



Powering ahead

People to the power of 2

Around the world, the workplace is undergoing fundamental change. The arrival of new technologies, emerging markets, changing legislation and a host of other variables are re-shaping and transforming the skill sets and employment structures that businesses need to sustain a competitive edge. In this increasingly challenging environment, inspired people are the lifeblood of organisations that thrive. Talent2's expertise is to multiply the power and productivity of people, to propel their careers and create success for the businesses in which they work.

Talent2 is the leading Human Resources Business Process Outsourcing (HR BPO) organisation in Asia Pacific. Through our four business offerings of HR Advisory, Payroll, Recruitment and Learning, we provide our global client base with a comprehensive portfolio of end-to-end talent management solutions from over 40 offices in 18 countries across Asia Pacific, the Middle East, UK and the USA.

Business review	1
Chairman's report	10
Chief Executive Officer and Managing Director's report	12
Giving back	15
Financial statements	16
Corporate directory	20

Strength in numbers

In a challenging period for the global economy, Talent2's robust business model and geographical spread resulted in a record year on all key measures. EBITDA increased by 41% from \$19.8 million to \$28.0 million,* on revenue of \$306.1 million, growth of 26%. The Managed Services business continued its strong growth with EBITDA up by 74%. Revenue in the Recruitment Managed Services business grew by 57%. Revenue from our operations in Asia more than doubled and now represents close to 20% of total revenue. With a larger order book than the same time last year, Talent2 is well positioned to benefit from the upside as more of our businesses achieve scale and full margin potential in 2012.

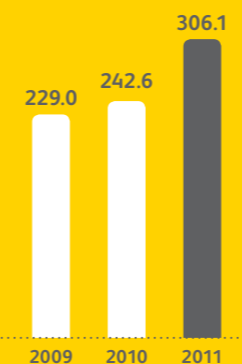
	FY 2011	FY 2010	Growth
Revenue	\$306.1m	\$242.6m	26%
Gross profit	\$194.0m	\$156.5m	24%
Reported EBITDA	\$30.0m	\$19.8m	52%
Reported return on gross profit	15.5%	12.7%	22%
Normalised EBITDA*	\$28.0m	\$19.8m	41%
Normalised return on gross profit	14.4%	12.7%	13%
Reported earnings after tax	\$10.7m	\$5.8m	85%
Reported EPS (cents)	7.2c	4.4c	64%
Adjusted earnings after tax^	\$14.3m	\$9.8m	46%
Adjusted EPS^ (cents)	10.1c	7.4c	37%

* Excluding \$2.0m acquisition purchase price adjustment.

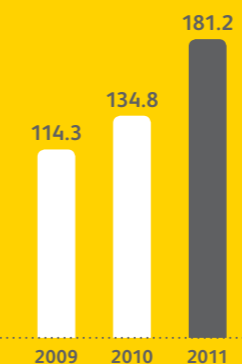
^ Adjusted for the amortisation of acquired intangibles under AIFRS, an acquisition purchase price adjustment, and the impairment charge, tax affected.

Revenue

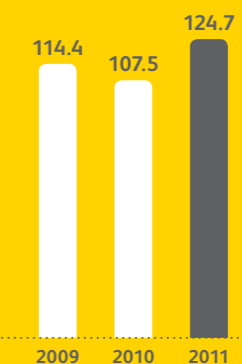
Group (\$m)



Managed Services (\$m)

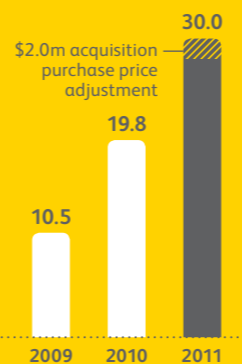


Recruitment (\$m)

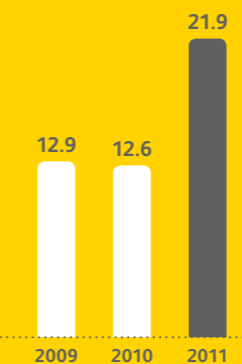


EBITDA

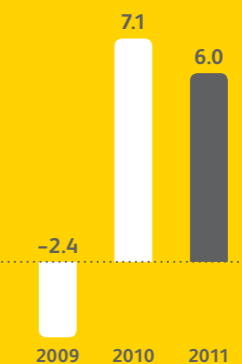
Group (\$m)



