

**Appendix 4E
Preliminary Final Report
Skilled Group Limited**

ASX Listing Rule 4.3A

**ABN 66 005 585 811
Results for Announcement to the Market
Financial Year Ended ('current period') – 30 June 2007
(‘previous corresponding period’ – 30 June 2006)**

			\$A'000
Revenues from ordinary activities	Up	43.5% to	1,390,512
Revenues from continuing operations	Up	44.6% to	1,390,512
Net profit after tax from continuing operations	Up	20.9% to	28,980
Net profit after tax excluding gains on divestments	Up	17.5% to	28,980
Profit from ordinary operations after tax attributable to members	Up	17.3% to	28,980
Net profit for the period attributable to members	Up	17.3% to	28,980

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend (Previous Year)	14.0¢ 12.0¢	14.0¢ 12.0¢
Interim Dividend (paid 18 April 2007) (Previous Year)	8.0¢ 7.0¢	8.0¢ 7.0¢
Record date for determining entitlements to the Dividend	24 September 2007	
Date for payment of Final Dividend	16 October 2007	

The Dividend Reinvestment Plan is in operation. Applicable discount rate is 2.5%. Price is based on the weighted average market price for fully paid shares sold on ASX during the 5 trading days immediately following the Record Date for determining entitlements to the dividend.

Earnings Per Ordinary Fully Paid Share (EPS)	Current Period	Previous Corresponding Period
Basic EPS	27.78¢	24.03¢
Diluted EPS	27.76¢	24.02¢

Earnings Per Share (EPS) from Continuing Operations	Current Period	Previous Corresponding Period
Basic EPS	27.78¢	23.32¢
Diluted EPS	27.76¢	23.31¢

NTA Backing	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	(102.6)¢	27.9¢

The Appendix 4E is based on accounts that are in the process of being audited.

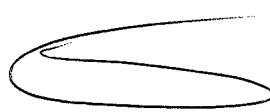
Annual General Meeting

Place: Melbourne Town Hall
Date: 23 October 2007
Time: 11.00 am

Annual Report available (approximate date): 19 September 2007

For the profit commentary and other significant information needed by an investor to make an informed assessment of Skilled's results please refer to the accompanying Skilled Group Limited media release.

Signed:  Date: 21 August 2007
K.W. Bieg
Company Secretary



Consolidated Income Statement			
For the financial year ended 30 June 2007			
	Note	2007 \$'000	2006 \$'000
Revenue	3	1,390,512	961,700
Loss from sale of assets		(168)	(158)
Employee and sub-contractor related costs		(1,213,539)	(835,232)
Raw materials and consumables used		(29,756)	(28,528)
Motor vehicle expenses		(2,988)	(2,507)
Office occupancy related costs		(10,990)	(6,613)
Depreciation and amortisation expenses	3	(14,239)	(8,789)
Finance costs	3	(10,092)	(2,418)
Other expenses		(63,298)	(41,860)
Profit before income tax expense		45,442	35,595
Income tax expense	5	(16,462)	(11,624)
Profit from continuing operations		28,980	23,971
Profit from discontinued operations	27	-	730
Profit attributable to members of the parent entity	24	28,980	24,701

Earnings per share		
Basic EPS	27.78¢	24.03¢
Diluted EPS	27.76¢	24.02¢

Earnings per share from continuing operations		
Basic EPS	27.78¢	23.32¢
Diluted EPS	27.76¢	23.31¢

Notes to the Preliminary Final Report are included on pages 6 to 30.



