Talent2 International Limited

(ABN 19 000 737 744)

Interim Report

For the Half Year Ended

31 December 2008

Results for Announcement to the Market

Revenue and Net Profit				$000
Revenues from ordinary activities	up	19%	to	128,033
Profit before interest, taxation, depreciation, amortisation and impairment (EBITDA)	down	16%	to	7,589
Profit from ordinary activities after tax attributable to consolidated entity	down	95%	to	195
Net profit for the period attributable to members of parent entity	down	94%	to	234

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 interim report of Talent2 International Limited and its controlled entities ("consolidated entity") for the half-year ended 31 December 2008.

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
Hans Neilson	Non Executive Director
Ken Borda	Non Executive Director (appointed 1 August 2008)
Pam Laidlaw	Non Executive Director
Albert "Bud" Hawk	Non Executive Director (resigned 1 August 2008)

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 19% to $128,033,000 for the six months ended 31 December 2008, as compared to $107,441,000 for the six months ended 31 December 2007.

Revenue from the Managed Services Business increased 37% to $60,831,000 for the six months ended 31 December 2008, as compared to $44,340,000 for the six months ended 31 December 2007. These revenues include both external revenues and internal charges across segments.

Revenue from the Recruitment Services Business increased 6% to $67,757,000 for the six months ended 31 December 2008, compared to the previous corresponding period of $63,922,000 due to the contribution from acquisitions and expanded office locations. These revenues include both external revenues and internal charges across segments.

EBITDA decreased by 16% to $7,589,000 for the six months ended 31 December 2008, as compared to $9,000,000 for the six months ended 31 December 2007.

The Managed Services division generated EBITDA of $6,666,000 up 85% compared to the six months ended 31 December 2007. Payroll outsourcing, which gives organisations fast and immediate cost savings, was a stand out performer, while both recruitment process outsourcing and training and development provided solid growth. The focus on driving Managed Services revenue continues to deliver results. Demand for our HR Outsourcing service offerings continues, driven by the burning platform of employers looking to cut costs in their volume recruitment where staff turnover remains, or in getting better value for their training and development expenditure.

The turmoil in global markets resulted in an unprecedented "full stop" in decision making from customers in October in the permanent recruitment business directly contributing to the 83% drop in EBITDA for the Recruitment Services Business down from $5,402,000 for the previous corresponding period to $923,000.

The consolidated entity undertook a review of the carrying value of its acquired businesses in light of the current economic instability. The carrying values of the acquired businesses were compared to a 5 year discounted cashflow valuation. Upon review, management believed it prudent to record a $1,832,000 impairment charge on the businesses acquired in Hong Kong, the United Kingdom and India. The consolidated entity however, still remains committed to these markets.

The consolidated entity recorded a 95% decrease in net profit after income tax to $195,000 for the six months ended 31 December 2008, as compared to a net profit after income tax of $4,038,000 for the corresponding six months ended 31 December 2007.

Cash on hand at 31 December 2008 was $17,942,000 as compared to $17,600,000 at 30 June 2008. During the six month period the consolidated entity paid a 90% franked dividend of $5,582,000 to shareholders.

During the period the consolidated entity drew down an additional $1,725,000 to fund the acquisition of The Learning Group, and repaid $500,000 of drawn down foreign currency loans. The balance of the increase in debt was attributed to the weakening of the Australian dollar during the period. The consolidated entity however, still maintains minimal debt balances with net debt levels at $332,000 at the reporting date.

Chairman

Ken Allen

Dated 18 February 2009

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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 2008, 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, 18 February 2009