Managed Services (\$m)

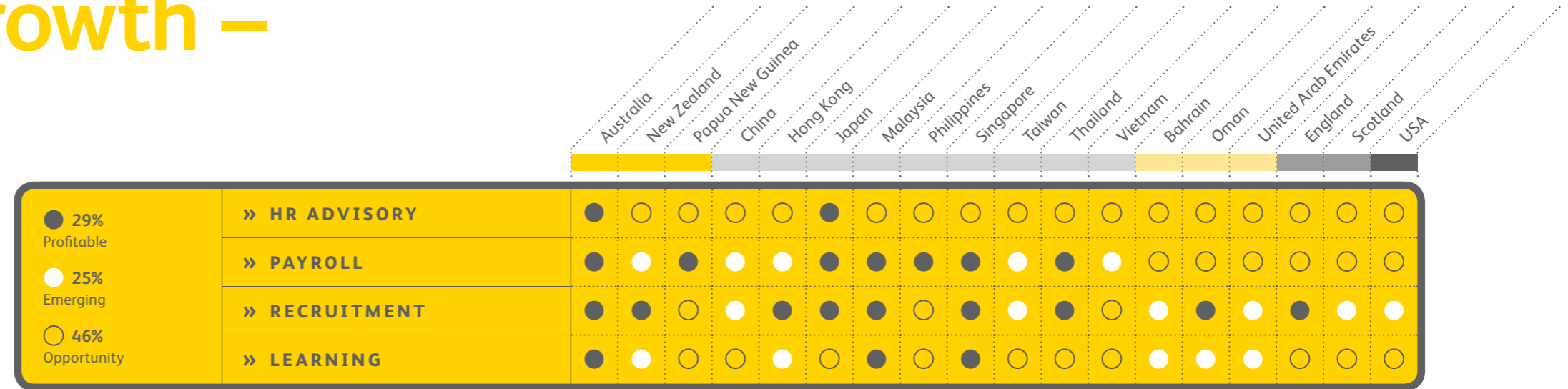


Recruitment (\$m)



Accelerating growth – huge upside!

As more and more clients recognise the benefits of purchasing multiple HR services from a single provider, Multi-Process HR Outsourcing (MP HRO) has grown rapidly to a global business of over \$300 billion with a further 5% growth forecast by 2015. Currently, Talent2 provides its offerings to a client base comprising over 1,000 multinationals and major businesses along with more than 2,000 Small and Medium Enterprises (SMEs). Our unique business model, with its simplified structure of end-to-end talent management solutions delivered through the four business offerings of HR Advisory, Payroll, Recruitment and Learning, provides us with a solid platform for growth. In the year ahead, we will increase our presence on a global scale as our clients contract to use more of our business offerings and we take the opportunity to extend our relationships across new geographies.



Year's highlights

The global trend to outsource recruitment continues as strong revenue growth is achieved across Asia.

Major Learning BPO contracts awarded by a global agribusiness and leading Australian utilities company.

Our next generation trans regional, multilingual, multi-currency platform for payroll is on track to deliver low cost payroll services across Asia Pacific.

Integration of the Sugar and Origin HR businesses delivering results.

Partnerships with Allegis, Ceridian, Cornerstone and others perform strongly with multiple contracts awarded.

Our offerings

HR Advisory

- HR Review & Audit
- Workforce Planning Review
- Workforce Analytics
- Workforce Strategy
- HR Consulting

Learning

- Consulting & Strategy
- Learning Development
- Learning Delivery
- Learning Administration
- Career Transition & Redeployment Services
- Technology Solutions
- Assessment Products & Training
- Accredited Training & Assessment



Payroll

- Payroll
- Time & Attendance
- HR Management Services
- Other Services

Recruitment & Managed Services

- Board & 'C'-Level Search
- Executive & Specialist Recruitment
- Contracting & Interim Management
- Project Recruitment & Associated Services
- Recruitment Managed Services
- Employer Marketing
- Assessment & Selection
- Managed Service Provision



“

We're here to help our clients multiply the power and productivity of their people.