Consolidated Balance Sheet			
As at 30 June 2007			
	Note	2007 \$'000	2006 \$'000
Current assets			
Cash and cash equivalents		5,531	5,950
Trade and other receivables	7	190,044	117,079
Inventories	8	3,507	4,020
Other	9	5,898	3,594
Total current assets		204,980	130,643
Non-current assets			
Receivables	10	3,060	1,119
Property, plant and equipment	11	20,143	10,156
Goodwill	12	174,753	41,533
Other intangibles	12	62,341	45,546
Deferred tax assets	13	13,460	6,191
Total non-current assets		273,757	104,545
Total assets		478,737	235,188
Current liabilities			
Payables	14	109,940	74,077
Borrowings	15	76,012	6,736
Current tax liabilities	16	11,815	3,152
Provisions	17	33,665	22,828
Total current liabilities		231,432	106,793
Non-current liabilities			
Payables	14	5,660	3,415
Borrowings	18	99,516	2,419
Provisions	19	12,381	6,494
Total non-current liabilities		117,557	12,328
Total liabilities		348,989	119,121
Net assets		129,748	116,067
Equity			
Issued capital	21	88,137	84,189
Reserves	23	2,202	622
Retained earnings	24	39,409	31,256
Total equity		129,748	116,067

Notes to the Preliminary Final Report are included on pages 6 to 30.



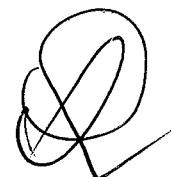
Statement of recognised income and expense			
For the financial year ended 30 June 2007			
	Note	2007 \$'000	2006 \$'000
Gain/(loss) on cash flow hedges taken to equity	23	172	-
Increase/(decrease) in foreign currency translation reserve arising on translation of foreign operations	23	(240)	234
Net income/(expense) recognised directly in equity		(68)	234
Profit for the period		28,980	24,701
Total recognised income and expense for the period		28,912	24,935

Notes to the Preliminary Final Report are included on pages 6 to 30.



Consolidated Cash Flow Statement			
For the financial year ended 30 June 2007			
	Note	2007 \$'000	2006 \$'000
Cash flows from operating activities			
Receipts from customers		1,509,128	1,038,845
Payments to suppliers and employees		(1,445,721)	(990,923)
Interest received		421	279
Interest and other costs of finance paid		(7,180)	(1,618)
Income tax paid		(13,987)	(8,998)
Net cash provided by operating activities	25(c)	42,661	37,585
Cash flows from investing activities			
Payments for property, plant and equipment		(6,075)	(3,385)
Payments for intangibles		(11,235)	(613)
Net payment for purchase of businesses	25(d)	(108,351)	(10,179)
Proceeds from disposal of controlled entities and businesses	25(e)	-	7,570
Proceeds from sale of property, plant and equipment		176	242
Net cash (used in)/provided by investing activities		(125,485)	(6,365)
Cash flows from financing activities			
Proceeds from borrowings		408,414	163,600
Repayment of borrowings		(308,777)	(183,402)
Proceeds from issues of equity		561	803
Dividends paid		(17,793)	(8,876)
Net cash (used in) financing activities		82,405	(27,875)
Net increase/(decrease) in cash and cash equivalents		(419)	3,345
Cash at the beginning of the financial year		5,950	2,605
Cash and cash equivalents at the end of the financial year		5,531	5,950

Notes to the Preliminary Final Report are included on pages 6 to 30.



Notes to the Preliminary Final Report

1. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

In the current year, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has resulted in changes to the consolidated entity's accounting policies in the following areas that has not affected the amounts reported for the current and or prior years:

- investments classified as at fair value through profit and loss (AASB 2005-04 'Amendments to Australian Accounting Standards');
- financial guarantee contracts (AASB 2005-09 'Amendments to Australian Accounting Standards'); and
- rights to cash reimbursement for expenditure required to settle a provision (AASB 2005-09 'Amendments to Australian Accounting Standards').

The adoption of these new and revised Standards and Interpretations has also resulted in a change to the consolidated entity's accounting policies in relation to business combinations involving entities under common control. Such business combinations were formerly within the scope of AASB 3 'Business Combinations', but are now scoped out of that Standard and by AASB 2005-6 'Amendments to Australian Accounting Standards'. There was no impact by these changes in accounting policies on amounts in the financial statements.

