



## Talent2 – Results Announcement

### On Track for a Record Year

### Results for the six months ended 31 December 2010

|                     |                   |
|---------------------|-------------------|
| <b>Revenue</b>      | A\$147.9m, up 36% |
| <b>Gross Profit</b> | A\$93.3m, up 30%  |
| <b>EBITDA</b>       | A\$13.0m, up 61%  |

The directors of Talent2 International Limited (ASX: TWO) today reported the Company's results for the six months to 31 December 2010.

The Company reported the following, compared to the previous corresponding period:

|                         |                    |
|-------------------------|--------------------|
| <b>Revenue</b>          | A\$147.9m, up 36%  |
| <b>Gross Profit</b>     | A\$93.3m, up 30%   |
| <b>EBITDA</b>           | A\$13.0m, up 61%   |
| <b>Profit after Tax</b> | A\$3.4m, up 85%    |
| <b>EPS</b>              | 2.43 cents, up 66% |
| <b>Net Debt</b>         | A\$8.5m            |

"We are pleased to report that we are on track for a record year in terms of both revenue and profitability," said John Rawlinson, Talent2's Chief Executive Officer. "Our Managed Services businesses delivered a solid result as growth resumed to levels that were seen prior to the Global Financial Crisis (GFC), and our Recruitment business reported extremely strong growth whilst it continued to invest in additional resources to meet demand."

"As we head into our eighth year of operation, we note that revenues are up from A\$16m in 2003 and are now tracking at over A\$300m on an annualised basis," noted Rawlinson.

"Our businesses based outside Australia and New Zealand resumed their pre GFC trajectory **reporting revenue growth of 85%**. Those businesses now comprise 33% of our total revenue," said Andrew Banks, Talent2's Managing Director, "and with our **operations outside Australia covering some 20 countries** it is reasonable to expect the growth in our offshore revenue and profit to continue as a proportion of the total business."



"The Managed Services businesses reported a 48% growth in Revenue, and 61% growth in EBITDA, and organically grew Revenue 26% and EBITDA 24%," said Rawlinson. "Importantly, we are starting to see both the benefits of our global alliances contributing to this result as well as the benefits arising from the acquisitions we have made over the last year."

Rawlinson added, "The Recruitment business reported Revenue up 20% and EBITDA up 58%. To capitalise on the continued buoyancy in the market for recruitment services, we have increased consultant headcount by 25%."

The cash position remains strong with A\$18.1m in the bank at 31 December 2010. Net debt is A\$8.5m, compared to A\$8.3m at 30 June 2010. The Company repaid foreign debt amounting to A\$3.1m in the six months, and distributed A\$5.6m by way of a dividend.

Basic earnings per share increased to 2.43c from 1.46c in the corresponding period. Adjusted earnings per share (after allowing for the tax affected amortisation of intangibles arising from business acquisitions) increased by 60% to 4.25c, from 2.65c.

**Talent2 continues to be one of the few opportunities for Australian investors to gain exposure to the combined fast growth stories across Asia and various developing countries, as well as Human Resources Business Process Outsourcing (HRBPO), which is rapidly becoming a common choice for organisations in these markets, as well as in more mature economies like Australia, where efficiencies rather than growth are the imperative.**

### **About Talent2**

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 Business Process Outsourcing (HRBPO) business.

Talent2 is leading the region in executive recruitment, HRBPO and technology. It is focused on providing integrated HR solutions that are innovative and effective. Talent2 helps its clients to 'Acquire, Manage and Optimise' their talent so that they can focus on growing their businesses.

Talent2 has offices across Australia, Bahrain, China, Hong Kong, Singapore, India, Japan, Malaysia, Taiwan, Thailand, Vietnam, Philippines, New Zealand, Oman, Papua New Guinea, the UAE, and the UK to serve its extensive client base of blue-chip multi-nationals and public sector organisations.

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

**Contents**

Results for Announcement to the Market

Half Year Interim Report

## 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***

***talent<sup>2</sup>***

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

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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

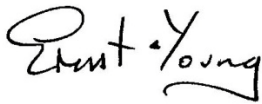


**Ken Allen AM**

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.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Gregory J Logue'.