Igniting the brand

Over the past eight years Talent2 has built a powerful brand, initially in its home markets and more recently in Asia. Now as the leading HR BPO organisation in Asia Pacific we are positioned to take Talent2's valuable geographic footprint and brand equity to the next level.

This year we completed a critical project to develop a brand strategy that positions the four business offerings of our organisation under one brand. We have changed our visual identity and defined a renewed client focus for the expression of our business that redefines our proposition and creates powerful messaging.

This is being communicated in a consistent and clear voice to the global markets in which we operate today.

We have defined the essence of our brand as *People First*. We are a people oriented business. Success and profit flows from putting our people and our clients first in everything we do.

Our brand essence is contained within the expression: *People to the power of 2*. This represents the power created by our people, our clients and the candidates we introduce to them, all working together to achieve extraordinary results.

CHAIRMAN'S REPORT

Generating global growth

This has been an exceptional 12 months for Talent2. Significantly, our record result has been achieved in a global business environment that became increasingly challenging for many of our clients as the year progressed.

Under these circumstances, our strong revenue and profit growth underscores the fact that in both good times and bad, the search for talent remains a high management priority. Notwithstanding the varying degrees of economic upheaval in different regions around the world, optimising the management of existing talent remains a primary focus for businesses across the board.

Asia Pacific

With our market leading position in Asia Pacific, we are ideally placed for further growth in the world's fastest developing region. The strength of the Talent2 business model based on the delivery of our product offerings through the four core business offerings of HR Advisory, Payroll, Recruitment and Learning is proving to be truly the right model for the times. Talent2 now provides multiple services from this Multi-Process HR

Outsourcing (MP HRO) model to clients throughout the region. It is this platform, in combination with the opportunities provided by our channel partners, that enables us to source and add further global clients to a client list that already includes world-leading multinationals along with a number of Asia Pacific's fast-growing regional companies and SMEs.

We have also focused our marketing efforts by delivering clarity around our four core business offerings and presenting them in a way that clearly establishes the Talent2 brand.

Management

While Talent2 has performed strongly, this is not to say our world has not been without its difficulties and risks. It would be all too easy to blame events such as the GFC and the tragic natural disasters that occurred during this year for lapses in business performance.

Our immediate downsizing at the outset of the GFC and the subsequent re-building last year laid the foundations for a record result. In achieving substantial increases in revenue, we have also managed costs in a way that is a great compliment to our management. I would also like to commend our people who were on the ground during the tragic natural disasters that occurred in Japan, Australia and New Zealand. Their resilience and ability to simply get down to the business of restoring their services and supporting the affected business communities has been exemplary. I am very proud of our organisation and the commitment of all our staff.

The Board

As the business grows and our market share in Asia Pacific continues to increase, we are confident that our Board reflects both gender and regional diversity.

In line with our practice of paying between 50% - 70% of adjusted EPS, we have declared a dividend of 5.5 cents per share, 100% franked.

While the global economic outlook remains challenging, we expect our regional Payroll and outsourcing platforms to become increasingly more valuable as the size and expansion of the multi-billion dollar Business Process Outsourcing market in the Asia Pacific region continues to drive our growth into the future.



Ken Allen AM Chairman



“

We are ideally placed for further growth in the world's fastest developing region.

CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR'S REPORT

Transforming the organisation

2011 proved to be a transforming year for Talent2. With our Human Resources Business Processing Outsourcing (HR BPO) platform well established, we focused on the 'build out' phase of the four offerings of our business model. New businesses were opened, acquisitions completed and new global channel partnerships initiated as we made significant progress towards our goal of being Asia Pacific's pre-eminent provider of talent management solutions by 2015.

The operating environment, while somewhat patchy, was characterised by continuing improvements in post-GFC performance in the majority of our markets. In Australia, the mining boom kicked back in with increasing investment in infrastructure. Asia rebounded strongly, resuming its steep growth trajectory.