At the date of authorisation of the Preliminary Final Report, the following Standards and Interpretations were in issue but not yet effective:

- | | |
|---|--|
| • AASB 7 'Financial Instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue | Effective for annual reporting periods beginning on or after 1 January 2007 |
| • AASB 101 'Presentation of Financial Statements' revised standard | Effective for annual reporting periods beginning on or after 1 January 2007 |
| • Interpretation 10 'Interim Financial Reporting and Impairment' | Effective for annual reporting periods beginning on or after 1 November 2006 |

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the consolidated entity. The circumstances addressed by Interpretation 10, which prohibits the reversal of certain impairment losses, do not affect the consolidated entity's previously reported results and accordingly, there will be no impact to these Preliminary Final Report on adoption of the Interpretation.

The application of AASB 101 (revised) and AASB 7 will not affect any of the amounts recognised in the Preliminary Final Report, but will change the disclosures presently made in relation to the consolidated entity's financial instruments and the objectives, policies and processes for managing capital.

These Standards and Interpretations will be first applied in the financial report of the consolidated entity that relates to the annual reporting period beginning after the effective date for each pronouncement, which will be the annual reporting period beginning on 1 July 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This Preliminary Final Report has been prepared in accordance with ASX listing rule 4.3A and the disclosure requirements of ASX Appendix 4E, and the recognition and measurement requirements of Australian Accounting Standards.

The Preliminary Final Report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.



Notes to the Preliminary Final Report

2. **SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the Preliminary Final Report:

(a) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full. The results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition.

(b) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the costs of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(c) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the consolidated entity in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the consolidated entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If after reassessment, the consolidated entity's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceed the cost of the business combination, the excess is immediately recognised in the profit or loss.

Notes to the Preliminary Final Report

2. **SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

(d) **Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(e) **Derivative financial instruments**

The consolidated entity enters into derivative financial instruments to manage its exposure to interest rate risk, in the form of interest rate swaps. Further details of derivative financial instruments are disclosed in Note 23 to the Preliminary Final Reports.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedge instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The consolidated entity designates derivatives as hedges of highly probable forecast transactions (cash flow hedges). The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or current liability if the remaining maturity of the hedge relationship is less than 12 months. Derivatives not designated into an effective hedge relationship are classified as a current asset or a current liability.

Hedge accounting

The consolidated entity designates certain hedging instruments, which include certain derivatives as cash flow hedges. At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking the hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the consolidated entity documents whether the hedging instrument that is used in the hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Hedge accounting is discontinued when the consolidated entity revokes the hedging relationship, the hedging instrument is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit and loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the foreign currency translation reserve; the gain or loss relating to the ineffective portion is recognised immediately in the profit or loss. Gains or losses deferred in the foreign currency translation reserve are recognised in profit or loss when the foreign operation is disposed.



Notes to the Preliminary Final Report

2. **SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

(f) **Acquisition of assets**

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value at the date of acquisition.

(g) **Revenue recognition**

Sale of goods and disposal of assets

Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has transferred the significant risks and rewards of ownership of the goods to the buyer.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. Revenue from time and material contracts is recognised at the contractual rate as labour hours are delivered and direct expenses are incurred.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholders right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(h) **Income Tax**

The company and all its wholly-owned Australian resident entities are part of a tax consolidated group under Australian taxation law. Skilled Group Limited is the head entity in the tax-consolidated group.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using a 'group allocation approach'. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).



Notes to the Preliminary Final Report

2. **SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess of purchase price over net asset(s) acquired.

(i) Receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts or impairment.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Consumables are recorded at cost and written off over the life of the contract to which they relate.

Notes to the Preliminary Final Report

2. **SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

Work performed but not billed on contracts is valued at the contract rate and recorded as work in progress. Profits recognised are based on the percentage completion of each contract.

(k) **Financial Assets**

Investments in controlled entities are recorded at cost.