Gregory J Logue  
Partner  
Sydney  
9 February 2011

## Statement of Financial Position

As at 31 December 2010

|   | Consolidated        |                 |
|---|---------------------|-----------------|
|   | 31 December<br>2010 | 30 June<br>2010 |
|   | \$000               | \$000           |
| <b>Assets</b>                                       |                     |                 |
| <b>Current Assets</b>                               |                     |                 |
| Cash and cash equivalents                           | 18,130              | 24,090          |
| Trade and other receivables                         | 46,177              | 44,487          |
| Other current assets                                | 6,587               | 6,428           |
| <b>Total Current Assets</b>                         | <b>70,894</b>       | <b>75,005</b>   |
| <b>Non-Current Assets</b>                           |                     |                 |
| Plant and equipment                                 | 6,968               | 7,330           |
| Deferred tax assets                                 | 2,025               | 1,321           |
| Intangible assets                                   | 105,046             | 93,038          |
| <b>Total Non-Current Assets</b>                     | <b>114,039</b>      | <b>101,689</b>  |
| <b>Total Assets</b>                                 | <b>184,933</b>      | <b>176,694</b>  |
| <b>Liabilities</b>                                  |                     |                 |
| <b>Current Liabilities</b>                          |                     |                 |
| 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           |
| <b>Total Current Liabilities</b>                    | <b>62,029</b>       | <b>46,816</b>   |
| <b>Non-Current Liabilities</b>                      |                     |                 |
| Interest-bearing borrowings                         | 24,890              | 30,457          |
| Long-term provisions                                | 769                 | 758             |
| Other payables                                      | 2,400               | -               |
| <b>Total Non-Current Liabilities</b>                | <b>28,059</b>       | <b>31,215</b>   |
| <b>Total Liabilities</b>                            | <b>90,088</b>       | <b>78,031</b>   |
| <b>Net Assets</b>                                   | <b>94,845</b>       | <b>98,663</b>   |
| <b>Equity</b>                                       |                     |                 |
| 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)        |
| <b>Parent interests</b>                             | <b>94,238</b>       | <b>98,539</b>   |
| Non-controlling interests                           | 607                 | 124             |
| <b>Total Equity</b>                                 | <b>94,845</b>       | <b>98,663</b>   |
| 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<br>2010 | 31 December<br>2009 |
|   | \$000               | \$000               |
| <b>Revenue</b>  | <b>147,884</b>      | <b>108,879</b>      |
| 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)               |
| <b>Gross Profit</b>   | <b>93,301</b>       | <b>71,941</b>       |
| 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)             |
| <b>Profit Before Income Tax</b>                               | <b>6,711</b>        | <b>3,916</b>        |
| Income tax expense  | (2,791)             | (2,007)             |
| <b>Net Profit For The Period</b>                              | <b>3,920</b>        | <b>1,909</b>        |
| <b>Other Comprehensive Income</b>                             |                     |                     |
| Foreign currency translation                                  | (4,225)             | (511)               |
| Other comprehensive income for the period, net of tax         | (4,225)             | (511)               |
| <b>Total Comprehensive Income for the Period</b>              | <b>(305)</b>        | <b>1,398</b>        |
| 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               |                    |                          |                        |                               |                          |                      |                          | Total         |
|---|------------------------|--------------------|--------------------------|------------------------|-------------------------------|--------------------------|----------------------|--------------------------|---------------|
|   | Share Capital Ordinary | Accumulated Losses | Capital Profits Reserves | Equity Incentive Plans | Dividend Distribution Reserve | Foreign Exchange Reserve | Owners of the Parent | Non-Controlling Interest |               |
|   | \$000                  | \$000              | \$000                    | \$000                  | \$000                         | \$000                    | \$000                | \$000                    | \$000         |
| <b>Balance at 1 July 2010</b>                               | <b>101,619</b>         | <b>(18,368)</b>    | <b>105</b>               | <b>9,703</b>           | <b>5,643</b>                  | <b>(163)</b>             | <b>98,539</b>        | <b>124</b>               | <b>98,663</b> |
| Profit for the period                                       | -                      | 3,437              | -                        | -                      | -                             | -                        | 3,437                | 483                      | 3,920         |
| Other comprehensive income                                  | -                      | -                  | -                        | -                      | -                             | (4,225)                  | (4,225)              | -                        | (4,225)       |
| <b>Total comprehensive income for the half year</b>         | <b>-</b>               | <b>3,437</b>       | <b>-</b>                 | <b>-</b>               | <b>-</b>                      | <b>(4,225)</b>           | <b>(788)</b>         | <b>483</b>               | <b>(305)</b>  |
| <b>Transactions with owners in their capacity as owners</b> |                        |                    |                          |                        |                               |                          |                      |                          |               |
| 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)       |
| <b>Balance at 31 December 2010</b>                          | <b>102,732</b>         | <b>(14,937)</b>    | <b>105</b>               | <b>10,726</b>          | <b>-</b>                      | <b>(4,388)</b>           | <b>94,238</b>        | <b>607</b>               | <b>94,845</b> |
| <b>Balance at 1 July 2009</b>                               | <b>83,287</b>          | <b>(18,476)</b>    | <b>105</b>               | <b>6,861</b>           | <b>-</b>                      | <b>(1,547)</b>           | <b>70,230</b>        | <b>204</b>               | <b>70,434</b> |
| Profit for the period                                       | -                      | 1,856              | -                        | -                      | -                             | -                        | 1,856                | 53                       | 1,909         |
| Other comprehensive income                                  | -                      | -                  | -                        | -                      | -                             | (511)                    | (511)                | -                        | (511)         |
| <b>Total comprehensive income for the half year</b>         | <b>-</b>               | <b>1,856</b>       | <b>-</b>                 | <b>-</b>               | <b>-</b>                      | <b>(511)</b>             | <b>1,345</b>         | <b>53</b>                | <b>1,398</b>  |
| <b>Transactions with owners in their capacity as owners</b> |                        |                    |                          |                        |                               |                          |                      |                          |               |
| 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         |
| <b>Balance at 31 December 2009</b>                          | <b>83,590</b>          | <b>(16,620)</b>    | <b>105</b>               | <b>7,709</b>           | <b>-</b>                      | <b>(2,058)</b>           | <b>72,726</b>        | <b>179</b>               | <b>72,905</b> |

