Talent2 International Limited

(ACN 000 737 744)

Interim Report

For the Half Year Ended

31 December 2007

Results for Announcement to the Market

Revenue and Net Profit				$000
Revenues from ordinary activities	up	66%	to	107,441
Profit before interest, taxation, depreciation and amortisation (EBITDA)	up	39%	to	9,000
Profit from ordinary activities after tax attributable to consolidated entity	up	55%	to	4,038
Net profit for the period attributable to members of parent entity	up	59%	to	4,152

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 ("consolidated entity") for the half-year ended 31 December 2007.

Directors

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

Ken Allen	Chairman
Mary Beth Bauer	Deputy Chairman
Andrew Banks	Managing Director
Geoff Morgan	Non Executive Director
Brian Gibson	Non Executive Director (resigned on 7 November 2007)
Albert Hawk	Non Executive Director
Hans Neilson	Non Executive Director

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 66% to $107,441,000 for the six months ended 31 December 2007, as compared to $64,798,000 for the six months ended 31 December 2006.

Revenue from the Managed Services Business increased 95% to $34,710,000 for the six months ended 31 December 2007, as compared to $17,830,000 for the six months ended 31 December 2006. These revenues include both external revenues and internal charges across segments.

Revenue from the Recruitment Services Business increased 68% to $63,922,000 for the six months ended 31 December 2007, as compared to $38,140,000 for the six months ended 31 December 2006. These revenues include both external revenues and internal charges across segments.

Revenue from the Technology Services Business increased 7% to $9,630,000 for the six months ended 31 December 2007, as compared to $9,014,000 for the six months ended 31 December 2006. These revenues include both external revenues and internal charges across segments.

The consolidated entity recorded a 55% increase in net profit after income tax to $4,038,000 for the six months ended 31 December 2007, as compared to a net profit after income tax of $2,612,000 for the corresponding six months ended 31 December 2006.

Cash on hand at 31 December 2007 was $13,571,000 as compared to $12,917,000 at 30 June 2007. During the six months period the consolidated entity paid a $4,220,000 unfranked dividend to shareholders.

Rounding of Amounts

The consolidated 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 2007 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

Ken Allen

Dated 20 February 2008

Chartered Accountants
Business Advisers and Consultants

Grant Thornton

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Talent2 International Limited for the half-year ended 31 December 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 review; and

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

Grant Thornton NSW

GRANT THORNTON NSW
Chartered Accountants

N J BRADLEY
Partner

Sydney 20 February 2008

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Consolidated Income Statement

For the Half Year Ended 31 December 2007

		Consolidated entity	
	Note	**31 December 2007**	**31 December 2006**
		$000	$000
Revenue		**107,441**	**64,798**
Cost of sales: On hired labour and advertising costs		(25,672)	(13,039)
Outsourced Services		(15,641)	(7,165)
Distributor commissions and licence fees		(641)	(1,047)
Gross Profit		**65,487**	**43,547**
Employee benefits expense		(45,633)	(30,044)
Operating lease rental expense		(4,772)	(3,100)
Advertising and marketing expense		(1,480)	(953)
Depreciation of plant and equipment		(1,216)	(1,014)
Amortisation of acquired intangible assets		(1,764)	(1,508)
Amortisation of software development		(238)	(175)
Finance costs		(187)	(42)
Other expenses		(4,366)	(2,746)
Profit Before Income Tax		**5,831**	**3,965**
Income tax expense		(1,793)	(1,353)
Profit For The Period		**4,038**	**2,612**
Net loss attributable to minority equity interests		114	-
Profit Attributable to Members of the Parent Entity		**4,152**	**2,612**
Overall Operations			
Earnings per share:			
Basic (cents per share)		3.44c	2.22c
Diluted (cents per share)		3.33c	2.17c
Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS		120,815,865	117,839,790
Weighted average number of ordinary shares outstanding during the period used in the calculation of the Diluted EPS		124,768,619	120,224,570

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

Consolidated Balance Sheet

As at 31 December 2007

		Consolidated entity	
	Note	31 December 2007	30 June 2007
		$000	$000
Current Assets			
Cash and cash equivalents		13,571	12,917
Trade and other receivables		34,625	28,260
Other current assets		5,986	3,311
Total Current Assets		**54,182**	**44,488**
Non-Current Assets			
Investments accounted for using the equity method		332	328
Plant and equipment		7,044	5,790
Deferred tax assets		3,261	3,858
Intangible assets		59,964	53,433
Total Non-Current Assets		**70,601**	**63,409**
Total Assets		**124,783**	**107,897**
Current Liabilities			
Trade and other payables		35,750	31,413
Short-term borrowings		787	283
Current tax liabilities		1,810	1,702
Short-term provisions		3,907	4,140
Total Current Liabilities		**42,254**	**37,538**
Non-Current Liabilities			
Long-term borrowings		11,716	3,320
Long-term provisions		498	599
Total Non-Current Liabilities		**12,214**	**3,919**
Total Liabilities		**54,468**	**41,457**
Net Assets		**70,315**	**66,440**
Equity			
Issued capital		80,104	77,069
Reserves		498	3,995
Accumulated losses		(10,472)	(14,624)
Parent interests		**70,130**	**66,440**
Minority equity interests		185	-
Total Equity		**70,315**	**66,440**
Net Tangible Asset Backing per ordinary share		8.48c	10.82c