(l) **Property, plant and equipment**

Property, plant and equipment are stated at their cost of acquisition less accumulated depreciation and any impairment writedown.

Depreciation is provided on property, plant and equipment, including buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life whichever is shorter, using the straight line method.

The following estimated useful lives are used in the calculation of depreciation:

Buildings	4 – 20 years
Leasehold improvements	1 – 10 years
Plant and equipment	4 – 5 years
Equipment under finance lease	2 – 8 years
Computer equipment	3 – 7 years

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

(m) **Leased assets**

Leased assets classified as finance leases are recognised as assets. The amount initially brought to account is the fair value of the assets, or if lower, the present value of minimum lease payments, each determined at the inception of the lease.

A finance lease is one that effectively transfers from the lessor to the lessee substantially all the risks and rewards incidental to ownership of the leased asset. All other leases are classified as operating leases. Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset. Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis.



Notes to the Preliminary Final Report

2. **SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

(n) **Impairment of assets**

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(o) **Goodwill**

Goodwill, representing the excess of the cost of an acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised.

Goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Goodwill is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

(p) **Other intangibles**

All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

Intangible assets with fixed useful lives are tested for impairment only where an indicator of impairment exists. Indefinite life intangibles are tested for impairment annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Trademarks and brand names

Trademarks and brand names are recorded at cost less any impairment write-down.

The consolidated entity is committed to continue to actively use and promote the SKILLED trademarks and brand names in its business. The directors believe the SKILLED trademarks and brand names have an indefinite life and no amortisation is therefore required. Other brand names are recorded at cost less accumulated amortisation, and are amortised over periods ranging from 1-5 years.

Notes to the Preliminary Final Report

2. **SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

Databases

Databases are recorded at cost less accumulated amortisation, and amortised over 10 years on a straight-line basis.

As described above, the consolidated entity reviews the estimated useful lives of intangibles at the end of each reporting period. During the financial year the directors determined that the useful life of Databases should be shortened due to revised turnover assumptions. The financial effect of this reassessment, assuming that the Databases are held until the end of their useful lives, is to increase consolidated amortisation expense in the current financial year by \$615,000 and by \$1,230,000 for each of the remaining 7-8 years.

Software

Costs associated with the development of computer systems are capitalised and then expensed over the future periods to which the economic benefits of the expenditure are expected to be recoverable. Computer software is recorded at cost less accumulated amortisation, and amortised over periods ranging from 3 to 7 years on a straight-line basis.

Non-compete agreements and customer contracts

Non-compete agreements and customer contracts arising as a result of a business acquisition, recognised separately from goodwill, are valued at the time of the acquisition and amortised over the life of the agreement or contract on a straight-line basis.

(q) **Accounts payable**

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(r) **Borrowings**

Bank loans and other loans are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

Bills of exchange are recorded at an amount equal to the net proceeds received, with the discount amortised over the period to maturity. Interest expense is recognised on an effective yield basis.

(s) **Financial instruments issued by the company**

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and Dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

Notes to the Preliminary Final Report

2. **SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured at their fair values and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less accumulated amortisation in accordance with the revenue recognition policies described in note 2(g).

(t) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, rostered days off, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made with respect to employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made with respect to employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity with respect of services provided by employees up to the reporting date.

Contributions made to defined contribution superannuation plans are expensed when incurred.

(u) Foreign Currency

All foreign currency transactions during the financial period are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date.

Exchange differences are brought to account in the income statement in the period in which they arise, except that exchange differences relating to foreign currency monetary items forming part of the net investment in a foreign operation are transferred on consolidation to the foreign currency translation reserve and recognised in the income statement on disposal of the net investment.

On consolidation, the assets and liabilities of foreign controlled entities are translated at reporting date using the current rate. Income and expense items are translated at the average exchange rate for the period unless exchange rates fluctuate significantly in which case the exchange rate of the transaction is used. Exchange differences are taken directly to the foreign currency translation reserve and recognised in the income statement on disposal of the foreign operation.