## Statement of Cash Flows

For the Half-Year ended 31 December 2010

|  | Note | Consolidated     |                  |
|--|------|------------------|------------------|
|  |      | 31 December 2010 | 31 December 2009 |
|  |      | \$000            | \$000            |
| <b>Cash flows from operating activities</b>                |      |                  |                  |
| 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              |
| <b>Net cash flows from operating activities</b>            |      | <b>7,154</b>     | <b>4,059</b>     |
| <b>Cash flows from investing activities</b>                |      |                  |                  |
| Purchase of plant and equipment                            |      | (1,561)          | (1,058)          |
| Payment for business assets acquired, net of cash acquired |      | (2,019)          | (506)            |
| <b>Net cash flows used in investing activities</b>         |      | <b>(3,580)</b>   | <b>(1,564)</b>   |
| <b>Cash flows from financing activities</b>                |      |                  |                  |
| 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)          | -                |
| <b>Net cash flows used in financing activities</b>         |      | <b>(8,133)</b>   | <b>(6,207)</b>   |
| 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           |
| <b>Cash and cash equivalents at end of period</b>          |      | <b>18,130</b>    | <b>16,723</b>    |

## 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<br>Group |
|--|--------------------|
|  | 2010<br>\$000      |
| The purchase price was allocated as follows:           |                    |
| Shares issued, at fair value                           | 720                |
| Cash consideration                                     | 1,910              |
| Contingent consideration liability                     | 17,200             |
| <b>Purchase consideration</b>                          | <b>19,830</b>      |
| 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)              |
|  | <b>236</b>         |
| Value attributable to identifiable intangible assets * | 6,226              |
| Goodwill on consolidation *                            | 13,368             |
| <b>Total purchase consideration</b>                    | <b>19,830</b>      |
| The cash outflow on acquisition is as follows:         |                    |
| Net cash acquired                                      | 20                 |
| Cash consideration                                     | (1,910)            |
| <b>Net cash outflow</b>                                | <b>(1,890)</b>     |

\*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          |
| <b>Sales revenue</b>  |                  |               |                      |               |                   |                |                      |            |              |                |                     |                |
| 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)        | -                   | -              |
| <b>Total revenue</b>  | <b>87,681</b>    | <b>59,250</b> | <b>60,666</b>        | <b>50,508</b> | <b>148,347</b>    | <b>109,758</b> | <b>160</b>           | <b>144</b> | <b>(623)</b> | <b>(1,023)</b> | <b>147,884</b>      | <b>108,879</b> |
| <b>Cost of rendering of services</b>                                      |                  |               |                      |               |                   |                |                      |            |              |                |                     |                |
| 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            | -                   | -              |
| <b>Gross profit</b>   | <b>56,881</b>    | <b>43,548</b> | <b>36,807</b>        | <b>29,095</b> | <b>93,688</b>     | <b>72,643</b>  | <b>160</b>           | <b>144</b> | <b>(547)</b> | <b>(846)</b>   | <b>93,301</b>       | <b>71,941</b>  |
| <b>EBITDA</b>   | <b>9,862</b>     | <b>6,113</b>  | <b>3,115</b>         | <b>1,966</b>  | <b>12,977</b>     | <b>8,079</b>   | -                    | -          | -            | -              | <b>12,977</b>       | <b>8,079</b>   |
| 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)        |
| <b>EBIT/Segment results</b>   | <b>4,723</b>     | <b>3,274</b>  | <b>2,472</b>         | <b>729</b>    | <b>7,195</b>      | <b>4,003</b>   | -                    | -          | -            | -              | <b>7,195</b>        | <b>4,003</b>   |
| Reconciliation of segment EBIT to profit before income tax                |                  |               |                      |               |                   |                |                      |            |              |                |                     |                |
| Interest income   |                  |               |                      |               |                   |                |                      |            |              |                | 160                 | 144            |
| Interest expense  |                  |               |                      |               |                   |                |                      |            |              |                | (644)               | (231)          |
| <b>Profit before income tax per the statement of comprehensive income</b> |                  |               |                      |               |                   |                |                      |            |              |                | <b>6,711</b>        | <b>3,916</b>   |

### 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 significantly 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

## 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.

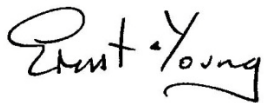
### Independence

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.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Gregory J Logue' in a cursive style.

Gregory J Logue  
Partner  
Sydney  
9 February 2011