

Talent2 International Limited

(ACN 000 737 744)

Interim Report

For the Half Year Ended

31 December 2006



Results for Announcement to the Market

Revenue and Net Profit				\$'000
Revenues from ordinary activities	up	43%	to	64,798
Profit before interest, taxation, depreciation and amortisation (EBITDA)	up	48%	to	6,467
Profit from ordinary activities after tax attributable to members	up	75%	to	2,612
Net profit for the period attributable to members	up	75%	to	2,612

Dividends (distributions)	Amount per Security	Franked Amount per Security
Final dividend	Nil	N/A
Interim dividend	Nil	N/A
Previous corresponding period	Nil	N/A
Record date for determining entitlements to the dividend, (in the case of a trust, distribution)	N/A	N/A

Commentary

Refer to the attached announcement.

Director's Report

Your directors submit the financial report of Talent2 International Limited and its controlled entities ("economic entity") for the half-year ended 31 December 2006.

Directors

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

Ken Allen	Chairman (appointed 4 October 2006)
Mary Beth Bauer	Deputy Chairman (Chairman until 4 October 2006)
Andrew Banks	Managing Director
Geoff Morgan	Non Executive Director
Brian Gibson	Non Executive Director
Albert Hawk	Non Executive Director
Hans Neilson	Non Executive Director (appointed 22 August 2006)

All directors have held office from the start of the period to the date of this report unless otherwise stated.

Review of Operations

Revenues increased by 43% to \$64,798,000 for the six months ended 31 December 2006, as compared to \$45,187,000 for the six months ended 31 December 2005.

Revenue from the Managed Services Business increased 82% to \$17,830,000 for the six months ended 31 December 2006, as compared to \$9,794,000 for the six months ended 31 December 2005. These revenues include both external revenues and internal charges across segments.

Revenue from the Recruitment Services Business increased 39% to \$38,140,000 for the six months ended 31 December 2006, as compared to \$27,423,000 for the six months ended 31 December 2005. These revenues include both external revenues and internal charges across segments.

Revenue from the Technology Services Business increased 15% to \$9,014,000 for the six months ended 31 December 2006, as compared to \$7,835,000 for the six months ended 31 December 2005. These revenues include both external revenues and internal charges across segments.

The economic entity recorded a 75% increase in net profit after income tax to \$2,612,000 for the six months ended 31 December 2006, as compared to a net profit after income tax of \$1,496,000 for the corresponding six months ended 31 December 2005.

Cash on hand at 31 December 2006 was \$11,926,000 as compared to \$14,565,000 at 30 June 2006. During the six months period the economic entity paid a \$3,529,000 partially franked dividend and a \$3,541,000 capital repayment to shareholders.

Rounding of Amounts

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

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 for the half year ended 31 December 2006 is set out on page 4, and forms part of this report.

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

Director

A handwritten signature in black ink, appearing to be 'Ken Allen', with a stylized, angular shape to the left of the text.

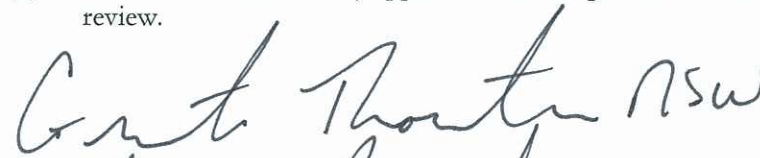
Ken Allen

Dated 12 February 2007

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Talent2 International Limited for the half-year ended 31 December 2006, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON NSW
Chartered Accountants



N J BRADLEY
Partner

Sydney

12 February 2007

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Consolidated Income Statement

For the Half Year Ended 31 December 2006

		Economic Entity	
	Note	31 December 2006	31 December 2005
		\$000	\$000
Revenue		64,798	45,187
Cost of sales:			
On hired labour and advertising costs		(19,796)	(11,598)
Distributor commissions and licence fees		(1,455)	(1,081)
Gross Profit		43,547	32,508
Employee benefits expense		(30,044)	(21,755)
Operating lease rental expense		(3,100)	(2,365)
Advertising and marketing expense		(953)	(785)
Depreciation of plant and equipment		(1,014)	(1,098)
Amortisation of acquired intangible assets		(1,508)	(1,353)
Amortisation of software development		(175)	(407)
Finance costs		(42)	(8)
Other expenses		(2,746)	(2,600)
Profit Before Income Tax		3,965	2,137
Income tax expense		(1,353)	(641)
Profit Attributable to Members of the Parent Entity		2,612	1,496
Overall Operations			
Earnings per share:			
Basic (cents per share)		2.22c	1.38c
Diluted (cents per share)		2.17c	1.35c
Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS		117,839,790	108,674,219
Weighted average number of ordinary shares outstanding during the period used in the calculation of the Diluted EPS		120,224,570	110,844,021