(v) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

The amount of GST recoverable from the taxation authority is included as part of receivables and the amount of GST payable to the taxation authority is included as part of payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.



Notes to the Preliminary Final Report

2. **SUMMARY OF ACCOUNTING POLICIES CONTINUED**

(w) **Provisions**

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Dividends

A provision is recognised for dividends when they have been declared by the directors before reporting date, and are no longer at the discretion of the company.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

(x) **Workers Compensation – Self Insurance**

Outstanding Claims

A liability for outstanding claims for self insurance in relation to workers compensation is provided for in respect of claims incurred but not yet paid, claims incurred but not yet reported and the anticipated direct and indirect costs associated with those claims. The liability for outstanding claims has been measured on the basis of an independently prepared actuarial assessment of the cost of claims, including the anticipated effects of inflation, discounted to a present value at balance date.

Claims Recoveries

Claims recoveries are recorded on claims paid under self insurance in relation to workers compensation. The recoveries are recognised as revenue and are based on actuarial assessment of the expected recovery, which includes claims paid and claims reported but not yet paid to the extent that the nature of the costs incurred are recoverable, in a manner similar to the measurement of the outstanding claim liability and discounted to a present value at balance date.

(y) **Share-based payments**

The fair value determined, by an external valuation, at the grant date(s) of the equity-settled share-based payments are expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will eventually vest.



Notes to the Preliminary Final Report

3. Profit from operations

The profit from continuing and discontinued operations, before income tax, includes the following items of revenue and expense:

	2007 \$'000	2006 \$'000
(a) Revenue		
<i>The items below include amounts attributable for both continuing and discontinued operations</i>		
Sales revenue:		
Sale of goods	21,063	22,945
Rendering of services	1,363,748	945,437
	<u>1,384,811</u>	<u>968,382</u>
Other revenue:		
Profit on business combination (AAPT contract)	5,280	-
Interest revenue from other entities	421	279
	<u>5,701</u>	<u>-</u>
	<u>1,390,512</u>	<u>968,661</u>
Attributable to;		
Continuing operations	1,390,512	961,700
Discontinued operations	-	6,961
	<u>1,390,512</u>	<u>968,661</u>

(b) Expenses

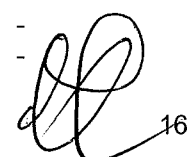
The items below include amounts attributable for both continuing and discontinued operations

Finance costs:		
Interest paid to other entities	8,685	1,417
Finance lease charges	342	245
Other finance costs	1,065	756
	<u>10,092</u>	<u>2,418</u>
Attributable to;		
Continuing operations	10,092	2,418
Discontinued operations	-	-
	<u>10,092</u>	<u>2,418</u>

Cost of goods sold	16,800	18,697
Net bad and doubtful debts expense	(440)	25
Depreciation and amortisation of:		
Plant and equipment	2,694	1,946
Computer systems and software	4,493	4,025
Leasehold improvements	1,527	796
Equipment under finance lease	1,287	914
Databases	1,509	893
Trademarks and brand names	2,178	152
Other	551	98
Total depreciation and amortisation expense	<u>14,239</u>	<u>8,824</u>
Attributable to;		
Continuing operations	14,239	8,789
Discontinued operations	-	35
	<u>14,239</u>	<u>8,824</u>
Operating lease rental expenses:		
Minimum lease payments	10,992	6,885
Contributions made to defined benefits superannuation plans during the financial year	20	42
Equity settled share based payments	1,648	372

(c) Unusual items

Profit on business combination (AAPT contract)	5,280	-
Acquisition integration costs	(3,205)	-