During the course of the year a number of our businesses and those of our clients were disrupted by a series of natural disasters that were as devastating as they were unexpected. The Christchurch earthquake, the Queensland floods, the earthquake and tsunami in Japan all had far-reaching consequences. Talent2 has people on the ground in each of the affected areas and we are exceptionally proud of how they

rallied and responded to the needs of our clients and their communities during such traumatic events.

A record year

While Talent2 has posted a record result for the year, our business model has by no means achieved its full potential. Revenue at A\$306.1 million is up 26% and Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) at A\$28.0 million* is up 41% on the 2010 figures. Overall this was a solid result. However it does not fully reflect the earnings growth we anticipated. In the year ahead the strength of our presence in Asia, where growth projections far outstrip those of the USA and Europe, promises to deliver increased earnings across our four business offerings.

Growing with our clients

The Human Resources Outsourcing (HRO) sector continues to demonstrate sustained growth created by organisations' urgent need to adapt to the challenging new world of volatile markets, transforming technologies and competitive cost pressures. We've entered an era where talent management is now firmly placed at the top of the agenda for most organisations and is widely recognised as the key to competitive advantage. Throughout the year Talent2 demonstrated its unique capacity to fulfil the rapidly evolving needs of its clients in both the mature and developing HRO markets.



“

We've entered an era where talent management is placed firmly at the top of the agenda for most organisations.

Andrew Banks Managing Director + John Rawlinson Chief Executive Officer

Major progress was made through our 'Trusted Partner' program where we are successfully engaging clients such as Standard Chartered in extended services in additional geographies. We now have one or more of our four business offerings established in 18 countries around the world providing the necessary platform to substantially grow our on the ground presence in all our markets over the next few years. Currently we have over 4,000 clients, and the majority of these buy only one service line. The impact that more clients buying more product offerings will have on future EBITDA is plain to see.

Opportunities in Asia

Asia continues to provide a massive growth engine for our business. As more and more multinationals are moving out of their low-growth home environments into the high-growth markets of the region, the demand for our full suite of end-to-end talent management solutions increases. In addition, we are seeing that the emergence of strong regional businesses and the growing strength and sophistication of the Chinese domestic market is creating new opportunities for each of our business streams.

* Excluding \$2.0m acquisition purchase price adjustment.

“

Talent2 is now well established as the major outsourcing brand in Asia Pacific and we are ideally positioned for further expansion.

The successful integration of the Singapore-based Zapper business (acquired in January 2010) has enabled us to develop a multi-country, multi-language outsourced payroll service across multiple locations throughout the region. This has added over 2,000 SMEs to our Asian client base.

In addition to organic growth and through acquisitions, channel partnerships continue to play an important role in extending the breadth of the services we offer our client base.

These relationships include world class partners such as Allegis in Recruitment Managed Services, Ceridian in Payroll and Cornerstone in Learning Management Systems. The combination of their rich Northern Hemisphere client base and our comprehensive geographic footprint makes for a potent combination of services for our joint clients.

Talent2 is now well established as the major outsourcing brand in Asia Pacific. With a 24% share of the MP HRO market, we are ideally positioned for further expansion in what is well documented as the fastest growing region in the world. While the business' offshore revenues are moving towards 40%, this in no way reflects any weakening in our home markets. In fact thanks to the relative strength of the Australian economy, new developments in oil and gas and the critical skill shortages that are beginning to emerge, there is still immense potential for further growth across all our business streams. This year the acquisition of the online training company Origin HR together with the integration of Sugar has further consolidated our position in the fast growing vocational education space.

People to the power of 2

As today's businesses strive to survive and thrive in a constantly changing environment, opportunities and threats can present themselves in the blink of an eye. The organisations that do best have the flexibility to react instantly and decisively to the situation in front of them. At Talent2 we believe that being prepared is the single biggest strength for any enterprise in the 21st Century and people provide the key.

Today Talent2's future is in the hands of our 1,700 talented and passionate people located in over 40 offices in 18 countries around the world. Our future success is underwritten by their ability to enable our clients to attract the right people, manage them, develop their potential and maximise their productivity and sense of fulfilment: *People to the power of 2.*



John Rawlinson Chief Executive Officer



Andrew Banks Managing Director

Giving back

At Talent2 we are passionate about our opportunity to make a positive difference to our world.