As at 31 December 2006, Net Tangible Asset Backing per ordinary share was 14.31c
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 2007

			Reserves					
	Share Capital Ordinary	Accumulated Losses	Capital Profits Reserves	Equity Incentive Plans	Dividend Distribution Reserve	Foreign Exchange Movement	Minority Interests	Total
	$000	$000	$000	$000	$000	$000	$000	$000
Balance at 1 July 2006	75,434	(17,168)	105	376	3,529	(166)	-	62,110
Profit attributable to members of parent entity	-	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**
Balance at 1 July 2007	**77,069**	**(14,624)**	**105**	**186**	**4,220**	**(516)**	**-**	**66,440**
Profit attributable to members of parent entity	-	4,152	-	-	-	-	-	4,152
Loss attributable to minority shareholders	-	-	-	-	-	-	(114)	(114)
Foreign exchange movement	-	-	-	18	-	(201)	-	(183)
Total recognised income and expense	-	4,152	-	18	-	(201)	(114)	3,855
Additions through acquisition of entities	-	-	-	-	-	-	248	248
Additions through incorporation of an entity	-	-	-	-	-	-	51	51
Shares and options issued	3,035	-	-	1,120	-	-	-	4,155
Elimination of treasury shares	-	-	-	(214)	-	-	-	(214)
Dividends paid or provided for	-	-	-	-	(4,220)	-	-	(4,220)
Balance at 31 December 2007	**80,104**	**(10,472)**	**105**	**1,110**	**-**	**(717)**	**185**	**70,315**

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

Consolidated Statement of Cash Flows

For the Half Year ended 31 December 2007

		Consolidated entity	
	Note	31 December 2007	31 December 2006
		$000	$000
Cash Flows From Operating Activities			
Receipts from customers		113,335	70,086
Payments to suppliers and employees		(107,720)	(64,187)
Interest received		236	237
Finance costs		(187)	(42)
Income tax paid		(1,234)	-
Income tax refund		59	-
Net cash provided by operating activities		**4,489**	**6,094**
Cash Flows From Investing Activities			
Purchase of plant and equipment		(2,102)	(1,949)
Payment for investments		(4)	-
Payment for business assets acquired, net of cash acquired		(5,558)	(43)
Net cash used in investing activities		**(7,664)**	**(1,992)**
Cash Flows From Financing Activities			
Proceeds from issue of shares		616	349
Payment of transaction costs relating to share issues		(8)	(20)
Proceeds from borrowings		10,625	-
Repayment of borrowings		(3,184)	-
Capital repayment to shareholders		-	(3,541)
Dividends paid		(4,220)	(3,529)
Net cash provided by/(used in) financing activities		**3,829**	**(6,741)**
Net increase/(decrease) in cash held		654	(2,639)
Cash at 1 July		12,917	14,565
Cash at 31 December		**13,571**	**11,926**

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

Notes to the Financial Statements

For the Half Year ended 31 December 2007

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, Australian Accounting 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 2007 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 consolidated entity and are consistent with those applied in the 30 June 2007 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 2007 6 months	30 June 2007 12 months	31 December 2007 6 months	30 June 2007 12 months
	No.	No.	$000	$000
Balance at beginning of Financial Period/Year	**120,262,691**	**117,442,466**	**77,069**	**75,434**
Equal reduction capital repayment	-	-	-	(3,541)
Issues on acquisition of businesses	860,852	1,864,311	2,427	4,600
Employee options exercised	962,526	955,914	616	594
Transaction costs relating to share issues	-	-	(8)	(18)
Balance at the end of Financial Period/Year	**122,086,069**	**120,262,691**	**80,104**	**77,069**

Note 3: Dividends

No interim dividend is proposed.

An unfranked dividend of 3.5c per share was declared on 13 August 2007 and paid on 10 September 2007.

Note 4: Acquisition of Subsidiaries

The consolidated entity acquired 70% of the TOG Group, a payroll services provider in Japan. The purchase was satisfied by a cash payment of $3,857,000, which includes $299,000 of transaction costs. The effective date of the acquisition was 1 November 2007. The remaining 30% interest of the TOG Group will be acquired in 3 instalments with the final instalment payable in September 2011. The additional purchase consideration for these instalments is based upon an agreed multiple of future earnings.

With an effective date of 1 October 2007, the consolidated entity acquired 100% of the Intersearch UAE Group, one of the largest executive search and human capital organisations in the Middle East. The purchase was satisfied by a cash payment of $2,568,000 plus the issue of 860,852 ordinary shares at an effective price of $2.82 each. The purchase consideration includes $64,000 of transaction costs.