Appendix 4E
Preliminary Final Report
Skilled Group Limited

ASX Listing Rule 4.3A

Notes to the Preliminary Final Report

4. Segment Reporting

	Skilled Brand \$'000	Other Brands \$'000	Divested Businesses		Eliminations \$'000	Unallocated \$'000	Total \$'000
			Trading \$'000	Divestment \$'000			
2007							
<u>Segment Revenues and Results</u>							
Revenue	1,043,530	348,373	-	-	(1,813)	422	1,390,512
EBITDA	47,569	21,782	-	-	-	-	69,351
Depreciation and amortisation	7,206	7,033	-	-	-	-	14,239
Earnings before interest and tax	40,363	14,749	-	-			55,112
Net interest expense						9,670	9,670
Profit before income tax			-	-			45,442
Income tax expense			-	-			(16,462)
Profit after tax			-	-			28,980
<u>Segment Assets and Liabilities</u>							
Assets	280,084	178,864	-	-	-	19,789	478,737
Liabilities	93,772	65,795	-	-	-	189,422	348,989
<u>Other Segment Information</u>							
Acquisition of segment assets	117,310	51,735	-	-	-	-	169,045
	Skilled Brand \$'000	Other Brands \$'000	Divested Businesses		Eliminations \$'000	Unallocated \$'000	Total \$'000
			Trading \$'000	Divestment \$'000			
2006							
<u>Segment Revenues and Results</u>							
Revenue	716,065	246,531	6,963	-	(1,177)	279	968,661
Gain/(loss) on divestment	(108)	(50)	-	50	-	-	(108)
EBITDA	33,007	13,516	885	50	-	-	47,458
Depreciation and amortisation	3,039	5,750	35	-	-	-	8,824
Earnings before interest and tax	29,968	7,766	850	50			38,634
Net interest expense						2,139	2,139
Profit before income tax			850	50			36,495
Income tax expense			155	15			(11,794)
Profit after tax			695	35			24,701
<u>Segment Assets and Liabilities</u>							
Assets	116,264	106,342	-	-	-	12,582	235,188
Liabilities	64,643	41,906	-	214	-	12,358	119,121
<u>Other Segment Information</u>							
Acquisition of segment assets	4,872	23,794	-	-	-	-	28,666

Notes to the Preliminary Final Report

4. SEGMENT REPORT CONTINUED

Other Disclosures

The consolidated entity predominantly operates in one geographical segment, being Australia. Inter-segment pricing is on a normal commercial basis.

Segment Descriptions

The consolidated entity has identified the following two segments, being SKILLED Brand and Other Brands. Due to acquisitions within the current financial year and the integration of the activities of the acquired business operations with the existing operations of the entity the segments below have expanded in the current year, as detailed below in each of the segment descriptions. In addition, the Teamwork personnel business which was previously operated within the SKILLED Brand management structure is now operated as part of the Other brands management structure, and the 2006 comparative has been re-stated to reflect this change.

SKILLED Brand Provision of supplementary labour hire and contract maintenance services through the SKILLED brand. Revenue from this segment is earned predominantly from the provision of blue-collar and technical professionals on the basis of hours worked. Due to the similar nature of the businesses, industries and management structure this segment has been expanded to include the blue collar businesses of Tesa, Catalyst, Damstra, ICE Personnel and Pacific Relines that were acquired during the year.

Other Brands Provision of supplementary labour hire. Revenue from this segment is predominantly earned through the provision of nursing, call centre and blue collar staff on the basis of hours worked. The brands included in this segment include Excelior, Origin Healthcare and its subsidiaries, SEM Fire and Rescue, PeopleCo, Extraman, Mosaic and Swan.

