Talent2 International Limited

Appendix 4D

For the Half-Year Ended 31 December 2010

ABN 19 000 737 744

This Half Year Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3

In accordance with ASX Listing Rule 4.2C.2, this Half Year Report should be read in conjunction with the most recent annual financial report, being 30 June 2010.

Current Reporting Period:	Half-Year Ended 31 December 2010
Previous Corresponding Period:	Half-Year Ended 31 December 2009

talent2

Talent2 International Limited
Half Year Report
For the Period Ended 31 December 2010

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Results for Announcement to the Market

Revenue and Net Profit				$000
Revenues from ordinary activities	up	36%	to	147,884
Profit before interest, taxation, depreciation, amortisation (EBITDA)	up	61%	to	12,977
Profit from ordinary activities after tax attributable to consolidated entity	up	105%	to	3,920
Net profit for the period attributable to owners of the parent	up	85%	to	3,437

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.

Talent2 International Limited

(ABN 19 000 737 744)

Interim Report

For the Half-Year Ended

31 December 2010

Talent2 International Limited
Half Year Report
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Director's Report

Your directors submit their report for the half-year ended 31 December 2010.

Directors

The names of the company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated:

Ken Allen AM	Chairman
Andrew Banks	Managing Director
Geoff Morgan	Non Executive Director
Hans Neilson	Non Executive Director
Ken Borda	Non Executive Director
Pam Laidlaw	Non Executive Director

Review and Results of Operations

Revenues increased by 36% to $147,884,000 for the six months ended 31 December 2010, as compared to $108,879,000 for the six months ended 31 December 2009.

Revenue from the Managed Services business increased 48% to $87,681,000 for the six months ended 31 December 2010, as compared to $59,250,000 for the six months ended 31 December 2009. These revenues include both external revenues and internal charges across segments.

Revenue from the Recruitment Services business increased 20% to $60,666,000 for the six months ended 31 December 2009, compared to the previous corresponding period of $50,508,000. These revenues include both external revenues and internal charges across segments.

EBITDA increased by 61% to $12,977,000 for the six months ended 31 December 2010, as compared to $8,079,000 for the six months ended 31 December 2009, with both the Managed Services and Recruitment Services business' reporting improved performance.

The Managed Services business generated EBITDA of $9,862,000 up 61% compared to the six months ended 31 December 2009. A strong performance by the Managed Services business, which was led by the Recruitment Process Outsourcing and the Training and Development divisions, saw both had increased customer activity and new client wins. The current period also includes contribution from the Zapper, Sugar and Origin HR acquisitions which were not present in the previous corresponding period. Excluding acquisitions EBITDA growth of 24% is reported.

The Recruitment Services business generated EBITDA of $3,115,000 up 58% compared to the six months ended 31 December 2009. This result was achieved in improved trading conditions compared to the previous corresponding period and included a 25% increase in consultant headcount, the benefit of which should flow into the second half.

Amortisation of acquired intangible assets has increased to $3,499,000 from the previous corresponding period of $2,160,000 following the acquisition of Zapper, Sugar and Origin HR.

The consolidated entity reported a net profit after income tax of $3,920,000 for the six months ended 31 December 2010, as compared to a net profit after income tax of $1,909,000 for the six months ended 31 December 2009.

Net cash flows from operating activities remained strong at $7,154,000, after increased tax payments of $3,692,000. During the half year the Company paid down debt of $3,057,000 and paid a dividend of $5,649,000 to shareholders which saw cash on hand as at 31 December 2010 reduce to $18,130,000 as compared to $24,090,000 at 30 June 2010. Reported total borrowings at 31 December 2010 were $26,601,000 bringing net debt to $8,471,000. Net debt at 30 June 2010 was $8,275,000.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Auditor's Independence Declaration

The auditor's independence declaration is included immediately following this Director's Report, and forms part of the Director's Report.

Signed in accordance with a resolution of the directors.

Chairman

Ken Allen AM

Dated 9 February 2011

Auditor’s Independence Declaration to the Directors of Talent2 International Limited

In relation to our review of the financial report of Talent2 International Limited for the half-year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Gregory J Logue
Partner
Sydney
9 February 2011