Consolidated Income Statement

For the Half Year Ended 31 December 2008

		Consolidated entity	
	Note	31 December 2008	31 December 2007
		$000	$000
Revenue		**128,033**	**107,441**
Cost of rendering of services: On hired labour and advertising costs		(29,623)	(25,672)
Outsourced services		(15,394)	(15,641)
Distributor commissions and licence fees		(146)	(641)
Gross Profit		**82,870**	**65,487**
Other income		444	157
Employee benefits expense		(60,229)	(45,633)
Operating lease rental expense		(7,031)	(4,772)
Advertising and marketing expense		(1,731)	(1,480)
Depreciation of plant and equipment		(1,686)	(1,216)
Amortisation of acquired intangible assets		(1,898)	(1,764)
Amortisation of software development		(614)	(238)
Impairment of acquired assets	4	(1,832)	-
Finance costs		(368)	(187)
Other expenses		(6,529)	(4,523)
Profit Before Income Tax		**1,396**	**5,831**
Income tax expense		(1,201)	(1,793)
Profit For The Period		**195**	**4,038**
Net loss attributable to minority equity interests		39	114
Profit Attributable to Members of the Parent Entity		**234**	**4,152**
Overall Operations			
Earnings per share:			
Basic (cents per share)		0.19c	3.44c
Diluted (cents per share)		0.18c	3.33c
Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS		124,720,669	120,815,865
Weighted average number of ordinary shares outstanding during the period used in the calculation of the Diluted EPS		127,319,970	124,768,619

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

Consolidated Balance Sheet

As at 31 December 2008

		Consolidated entity	
		31 December 2008	30 June 2008
		$000	$000
Current Assets			
Cash and cash equivalents		17,942	17,600
Trade and other receivables		34,132	36,927
Other current assets		6,724	5,391
Total Current Assets		**58,798**	**59,918**
Non-Current Assets			
Investments accounted for using the equity method		-	332
Plant and equipment		8,556	8,220
Deferred tax assets		2,801	3,304
Intangible assets		64,678	62,772
Total Non-Current Assets		**76,035**	**74,628**
Total Assets		**134,833**	**134,546**
Current Liabilities			
Trade and other payables		27,701	31,366
Unearned income		6,150	5,020
Short-term borrowings		537	600
Current tax liabilities		1,066	3,471
Short-term provisions		3,710	4,773
Total Current Liabilities		**39,164**	**45,230**
Non-Current Liabilities			
Long-term borrowings		17,737	12,216
Long-term provisions		449	383
Total Non-Current Liabilities		**18,186**	**12,599**
Total Liabilities		**57,350**	**57,829**
Net Assets		**77,483**	**76,717**
Equity			
Issued capital		85,086	81,360
Reserves		2,893	6,046
Accumulated losses		(10,697)	(10,929)
Parent interests		**77,282**	**76,477**
Minority equity interests		201	240
Total Equity		**77,483**	**76,717**
Net Tangible Asset Backing per ordinary share		10.10c	11.33c

As at 31 December 2007, Net Tangible Asset Backing per ordinary share was 8.48c.
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 2008

			Reserves					
	Share Capital Ordinary	Accumulated Losses	Capital Profits Reserves	Equity Incentive Plans	Dividend Distribution Reserve	Foreign Exchange Reserve	Minority Interests	Total
	$000	$000	$000	$000	$000	$000	$000	$000
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)
Total recognised income and expense	-	4,152	-	-	-	-	(114)	4,038
Additions through acquisition of entities	-	-	-	-	-	-	248	248
Additions through incorporation of an entity	-	-	-	-	-	-	51	51
Shares and options issued (net of transaction costs)	3,035	-	-	1,120	-	-	-	4,155
Elimination of the movement in treasury shares	-	-	-	(214)	-	-	-	(214)
Dividends paid or provided for	-	-	-	-	(4,220)	-	-	(4,220)
Foreign exchange movement	-	-	-	18	-	(201)	-	(183)
Balance at 31 December 2007	**80,104**	**(10,472)**	**105**	**1,110**	**-**	**(717)**	**185**	**70,315**
Balance at 1 July 2008	**81,360**	**(10,929)**	**105**	**2,174**	**5,580**	**(1,813)**	**240**	**76,717**
Profit attributable to members of parent entity	-	234	-	-	-	-	-	234
Loss attributable to minority shareholders	-	-	-	-	-	-	(39)	(39)
Total recognised income and expense	-	234	-	-	-	-	(39)	195
Transfer between reserves	-	(2)	-	-	2	-	-	-
Shares and options issued (net of transaction costs)	3,726	-	-	971	-	-	-	4,697
Elimination of the movement in treasury shares	-	-	-	201	-	-	-	201
Dividends paid or provided for	-	-	-	-	(5,582)	-	-	(5,582)
Foreign exchange movement	-	-	-	-	-	1,255	-	1,255
Balance at 31 December 2008	**85,086**	**(10,697)**	**105**	**3,346**	**-**	**(558)**	**201**	**77,483**