5. Income Tax	2007 \$'000	2006 \$'000
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:		
Profit from continuing operations	45,442	35,595
Profit/(loss) from discontinued operations	-	901
Profit from operations	45,442	36,496
Income tax expense calculated at 30%(i)	13,633	10,949
Non-deductible items including amortisation of intangibles, entertainment, deferred settlement discount and amortisation of share based payments	1,886	602
Non-assessable items	-	(17)
Other	-	(14)
Effect on deferred tax balances due to business combination (AAPT contract)	784	-
Under provision of income tax in previous year	159	274
Income tax expense	16,462	11,794
Income Tax Expense Comprises		
Current tax expense	20,556	10,344
Deferred tax expense relating to the origination and reversal of temporary differences	(4,094)	1,450
Total tax expense	16,462	11,794
Attributable to;		
Continuing operations	16,462	11,624
Discontinued operations (note 27)	-	170
	16,462	11,794

(i) There has been no change in the corporate tax rate when compared with the previous reporting period

Notes to the Preliminary Final Report

	2007		2006	
	Cents per share	Total \$'000	Cents per share	Total \$'000
6. Dividends				
<u>Recognised Amounts</u>				
Final 2005 dividend fully franked at a tax rate of 30%			10.0	10,111
Interim 2006 dividend fully franked at a tax rate of 30%			7.0	7,255
Final 2006 dividend fully franked at a tax rate of 30%	12.0	12,469		
Interim 2007 dividend fully franked at a tax rate of 30%	8.0	8,358		
		20,827		17,366
<u>Unrecognised Amounts</u>				
Final 2006 dividend fully franked at a tax rate of 30%			12.0	12,469
Final 2007 dividend fully franked at a tax rate of 30% (i)	14.0	14,651		

(i) The final dividend for the year ended 30 June 2007 has not been recognised in this financial report because it was declared and approved subsequent to 30 June 2007.

	2007 \$'000	2006 \$'000
Franking account balance (tax paid basis)	35,930	27,518

The impact on the franking account of the dividend not yet recognised as a liability at year end, will be a reduction in the franking account of \$6,279,000 (2006: \$5,344,000)

	2007 \$'000	2006 \$'000
7. Current Receivables		
Trade receivables	184,039	110,066
Allowance for doubtful debts	(1,505)	(740)
	182,534	109,326
Goods and services tax receivable	2,986	4,574
Other receivables	4,524	3,179
	190,044	117,079
8. Current Inventories		
Raw materials and stores at cost	2,958	2,611
Raw materials and stores at net realisable value	-	48
	2,958	2,659
Work in progress at cost	549	1,361
	3,507	4,020

Notes to the Preliminary Final Report

	2007 \$'000	2006 \$'000
9. Other Current Assets		
Prepayments	5,898	3,594
10. Non-Current Receivables		
Claims Recoveries	2,530	903
Other receivables	530	216
	3,060	1,119

11. Property, Plant and Equipment	Land & Buildings	Leasehold Improvements	Plant & Equipment	Equipment Under Finance Lease	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Net Book Value					
As at 30 June 2006	1	1,412	4,715	4,028	10,156
As at 30 June 2007	1	5,940	9,261	4,941	20,143

	2007 \$'000	2006 \$'000
12. Intangibles		
Goodwill		
Net Book Value	174,753	41,533

Other Intangibles	Databases	Software and Licenses	Trademarks and Brand-names	Other	Total
	Net Book Value				
As at 30 June 2006	15,875	14,627	14,611	433	45,546
As at 30 June 2007	14,366	26,748	19,739	1,488	62,341

Notes to the Preliminary Final Report

	2007 \$'000	2006 \$'000
13. Deferred Tax Assets		
Temporary differences	13,460	6,191
	13,460	6,191
Deferred tax assets have been reduced by the deferred tax liability attributable to temporary differences by the amount of:	2,549	2,815
14. Payables		
Current Payables		
Unsecured:		
Trade payables and accruals	68,790	48,590
Deferred purchase consideration	22,182	10,825
Goods and services tax payable	18,968	14,662
	109,940	74,077
Non Current Payables		
Unsecured:		
Deferred purchase consideration	5,660	3,415
	5,660	3,415
15. Current borrowings		
Secured:		
Bank Debt Facilities (i)	70,000	5,000
Insurance Premium Funding (ii)	4,255	-
Finance Lease Liabilities (iii)	1,757	1,736
	76,012	6,736
(i) Secured by registered fixed and floating charge over all of the assets of the consolidated entity.		
(ii) Secured by the underlying policies.		
(iii) Secured over the assets leased, the current market value of which exceeds the value of the finance lease liabilities.		
16. Current Tax Liabilities		
Income tax payable	11,815	3,152
17. Current Provisions		
Employee Benefits (Note 20)	29,810	20,581
Litigation (i)	628	572
Claims(ii)	1,488	602
Other	1,739	1,073
	33,665	22,828