Statement of Financial Position

As at 31 December 2010

		Consolidated	
		31 December 2010	30 June 2010
		$000	$000
Assets			
Current Assets			
Cash and cash equivalents		18,130	24,090
Trade and other receivables		46,177	44,487
Other current assets		6,587	6,428
Total Current Assets		70,894	75,005
Non-Current Assets			
Plant and equipment		6,968	7,330
Deferred tax assets		2,025	1,321
Intangible assets		105,046	93,038
Total Non-Current Assets		114,039	101,689
Total Assets		184,933	176,694
Liabilities			
Current Liabilities			
Trade and other payables		43,714	30,024
Unearned income		7,765	6,713
Interest-bearing borrowings		1,711	1,908
Current tax liabilities		3,848	3,434
Short-term provisions		4,991	4,737
Total Current Liabilities		62,029	46,816
Non-Current Liabilities			
Interest-bearing borrowings		24,890	30,457
Long-term provisions		769	758
Other payables		2,400	-
Total Non-Current Liabilities		28,059	31,215
Total Liabilities		90,088	78,031
Net Assets		94,845	98,663
Equity			
Equity Attributable to Equity Holders of the Parent			
Issued capital		102,732	101,619
Reserves		6,443	15,288
Accumulated losses		(14,937)	(18,368)
Parent interests		94,238	98,539
Non-controlling interests		607	124
Total Equity		94,845	98,663
Net Tangible Asset Backing per ordinary share		(7.20)c	4.00c

As at 31 December 2009, the Net Tangible Asset Backing per ordinary share was 15.19c.

Statement of Comprehensive Income

For the Half-Year Ended 31 December 2010

		Consolidated entity	
		31 December 2010	31 December 2009
		$000	$000
Revenue		147,884	108,879
Cost of rendering of services: On hired labour and advertising costs		(25,831)	(22,664)
Outsourced services		(28,430)	(13,378)
Distributor commissions and licence fees		(322)	(896)
Gross Profit		93,301	71,941
Other income		10	9
Employee benefits expense		(65,943)	(51,868)
Operating lease rental expense		(7,649)	(6,600)
Advertising and marketing expense		(1,335)	(960)
Depreciation of plant and equipment		(1,533)	(1,631)
Amortisation of acquired intangible assets		(3,499)	(2,160)
Amortisation of software development		(750)	(285)
Acquisition costs		(90)	-
Finance costs		(644)	(231)
Other expenses		(5,157)	(4,299)
Profit Before Income Tax		6,711	3,916
Income tax expense		(2,791)	(2,007)
Net Profit For The Period		3,920	1,909
Other Comprehensive Income			
Foreign currency translation		(4,225)	(511)
Other comprehensive income for the period, net of tax		(4,225)	(511)
Total Comprehensive Income for the Period		(305)	1,398
Profit for the period is attributable to:			
Non-controlling interest		483	53
Owners of the parent		3,437	1,856
		3,920	1,909
Total comprehensive income for the period is attributable to:			
Non-controlling interest		483	53
Owners of the parent		(788)	1,345
		(305)	1,398

Statement of Comprehensive Income (continued)

Overall Operations			
Earnings per share for profit attributable to the ordinary equity holders of the parent:			
Basic (cents per share)		2.43c	1.46c
Diluted (cents per share)		2.33c	1.40c
Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS		141,268,159	126,835,378
Weighted average number of ordinary shares outstanding during the period used in the calculation of the Diluted EPS		147,724,474	132,622,017

Statement of Changes in Equity

For the Half-Year Ended 31 December 2010

			Reserves						
	Share Capital Ordinary	Accumulated Losses	Capital Profits Reserves	Equity Incentive Plans	Dividend Distribution Reserve	Foreign Exchange Reserve	Owners of the Parent	Non-Controlling Interest	Total
	$000	$000	$000	$000	$000	$000	$000	$000	$000
Balance at 1 July 2010	101,619	(18,368)	105	9,703	5,643	(163)	98,539	124	98,663
Profit for the period	-	3,437	-	-	-	-	3,437	483	3,920
Other comprehensive income	-	-	-	-	-	(4,225)	(4,225)	-	(4,225)
Total comprehensive income for the half year	-	3,437	-	-	-	(4,225)	(788)	483	(305)
Transactions with owners in their capacity as owners									
Transfer between reserves	-	(6)	-	-	6	-	-	-	-
Shares issued (net of transaction costs)	1,293	-	-	-	-	-	1,293	-	1,293
Purchase of treasury shares	(727)	-	-	-	-	-	(727)	-	(727)
Net issue of shares to employees	547	-	-	(547)	-	-	-	-	-
Share based payments	-	-	-	1,570	-	-	1,570	-	1,570
Dividends paid	-	-	-	-	(5,649)	-	(5,649)	-	(5,649)
Balance at 31 December 2010	102,732	(14,937)	105	10,726	-	(4,388)	94,238	607	94,845
Balance at 1 July 2009	83,287	(18,476)	105	6,861	-	(1,547)	70,230	204	70,434
Profit for the period	-	1,856	-	-	-	-	1,856	53	1,909
Other comprehensive income	-	-	-	-	-	(511)	(511)	-	(511)
Total comprehensive income for the half year	-	1,856	-	-	-	(511)	1,345	53	1,398
Transactions with owners in their capacity as owners									
Acquisition of non-controlling interest	-	-	-	-	-	-	-	(78)	(78)
Shares issued (net of transaction costs)	188	-	-	-	-	-	188	-	188
Purchase of treasury shares	(650)	-	-	-	-	-	(650)	-	(650)
Net issue of shares to employees	765	-	-	(765)	-	-	-	-	-
Share based payments	-	-	-	1,613	-	-	1,613	-	1,613
Balance at 31 December 2009	83,590	(16,620)	105	7,709	-	(2,058)	72,726	179	72,905