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

Consolidated Cashflow Statement

For the Half Year ended 31 December 2008

		Consolidated entity	
		31 December 2008	31 December 2007
		$000	$000
Cash Flows From Operating Activities			
Receipts from customers		145,738	113,292
Payments to suppliers and employees		(135,893)	(107,693)
Interest received		205	236
Finance costs		(368)	(187)
Income tax paid		(2,809)	(1,234)
Income tax refund		85	59
Net cash provided by operating activities		**6,958**	**4,473**
Cash Flows From Investing Activities			
Purchase of plant and equipment		(1,275)	(2,102)
Payment for investments		-	(4)
Payment for business assets acquired, net of cash acquired		(2,690)	(5,558)
Net cash used in investing activities		**(3,965)**	**(7,664)**
Cash Flows From Financing Activities			
Proceeds from issue of shares		143	616
Payment of transaction costs relating to share issues		(9)	(8)
Proceeds from borrowings		2,190	10,625
Repayment of borrowings		(797)	(3,184)
Dividends paid		(5,582)	(4,220)
Net cash (used in) / provided by financing activities		**(4,055)**	**3,829**
Net (decrease) / increase in cash held		(1,062)	638
Cash at 1 July		17,600	12,917
Effect of exchange rates on cash holdings in foreign currencies		1,404	16
Cash at 31 December		**17,942**	**13,571**

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

Notes to the Financial Statements

For the Half Year ended 31 December 2008

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 2008 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 ASX listing rules.

The accounting policies have been consistently applied by the entities in the consolidated entity and are consistent with those applied in the 30 June 2008 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 2008 6 months	30 June 2008 12 months	31 December 2008 6 months	30 June 2008 12 months
	No.	No.	$000	$000
Balance at beginning of Financial Period/Year	**123,091,072**	**120,262,691**	**81,360**	**77,069**
Issues on acquisition of businesses	3,586,137	1,595,005	3,592	3,533
Employee options exercised	112,393	1,233,376	143	772
Transaction costs relating to share issues	-	-	(9)	(14)
Balance at the end of Financial Period/Year	**126,789,602**	**123,091,072**	**85,086**	**81,360**

Note 3: Dividends

No interim dividend is proposed.

A 90% franked dividend of 4.5c per share was declared on 13 August 2008 and paid on 10 September 2008.

Note 4: Impairment of Assets

The consolidated entity conducts impairment testing on an annual basis unless indicators of impairment are present at the reporting date. The economic volatility during the period and the continued uncertainty, meet the criteria under AASB 136 Impairment of Assets as indicators of impairment. A 5 year discounted cashflow valuation, based on managements estimate was conducted, and compared to the carrying value of the intangibles. This resulted in an impairment charge of $1,500,000 on the goodwill of acquired businesses and an impairment charge of $332,000 on investments accounted for using the equity method. The total charge of $1,832,000 was expensed to the consolidated income statement in the period.

Note 5: Acquisition of Subsidiaries

The consolidated entity acquired 100% of The Learning Group, a specialist e-learning development and learning services company during the period. The purchase was satisfied by a cash payment of $1,736,000 and the issue of 1,942,050 ordinary shares at an effective price of $0.80. The purchase consideration includes $44,000 of transaction costs. The effective date of the acquisition was 1 July 2008.

On 21 August 2008, the consolidated entity acquired the remaining 10% shareholding of Talent2 Singapore Pte Ltd ("Talent2 Singapore"). The purchase was satisfied by a cash payment of $687,000 and the issue of 863,667 ordinary shares at an effective price of $1.077.