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

Consolidated Balance Sheet

As at 31 December 2006

		Economic Entity	
	Note	31 December 2006	30 June 2006
		\$000	\$000
Current Assets			
Cash and cash equivalents		11,926	14,565
Trade and other receivables		17,544	17,446
Other assets		2,567	2,128
Total Current Assets		32,037	34,139
Non-Current Assets			
Plant and equipment		5,984	5,000
Deferred tax assets		3,816	5,569
Intangible assets		40,414	41,879
Total Non-Current Assets		50,214	52,448
Total Assets		82,251	86,587
Current Liabilities			
Trade and other payables		21,021	19,920
Short-term borrowings		288	293
Current tax liabilities		64	367
Short-term provisions		1,923	2,240
Total Current Liabilities		23,296	22,820
Non-Current Liabilities			
Long-term borrowings		497	525
Deferred tax liabilities		-	-
Long-term provisions		1,140	1,132
Total Non-Current Liabilities		1,637	1,657
Total Liabilities		24,933	24,477
Net Assets		57,318	62,110
Equity			
Issued capital		72,222	75,434
Reserves		(348)	3,844
Accumulated losses		(14,556)	(17,168)
Total Equity		57,318	62,110
Net Tangible Asset Backing per ordinary share		14.31c	17.23c

As at 31 December 2005, Net Tangible Asset Backing per ordinary share was 14.63c

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

Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2006

	Share Capital Ordinary	Accumulated Losses	Reserves				Total
			Capital Profits Reserves	Equity Incentive Plans	Dividend Distribution Reserve	Foreign Exchange Movement	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 July 2005	57,514	(17,357)	105	335	-	10	40,607
Net profit	-	1,496	-	-	-	-	1,496
Foreign exchange movement	-	-	-	-	-	(13)	(13)
Total recognised income and expense	-	1,496	-	-	-	(13)	1,483
Shares and options issued	17,730	-	-	304	-	-	18,034
Elimination of treasury shares	-	-	-	(405)	-	-	(405)
Balance at 31 December 2005	75,244	(15,861)	105	234	-	(3)	59,719
Balance at 1 July 2006	75,434	(17,168)	105	376	3,529	(166)	62,110
Net profit	-	2,612	-	-	-	-	2,612
Foreign exchange movement	-	-	-	-	-	(4)	(4)
Total recognised income and expense	-	2,612	-	-	-	(4)	2,608
Shares and options issued	329	-	-	256	-	-	585
Capital repayment	(3,541)	-	-	-	-	-	(3,541)
Elimination of treasury shares	-	-	-	(915)	-	-	(915)
Dividends paid or provided for	-	-	-	-	(3,529)	-	(3,529)
Balance at 31 December 2006	72,222	(14,556)	105	(283)	-	(170)	57,318

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

Consolidated Statement of Cash Flows

For the Half Year ended 31 December 2006

	Note	Economic Entity	
		31 December 2006	31 December 2005
		\$000	\$000
Cash Flows From Operating Activities			
Receipts from customers		70,086	49,237
Payments to suppliers and employees		(64,187)	(45,792)
Interest received		237	223
Finance costs		(42)	(8)
Income tax paid		-	(49)
Net cash provided by operating activities		6,094	3,611
Cash Flows From Investing Activities			
Purchase of plant and equipment		(1,949)	(1,871)
Payment for net business assets acquired		(43)	222
Net cash used in investing activities		(1,992)	(1,649)
Cash Flows From Financing Activities			
Proceeds from issue of shares		349	171
Payment of transaction costs relating to share issues		(20)	(20)
Capital repayment to shareholders		(3,541)	-
Dividends paid		(3,529)	-
Net cash (used in)/provided by financing activities		(6,741)	151
Net (decrease)/increase in cash held		(2,639)	2,113
Cash at 1 July		14,565	9,095
Cash at 31 December		11,926	11,208

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

Notes to the Financial Statements

For the Half Year ended 31 December 2006

Note 1: Basis of Preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2006 and any public announcements made by Talent2 International Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June 2006 Annual Report.