Shared values

Creating shared value for all is a fundamental part of the way we do business. As a corporate citizen we aim to practice what we preach by making a practical contribution through 'giving back' to society and caring for the environment in accordance with our philosophy of 'People First'. From the Board down, Talent2 is committed to the implementation of a Corporate Social Responsibility (CSR) policy that will achieve these objectives and function as a force of betterment around the world.

The Talent2 Foundation

The Talent2 Foundation has been established to drive our philanthropic mission through the provision of a co-ordinated approach to all our charitable activities. Through the Foundation, Talent2 is focused on charitable support for not-for-profits in three sectors that are aligned with our values and service offerings:

- » children and youth services (with a focus on education)
- » job skills and training
- » job creation in disaster recovery

Currently the Foundation is working across the Australian business, with additional committees planned for other countries in the year ahead.



Statement of financial position – consolidated entity

As at 30 June 2011

	2011 \$000	2010 \$000
Assets		
Current Assets		
Cash and cash equivalents	20,595	24,090
Trade and other receivables	61,749	44,487
Other current assets	6,163	6,428
Total Current Assets	88,507	75,005
Non-Current Assets		
Plant and equipment	6,891	7,330
Deferred tax assets	3,744	1,744
Intangible assets	101,611	93,714
Total Non-Current Assets	112,246	102,788
Total Assets	200,753	177,793
Liabilities		
Current Liabilities		
Trade and other payables	43,443	29,977
Unearned income	6,999	6,713
Interest-bearing borrowings	2,811	1,908
Current tax liabilities	6,164	4,580
Short-term provisions	6,561	4,737
Total Current Liabilities	65,978	47,915
Non-Current Liabilities		
Other payables	5,000	-
Interest-bearing borrowings	21,997	30,457
Long-term provisions	845	758
Total Non-Current Liabilities	27,842	31,215
Total Liabilities	93,820	79,130
Net Assets	106,933	98,663
Equity		
Equity Attributable to Equity Holders of the Parent		
Issued capital	106,040	101,619
Reserves	16,381	15,288
Accumulated losses	(16,170)	(18,368)
Parent Interests	106,251	98,539
Non-controlling interests	682	124
Total Equity	106,933	98,663

Statement of comprehensive income – consolidated entity

For the financial year
ended 30 June 2011

	2011 \$000	2010 \$000
Revenue	306,138	242,591
Cost of rendering of services:		
On hired labour and advertising costs	(54,823)	(46,786)
Outsourced services	(56,723)	(37,591)
Distributor commissions and licence fees	(640)	(1,710)
Gross Profit	193,952	156,504
Other income	2,011	9
Employee benefits expense	(137,043)	(111,182)
Operating lease rental expense	(15,314)	(13,878)
Advertising and marketing expense	(2,770)	(1,830)
Depreciation of plant and equipment	(3,031)	(3,206)
Amortisation of acquired intangible assets	(6,780)	(5,061)
Amortisation of software development	(1,798)	(492)
Impairment of acquired assets	(1,200)	-
Acquisition costs	(264)	(359)
Finance costs	(1,088)	(739)
Other expenses	(10,340)	(9,214)
Profit Before Income Tax	16,335	10,552
Income tax expense	(5,620)	(4,763)
Net Profit for the year	10,715	5,789
Other Comprehensive Income		
Foreign currency translation	(4,318)	1,384
Other comprehensive (loss)/income for the year, net of tax	(4,318)	1,384
Total Comprehensive Income for the year	6,397	7,173
Profit for the year is attributable to:		
Non-controlling interest	558	38
Owners of the parent	10,157	5,751
	10,715	5,789
Total Comprehensive Income for the year is attributable to:		
Non-controlling interest	558	38
Owners of the parent	5,839	7,135
	6,397	7,173
Earnings per share for profit attributable to the ordinary equity holders of the parent:		
Basic EPS (cents per share)	7.15c	4.36c
Diluted EPS (cents per share)	6.86c	4.16c