	Consolidated Entity 31 December					
	The Learning Group 2008 $000	Talent2 Singapore 2008 $000	BizEd 2008 $000	Others 2008 $000	Total 2008 $000	Total 2007 $000
The purchase price was allocated as follows:						
Purchase consideration	3,289	1,618	292	342	5,541	9,900
Cash consideration	1,736	687	19	342	2,784	6,473
Cash acquired at acquisition date	(94)	-	-	-	(94)	(915)
Cash outflow	**1,642**	**687**	**19**	**342**	**2,690**	**5,558**
Assets and liabilities acquired at acquisition date:						
Cash	94	-	-	-	94	915
Receivables	1,394	-	-	-	1,394	2,389
Other current assets	(97)	-	-	-	(97)	826
Plant & equipment	85	-	-	-	85	195
Tax liabilities	168	-	-	-	168	(81)
Payables	(487)	-	-	-	(487)	(647)
Short-term borrowings	-	-	-	-	-	(257)
Short-term provisions	(240)	-	-	-	(240)	-
Unearned income	(746)	-	-	-	(746)	(540)
Other non-current liabilities	-	-	-	-	-	(9)
Long-term borrowings	-	-	-	-	-	(1,030)
	171	**-**	**-**	**-**	**171**	**1,761**
Minority equity interests in acquisitions	-	-	-	-	-	(248)
Goodwill on consolidation	3,118	1,618	292	342	5,370	8,387
Total purchase consideration	**3,289**	**1,618**	**292**	**342**	**5,541**	**9,900**
(Loss)/profit for the period (attributable to members of the parent entity) included in consolidated profit of the group since the acquisition date.	(40)	-	-	-	(40)	381

Note 5: Acquisition of Subsidiaries (cont'd)

A final earn-out payment was made on 19 September 2008 by the consolidated entity in respect to the acquisition of BizEd Services Pty Ltd ("BizEd") in the amount of $1,127,000. Of this amount, $835,000 was recognised in the prior period accounts of the consolidated entity. The payment was satisfied by a cash payment of $19,000 and the issue of 780,420 shares at an effective price of $1.42.

Goodwill was increased to account for transaction costs and adjustments to opening acquired balance sheet positions for businesses acquired in the prior reporting period, totalling $342,000.

Goodwill has arisen on the acquisition of businesses due to the expectation of deriving future growth in earnings and taking advantage of business synergies, which can not be recognised separately as identifiable intangible assets at the date of acquisition.

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

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 6: Segment Information

	Managed* Services		Recruitment Services		Unallocated Interest		Eliminations		Consolidated Entity	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Sales Revenue										
External sales	60,550	43,822	67,278	63,383	205	236		-	128,033	107,441
Other segments	281	518	479	539	-	-	(760)	(1,057)	-	-
	60,831	**44,340**	**67,757**	**63,922**	**205**	**236**	**(760)**	**(1,057)**	**128,033**	**107,441**
Cost of sales										
External sales	(18,015)	(17,185)	(27,148)	(24,769)	-	-	-	-	(45,163)	(41,954)
Other segments	(293)	(789)	(27)	(95)	-	-	320	884	-	-
Gross Profit	**42,523**	**26,366**	**40,582**	**39,058**	**205**	**236**	**(440)**	**(173)**	**82,870**	**65,487**
EBITDA	6,666	3,598	923	5,402					7,589	9,000
Depreciation and amortisation	(3,085)	(2,246)	(1,113)	(972)					(4,198)	(3,218)
Impairment of assets	-	-	(1,832)	-					(1,832)	-
EBIT	**3,581**	**1,352**	**(2,022)**	**4,430**					**1,559**	**5,782**
Net Interest									(163)	49
Profit before income tax									**1,396**	**5,831**
Income tax expense									(1,201)	(1,793)
Profit for the period									**195**	**4,038**
Net loss attributable to minority equity interest									**39**	114
Profit attributable to members of the parent entity									**234**	**4,152**

* Technology Services segment is now included within the Managed Services segment

EBITDA = Earnings before interest, taxes, depreciation, amortisation and impairment
EBIT = Earnings before interest and taxes which represents the segment results

Note 7: Contingent Liabilities

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

Note 8: Events Subsequent to Reporting Date

No 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 2008 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.

Chairman

Ken Allen

Dated 18 February 2009

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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, which comprises the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time 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 consolidated 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 and Other Financial Reports 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 2008 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.

Grant Thornton

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

Auditor's responsibility (cont)

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.

Independence

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

Electronic presentation of reviewed financial report

This auditor's review report relates to the financial report of Talent2 International Limited for the half-year ended 31 December 2008 included on Talent2 International Limited's web site. The Company's directors are responsible for the integrity of Talent2 International Limited's web site. We have not been engaged to report on the integrity of Talent2 International Limited's web site. The auditor's review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

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 31 December 2008 and of its performance for the half-year ended on that date; and

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, 18 February 2009