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

Note 2: Equity Securities Issued

	31 December 2006 6 months	30 June 2006 12 months	31 December 2006 6 months	30 June 2006 12 months
	No.	No.	\$000	\$000
Balance at beginning of Financial Period/Year	117,442,466	103,806,741	75,434	57,514
Equal reduction capital repayment	-	-	(3,541)	-
Issues on acquisition of businesses	-	13,124,855	-	17,818
Employee options exercised	678,900	510,870	349	181
Transaction costs relating to share issues	-	-	(20)	(79)
Balance at the end of Financial Period/Year	118,121,366	117,442,466	72,222	75,434

Note 3: Dividends

No interim dividend is proposed.

A partially franked special dividend of 3c per share was declared on 12 July 2006 and paid on 1 August 2006.

Note 4: Acquisition of Subsidiaries

\$43,000 in transaction costs were incurred by the economic entity in the six months ended 31 December 2006 that relate to acquisitions in prior periods. This has had the net effect of increasing Goodwill on consolidation by an additional \$43,000.

Note 5: Segment Information

Primary Reporting — Business Segments

	Managed Services		Recruitment Services		Technology Services		Unallocated Interest		Eliminations		Economic Entity	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Sales Revenue												
External Sales	17,720	9,761	37,870	27,377	8,971	7,826	237	223	-	-	64,798	45,187
Other Segments	110	33	270	46	43	9	-	-	(423)	(88)	-	-
	17,830	9,794	38,140	27,423	9,014	7,835	237	223	(423)	(88)	64,798	45,187
Cost of Sales												
External Sales	(7,651)	(3,383)	(12,710)	(8,431)	(890)	(865)	-	-	-	-	(21,251)	(12,679)
Other Segments	(90)	-	(154)	-	(5)	-	-	-	249	-	-	-
Gross Profit	10,089	6,411	25,276	18,992	8,119	6,970	237	223	(174)	(88)	43,547	32,508
EBITDA	1,061	(405)	4,056	3,659	1,350	1,119					6,467	4,373
Depreciation and amortisation	(1,492)	(1,140)	(813)	(726)	(392)	(585)					(2,697)	(2,451)
EBIT	(431)	(1,545)	3,243	2,933	958	534					3,770	1,922
Net Interest											195	215
Profit before income tax											3,965	2,137
Income tax expense											(1,353)	(641)
Profit after income tax											2,612	1,496

EBITDA = Profits excluding interest, taxation, depreciation and amortisation

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

Note 6: Contingent Liabilities

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

Note 7: Events Subsequent to Reporting Date

Subsequent to the year end, in order to fund future acquisitions, the economic entity cancelled its existing loan facility of \$1,000,000 and entered a new loan facility amounting to \$5,000,000. The facility is secured by a registered first mortgage over certain trading entities in Australia.

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 10:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - b. give a true and fair view of the economic entity's financial position as at 31 December 2006 and of its performance for the half year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director

A handwritten signature in black ink, appearing to be 'Ken Allen', written over a faint, stylized line drawing of a triangle.

Ken Allen

Dated 12 February 2007

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

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Talent2 International Limited and its controlled entities (the consolidated entity), which comprises the balance sheet as at 31 December 2006 and the income statement, statement of changes in equity and cash flows statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes to the financial statements and the directors' declaration for the consolidated entity. The consolidated entity comprises both Talent2 International Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410: Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including, giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Talent2 International Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

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

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF TALENT2 INTERNATIONAL LIMITED (CONT)**

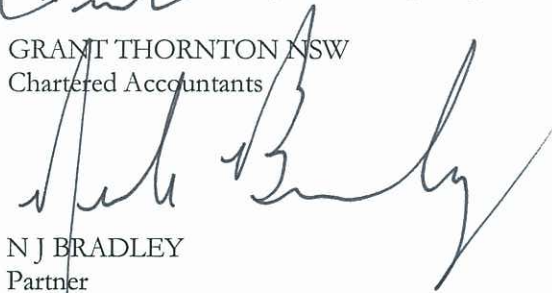
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Talent2 International Limited is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.



GRANT THORNTON NSW
Chartered Accountants



N J BRADLEY
Partner

Sydney

12 February 2007