Statement of Cash Flows

For the Half-Year ended 31 December 2010

		Consolidated	
		31 December 2010	31 December 2009
	Note	$000	$000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		163,876	118,671
Payments to suppliers and employees (inclusive of GST)		(152,642)	(113,057)
Interest received		161	144
Finance costs		(644)	(231)
Income tax paid		(3,692)	(1,570)
Income tax refund		95	102
Net cash flows from operating activities		7,154	4,059
Cash flows from investing activities			
Purchase of plant and equipment		(1,561)	(1,058)
Payment for business assets acquired, net of cash acquired		(2,019)	(506)
Net cash flows used in investing activities		(3,580)	(1,564)
Cash flows from financing activities			
Proceeds from issue of shares		593	197
Payment of transaction costs relating to share issues		(20)	(9)
Repayment of borrowings		(3,057)	(6,395)
Dividends paid		(5,649)	-
Net cash flows used in financing activities		(8,133)	(6,207)
Net decrease in cash and cash equivalents		(4,559)	(3,712)
Net foreign exchange differences		(1,401)	(542)
Cash and cash equivalents at beginning of period		24,090	20,977
Cash and cash equivalents at end of period		18,130	16,723

Notes to the Financial Statements

For the Half-Year ended 31 December 2010

Note 1: Basis of Preparation and Accounting Policies

Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2010 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2010 and considered together with any public announcements made by Talent2 International Limited during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Note 2: Dividends

No interim dividend is proposed (2009: Nil).

A 100% franked dividend of 4.0c per share for the year ended 30 June 2010 was declared on 11 August 2010 and paid on 14 September 2010 (2009: Nil).

Note 3: Business Combination

Business acquired during the period

Origin HR Group Acquisition

On 23 July 2010 the consolidated entity acquired 100% of Origin Human Resources Pty Ltd and Origin HR Holdings Pty Ltd ("Origin HR Group"). The Origin HR Group is a leading provider of online vocational education and training to the financial services, banking, legal and accounting sectors. The purchase was satisfied by an initial cash payment of $1,910,000 and the issue of 521,139 ordinary shares at a fair value of A$1.38 each. Under the terms of the Share Purchase Agreement an earn-out is payable, calculated as a multiple of four times the 2011 (87.5%) and 2012 (12.5%) EBIT achieved. A liability of $17,200,000 has been recognised as at 31 December 2010. Any earn-out amount payable would be settled 60% in cash and 40% through the issue of shares.

Businesses acquired during the prior period

TOG Group Acquisition

On 30 September 2009 the consolidated entity acquired a further 10% interest in the TOG Group in accordance with the terms of the original share purchase agreement covering the acquisition of the TOG Group. The purchase was satisfied through a cash payment of $195,000. Total goodwill impact in the current period amounted to $117,000.

Other Acquisitions

Goodwill was adjusted for payments in relation to a business acquired in a prior reporting period, totalling $311,000.

Notes to the Financial Statements (continued)

Note 3: Business Combination (continued)

The consolidated entity has recognised the fair values of the identifiable assets and liabilities of the acquired business based upon the best information available as of the reporting date. Business combination accounting is as follows:

	Origin HR Group 2010 $000
The purchase price was allocated as follows:	
Shares issued, at fair value	720
Cash consideration	1,910
Contingent consideration liability	17,200
Purchase consideration	19,830
Assets and liabilities acquired at acquisition date:	
Cash	20
Trade and other receivables *	1,252
Plant & equipment	13
Deferred tax liabilities *	(524)
Tax liabilities *	(293)
Trade and other payables *	(232)
	236
Value attributable to identifiable intangible assets *	6,226
Goodwill on consolidation *	13,368
Total purchase consideration	19,830
The cash outflow on acquisition is as follows:	
Net cash acquired	20
Cash consideration	(1,910)
Net cash outflow	(1,890)

*These items are provisionally accounted as the acquisition accounting was not completed at the reporting date.