Cash flow statement – consolidated entity

For the financial year ended 30 June 2011

	2011 \$000	2010 \$000
Cash Flows From Operating Activities		
Receipts from clients (inclusive of GST)	318,041	255,226
Payments to suppliers and employees (inclusive of GST)	(298,377)	(241,239)
Interest received	274	287
Finance costs	(1,088)	(739)
Income tax paid	(6,931)	(3,791)
Income tax refund	164	229
Net cash flows from Operating Activities	12,083	9,973
Cash Flows from Investing Activities		
Proceeds from sale of plant and equipment	–	39
Purchases of plant and equipment	(3,096)	(2,169)
Purchases of intangible assets	(189)	–
Payment for business assets acquired, net of cash acquired	(1,972)	(19,216)
Net cash flows used in Investing Activities	(5,257)	(21,346)
Cash Flows From Financing Activities		
Proceeds from issues of shares	1,543	1,428
Payment of transaction costs relating to share issues	(39)	(60)
Proceeds from borrowings	8	23,122
Repayment of borrowings	(4,552)	(10,394)
Dividends paid	(5,649)	–
Net cash flows (used in)/from Financing Activities	(8,689)	14,096
Net (decrease)/increase in cash and cash equivalents	(1,863)	2,723
Net foreign exchange differences	(1,632)	390
Cash and cash equivalents at beginning of the financial year	24,090	20,977
Cash at and cash equivalents at end of the financial year	20,595	24,090

Operating segment information

For the financial year ended 30 June 2011

	Managed Services		Recruitment Services		Total of Segments		Unallocated Interest/Other Income*		Eliminations		Consolidated Entity	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000	2011 \$000	2010 \$000	2011 \$000	2010 \$000	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Sales revenue												
External sales	181,205	134,824	124,659	107,480	305,864	242,304	274	287	–	–	306,138	242,591
Inter-segment sales	426	288	1,201	757	1,627	1,045	–	–	(1,627)	(1,045)	–	–
Total revenue	181,631	135,112	125,860	108,237	307,491	243,349	274	287	(1,627)	(1,045)	306,138	242,591
Cost of rendering of services												
External sales	(61,808)	(42,342)	(50,378)	(43,745)	(112,186)	(86,087)	–	–	–	–	(112,186)	(86,087)
Inter-segment sales	(58)	(44)	(73)	(89)	(131)	(133)	–	–	131	133	–	–
Gross profit	119,765	92,726	75,409	64,403	195,174	157,129	274	287	(1,496)	(912)	193,952	156,504
EBITDA	21,945	12,620	6,013	7,143	27,958	19,763	2,000	–	–	–	29,958	19,763
Depreciation	(2,082)	(1,963)	(949)	(1,243)	(3,031)	(3,206)	–	–	–	–	(3,031)	(3,206)
Amortisation	(8,300)	(4,803)	(278)	(750)	(8,578)	(5,553)	–	–	–	–	(8,578)	(5,553)
Impairment of assets	–	–	(1,200)	–	(1,200)	–	–	–	–	–	(1,200)	–
EBIT/Segments results	11,563	5,854	3,586	5,150	15,149	11,004	2,000	–	–	–	17,149	11,004
Reconciliation of segment EBIT to profit before income tax												
Interest income											274	287
Interest expense											(1,088)	(739)
Profit before income tax per the statement of comprehensive income											16,335	10,552

Segment assets and liabilities are not reported as these numbers are not specifically reported to the Board being the chief operating decision makers.

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

* Other income of \$2.0m represents the amendment to fair value of acquisition contingent consideration.

Corporate directory

Principal Administration Office & Principal Registered Office

Talent2 International Limited
Level 4, 77 Pacific Highway, North Sydney NSW 2060 Australia

t +61 2 9087 6333 | f +61 2 9087 6300 | talent2.com

Investor Enquiries

t +61 2 9087 6333 | f +61 2 9087 6300
investor@talent2.com

Share Registry

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street, Abbotsford VIC 3067 Australia

t 1300 850 505 or +61 3 9415 4000 | f +61 3 9473 2500

Auditors

Ernst & Young
Ernst & Young Centre
680 George Street, Sydney NSW 2000 Australia

t +61 2 9248 5555

Stock Exchange Listings

Talent2 International Limited ordinary shares are quoted
by the Australian Stock Exchange (symbol *TWO*)

talent2.com

talent 