The acquisition of Intersearch UAE Group is subject to future earn-out provisions. The first earn-out payment is payable in respect of the financial year ending 30 June 2008 and has been estimated at $1,000,000. This amount has been recognised in the accounts as the directors consider it as probable in accordance with AASB 3. The second and final instalment is based upon an earn-out calculation in respect of the year ended 30 June 2009.

	Consolidated entity 31 December				
	UAE 2007 $000	TOG 2007 $000	Other 2007 $000	Total 2007 $000	Total 2006 $000
The purchase price was allocated as follows:					
Purchase consideration	5,995	3,857	48	9,900	43
Cash consideration	2,568	3,857	48	6,473	-
Cash acquired at acquisition date	(7)	(908)	-	(915)	-
Cash outflow	**2,561**	**2,949**	**48**	**5,558**	**43**
Assets and liabilities acquired at acquisition date:					
Cash	7	908	-	915	-
Receivables	1,096	1,293	-	2,389	-
Other current assets	114	712	-	826	-
Plant & equipment	165	30	-	195	-
Tax liabilities	-	(81)	-	(81)	-
Payables	(407)	(240)	-	(647)	-
Short-term borrowings	-	(257)	-	(257)	-
Unearned income	(41)	(499)	-	(540)	-
Other non-current liabilities	-	(9)	-	(9)	-
Long-term borrowings	-	(1,030)	-	(1,030)	-
	934	**827**	**-**	**1,761**	**-**
Minority equity interests in acquisitions	-	(248)	-	(248)	-
Goodwill on consolidation	5,061	3,278	48	8,387	43
Total purchase consideration	**5,995**	**3,857**	**48**	**9,900**	**43**
Profit for the period (attributable to members of the parent entity) included in consolidated profit of the group since the acquisition date.	296	85	-	381	-

Note 4: Acquisition of Subsidiaries (cont'd)

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 2007, total consolidated revenue would have been $109,603,000 and total consolidated profit after taxation would have been $4,483,000 for the period ending 31 December 2007.

$48,000 in transaction costs were incurred by the consolidated entity in the six months ended 31 December 2007 that relate to acquisitions in prior periods. This has had the net effect of increasing Goodwill on consolidation by an additional $48,000.

The accounting for business combinations entered into during the financial year has been determined only provisionally due to the proximity of these transactions to the reporting date. In accordance with AASB 3 Business Combinations, any adjustments required as a result of the completion of the initial accounting will be recognised within twelve months of the acquisition date.

Note 5: Segment Information

Primary Reporting — Business Segments

	Managed Services		Recruitment Services		Technology Services		Unallocated Interest		Eliminations		Economic 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	34,566	17,720	63,383	37,870	9,256	8,971	236	237	-	-	107,441	64,798
Other Segments	144	110	539	270	374	43	-	-	(1,057)	(423)	-	-
	34,710	**17,830**	**63,922**	**38,140**	**9,630**	**9,014**	**236**	**237**	**(1,057)**	**(423)**	**107,441**	**64,798**
Cost of Sales												
External Sales	(16,863)	(7,651)	(24,769)	(12,710)	(322)	(890)	-	-	-	-	(41,954)	(21,251)
Other Segments	(789)	(90)	(95)	(154)	-	(5)	-	-	884	249	-	-
Gross Profit	**17,058**	**10,089**	**39,058**	**25,276**	**9,308**	**8,119**	**236**	**237**	**(173)**	**(174)**	**65,487**	**43,547**
EBITDA	2,468	1,061	5,402	4,056	1,130	1,350					9,000	6,467
Depreciation and amortisation	(1,873)	(1,492)	(972)	(813)	(373)	(392)					(3,218)	(2,697)
EBIT	**595**	**(431)**	**4,430**	**3,243**	**757**	**958**					**5,782**	**3,770**
Net Interest											49	195
Profit before income tax											**5,831**	**3,965**
Income tax expense											(1,793)	(1,353)
Profit for the period											**4,038**	**2,612**
Net loss attributable to minority equity interest											114	-
Profit attributable to members of the parent entity											**4,152**	**2,612**

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 except the acquisition instalments noted in Note 4.

Note 7: Events Subsequent to Reporting Date

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

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 12:
    a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
    b. give a true and fair view of the consolidated entity's financial position as at 31 December 2007 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

Ken Allen

Dated 20 February 2008

Chartered Accountants
Business Advisers and Consultants

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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 (the Company) and the entities it controlled (the consolidated entity), which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a description of accounting policies, other selected explanatory notes and the directors' declaration. The consolidated entity comprises both 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 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 responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

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 2007 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. Accordingly, we do not express an audit opinion.

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

Independence

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

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 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 2007 and of its performance for the half-year ended on that date.

(b) complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Grant Thornton NSW

GRANT THORNTON NSW
Chartered Accountants

N J BRADLEY
Partner

Sydney 20 February 2008