The consolidated statement of comprehensive income includes revenue and net profit for the period ended 31 December 2010 of $2,306,000 and $1,569,000 respectively, as a result of the acquisition of the Origin HR Group. Had the acquisition occurred at the beginning of the reporting period, the consolidated statement of comprehensive income would have included revenue and profit of $2,491,000 and $1,680,000 respectively. Acquisition costs directly relating to the acquisition amount to $72,000.

The contingent consideration liability is recorded as a current liability under trade and other payables ($14,800,000) and as a non-current liability under other payables ($2,400,000).

Goodwill includes the synergies and growth potential associated with the acquired business.

Notes to the Financial Statements (continued)

Note 4: Operating Segments

Identification of reportable segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by the Board based on the manner in which the nature of the services is provided. Discrete financial information about each of these operating businesses is reported to the Board at each Board meeting.

Types of services

Managed Services

The Managed Services segment includes Recruitment Process Outsourcing services (RPO), outsourced payroll and Human Resources Information Systems (HRIS), managed learning and training services, and specialised human resource consulting services.

Recruitment Services

The Recruitment segment encompasses executive search and selection consulting services. The consolidated entity offers a full range of solutions, from permanent staff recruitment and executive contracting to executive and board search.

Accounting policies and inter-segment transactions

The accounting policies used by the consolidated entity in reporting segments internally are the same as those contained in note 1 to the accounts and in the prior period.

The following items are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Finance costs
- Income tax expense

Notes to the Financial Statements (continued)

Note 4: Operating Segments (continued)

The following table presents revenue and profit information for reportable segments for the half-years ended 31 December 2010 and 31 December 2009.

	Managed Services		Recruitment Services		Total of Segments		Unallocated Interest		Eliminations		Consolidated Entity	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Sales revenue												
External sales	87,441	58,910	60,283	49,825	147,724	108,735	160	144	-	-	147,884	108,879
Inter-segment sales	240	340	383	683	623	1,023	-	-	(623)	(1,023)	-	-
Total revenue	87,681	59,250	60,666	50,508	148,347	109,758	160	144	(623)	(1,023)	147,884	108,879
Cost of rendering of services												
External sales	(30,763)	(15,557)	(23,820)	(21,381)	(54,583)	(36,938)	-	-	-	-	(54,583)	(36,938)
Inter-segment sales	(37)	(145)	(39)	(32)	(76)	(177)	-	-	76	177	-	-
Gross profit	56,881	43,548	36,807	29,095	93,688	72,643	160	144	(547)	(846)	93,301	71,941
EBITDA	9,862	6,113	3,115	1,966	12,977	8,079	-	-	-	-	12,977	8,079
Depreciation	(1,031)	(934)	(502)	(697)	(1,533)	(1,631)	-	-	-	-	(1,533)	(1,631)
Amortisation	(4,108)	(1,905)	(141)	(540)	(4,249)	(2,445)	-	-	-	-	(4,249)	(2,445)
EBIT/Segment results	4,723	3,274	2,472	729	7,195	4,003	-	-	-	-	7,195	4,003
Reconciliation of segment EBIT to profit before income tax												
Interest income											160	144
Interest expense											(644)	(231)
Profit before income tax per the statement of comprehensive income											6,711	3,916

Note 5: Commitments and Contingencies

During the year the Australian Tax Office (ATO) conducted a Comprehensive Review of the Group's income tax affairs. As a consequence of the review the ATO identified certain risks that it felt needed to be examined through an audit process. The audit process has now commenced. The ultimate outcome of the audit cannot be determined with an acceptable degree of reliability at this time. At this time it has been estimated that the potential liability associated with the risks identified could be in the range of zero to an amount less than four million dollars excluding penalties and interest. The Group has been advised that it is possible, but not probable, that a liability will eventuate, and accordingly no provision for any liability has been recognised in these financial statements.

Note 6: 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 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

In accordance with a resolution of the directors of Talent2 International Limited, I state that:

In the opinion of the directors:

(a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the financial position as at 31 December 2010 and the performance for the half-year ended on that date of the consolidated entity.

(ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

(b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the board

Chairman

Ken Allen AM

Dated 9 February 2011

ERNST & YOUNG

Independent auditor's review report to members of Talent2 International Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Talent2 International Limited, which comprises the statement of financial position as at 31 December 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the half-year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 Engagements ASRE 2410 *Review of 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 2010 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 and the entities it controlled during the half-year, 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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:

i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half year ended on that date; and

ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Ernst & Young

Gregory J Logue
Partner
Sydney
9 February 2011