabilities	9.6	11.0	–	–	283	293	248	525	–	–	531	818
Total Financial Liabilities			**3,072**	**–**	**283**	**293**	**248**	**525**	**31,413**	**19,920**	**35,016**	**20,738**
Total Financial Assets /(Liabilities)			**9,845**	**14,565**	**(283)**	**(293)**	**(248)**	**(525)**	**(3,153)**	**(2,474)**	**6,161**	**11,273**

Notes to the Financial Statements
for the year ended 30 June 2007

Note 29. Impact of new Accounting Standards

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated entity but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	Standards Affected	Outline of Amendment	Application Date of Standard	Application Date for Group
AASB 2005-10: Amendments to Australian Accounting Standards	AASB 1: First time adoption of AIFRS AASB 4: Insurance Contracts AASB 101: Presentation of Financial Statements AASB 114: Segment Reporting AASB 117: Leases AASB 133: Earnings per Share AASB 1023: General Insurance Contracts AASB 1038: Life Insurance Contracts AASB 139: Financial Instruments: Recognition and Measurement	The disclosure requirements of AASB 132: Financial Instruments: Disclosure and Presentation have been replaced due to the issuing of AASB 7: Financial Instruments: Disclosures in August 2005. These amendments will involve changes to financial instrument disclosures within the financial report. However, there will be no direct impact on amounts included in the financial report as it is a disclosure standard.	1 Jan 2007	1 July 2007
AASB 7: Financial Instruments: Disclosures	AASB 132: Financial Instruments: Disclosure and Presentation	As above.	1 Jan 2007	1 July 2007
AASB 8: Operating Segments	AASB 114: Segment Reporting	The disclosure requirements of AASB 114: Segment Reporting have been replaced by the issuing of AASB 8: Operating Segments in February 2007. These amendments involve changes to segment reporting disclosures within the financial report. However, there will be no direct impact on amounts included in the financial report as it is a disclosure standard.	1 Jan 2009	1 July 2009

Note 30. Company Details

The registered office of the Company is:

Talent2 International Limited
Level 4, 77 Pacific Highway
North Sydney, NSW 2060
Australia

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 25 to 73, are in accordance with the Corporations Act 2001 and:
   (a) comply with Accounting Standards and the Corporations Regulations 2001; and
   (b) give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the Company and consolidated entity.
2. The Chief Executive Officer and Chief Finance Officer have each declared that:
   (a) the financial records of the Company and consolidated entity for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
   (c) the financial statements and notes for the financial year give a true and fair view.
3. 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.

Ken Allen
Chairman

Andrew Banks
Managing Director

Dated this 26th day of September 2007

Independent Audit Report

Grant Thornton

Chartered Accountants
Business Advisers and Consultants

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TALENT2 INTERNATIONAL LIMITED

We have audited the accompanying financial report of Talent2 International Limited and its controlled entities, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 the Directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards, which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent Audit Report

Grant Thornton

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TALENT2 INTERNATIONAL LIMITED (cont)

Independence

In conducting our audit, we complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

(a) The financial report of Talent2 International Limited is in accordance with the Corporations Act 2001, including:

  i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

  ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

GRANT THORNTON NSW
Chartered Accountants

N J BRADLEY
Partner

Sydney

26 September 2007

Additional Stock Exchange Information

as at 31 August 2007

Number of Holders of Equity Securities

Ordinary Share Capital

120,559,741 (2006: 117,641,841) fully paid ordinary shares are held by 3,055 (2006: 2,719) shareholders. No shares are subject to escrow provisions imposed by the Australian Stock Exchange.

All issued ordinary shares carry one vote per share.

Options

8,757,806 (2006: 6,309,225) options are held by 368 (2006: 320) option holders.

Distribution of Holders of Equity Securities

	Fully Paid Ordinary Shares	Number of Shareholders
1 – 1,000	421,527	658
1,001 – 5,000	3,553,376	1,256
5,001 – 10,000	3,846,247	490
10,001 – 100,000	15,718,835	569
100,001 and over	97,019,756	82
	120,559,741	**3,055**
Holdings less than a marketable parcel (less than 179 fully paid ordinary shares)	3,177	35

Substantial Shareholders

	Fully Paid Ordinary Shares	
Ordinary Shareholders	Number	Percentage
Morgan & Banks Investments Pty Ltd	34,537,369	28.65%
InterPro Global Pte Limited	9,586,466	7.95%
Portfolio Partners Limited	6,626,510	5.50%
	50,750,345	**42.10%**

Additional Stock Exchange Information
as at 31 August 2007

Top 20 Shareholders

	Name	Number	Percentage
1.	Morgan & Banks Investments Pty Ltd	34,537,369	28.65%
2.	Interpro Global Pte Limited	9,586,466	7.95%
3.	Portfolio Partners Limited	6,626,510	5.50%
4.	UBS Nominees Pty Ltd	3,837,873	3.18%
5.	Equity Trustees Limited	3,500,797	2.90%
6.	Citicorp Nominees Pty Limited	3,366,207	2.79%
7.	CPU Share Plans Pty Limited	2,602,576	2.16%
8.	Birdsall Pty Limited	2,388,267	1.98%
9.	Redwick Pty Limited	2,210,327	1.83%
10.	HSBC Custody Nominees (Australia) Limited	2,206,059	1.83%
11.	Nicholas James Tuckfield	1,900,083	1.58%
12.	Bond Street Custodians Limited	1,780,636	1.48%
13.	Colleen Margot Davis	1,775,188	1.47%
14.	Marshall Investments Pty Ltd	1,663,969	1.38%
15.	Gregory Maxwell McManus	1,580,352	1.31%
16.	Argo Investments Limited	1,126,374	0.93%
17.	Invia Custodian Pty Limited	884,000	0.73%
18.	Europa Management Services Pty Limited	781,047	0.65%
19.	The Forbert Group Pty Limited	781,047	0.65%
20.	Mirrabooka Investments Limited	771,546	0.64%
		83,906,693	**69.59%**

Corporate Directory

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Michael Bermeister

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Talent2 International Limited ordinary shares are quoted by the Australian Stock Exchange (symbol "TWO")

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