(i) The provision for litigation represents the directors' best estimate of the future sacrifice of economic benefits that will be required for the consolidated entity to meet all obligations under litigation proceedings. The estimate has been made on the basis of known legal actions, the probability of success and the likelihood of eventual future economic sacrifice.

(ii) Provision for Claims incurred under self insurance in relation to Workers Compensation.

Notes to the Preliminary Final Report

	2007	2006
	\$'000	\$'000
18. Non-current borrowings		
Secured:		
Bank Debt facilities (i)	96,378	-
Finance lease liabilities (ii)	3,138	2,419
	99,516	2,419

- (i) Secured by a fixed and floating charge over all of the assets of the consolidated entity.
- (ii) Secured over the assets leased, the current market value of which exceeds the value of the finance lease liabilities.

	2007	2006
	\$'000	\$'000
19. Non-Current Provisions		
Employee benefits (Note 20)	5,710	4,532
Claims Provisions (i)	6,106	1,641
Other	565	321
	12,381	6,494
(i) Provision for Claims incurred under self insurance in relation to Workers Compensation.		
20. Employee Benefits		
The aggregate employee entitlement liability recognised and included in the financial statements is as follows:		
Provision for employee benefits:		
Current (Note 17)	29,810	20,581
Non-Current (Note 19)	5,710	4,532
Accrued wages and salaries (i)	34,489	19,084
	70,009	44,197
(i) Accrued wages and salaries are included in current trade payables and accruals as disclosed in note 14 to the financial statements.		



Notes to the Preliminary Final Report

	2007 \$'000	2006 \$'000
21. Issued Capital		
104,647,260 fully paid ordinary shares (2006: 103,908,169)	88,137	84,189

	2007 No. '000	2007 \$'000	2006 No. '000	2006 \$'000
Fully Paid Ordinary Shares				
Balance at beginning of financial year	103,908	84,189	100,465	74,007
Issue of shares as partial consideration for the acquisition of the Medistaff Nursing Agency business	-	-	301	876
Issue of shares under Employee Share Acquisition Scheme	154	913	136	432
Issue of shares under the Dividend Reinvestment Plan	583	3,033	2,698	8,489
Issue of shares under executive share option plan (note 22)	2	2	308	385
Balance at end of financial year	104,647	88,137	103,908	84,189

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Skilled Performance Shares				
Balance at beginning of the financial year	-	-	9,000	-
Skilled performance shares cancelled	-	-	(9,000)	-
Balance at end of the financial year	-	-	-	-

On 30 September 2005 nine Skilled Performance Shares converted to ordinary shares and the remaining Skilled performance shares were cancelled.

Shares held by Subsidiaries

Allskills Pty Ltd, a wholly owned subsidiary, held 312,250 (2006: 312,250) shares in Skilled Group Limited at 30 June 2007. These shares were held for the benefit of the Skilled Group Limited Share Plan Trust.



Notes to the Preliminary Final Report

22. Executive Share Option Plan

The consolidated entity has an ownership based remuneration scheme for executive directors and executives under which share options are issued to executive directors and executives at the discretion of the Board and are recognised in the financial statements if and when exercised. The underlying number of shares under option is shown in the table below.

Executive Share Option Plan	2007 No.	2006 No.
Balance at beginning of the financial year	931,772	309,969
Granted during the financial year	2,177,000	930,000
Exercised during the financial year	(1,772)	(308,197)
Lapsed during the financial year	(105,000)	-
Balance at end of the financial year	3,002,000	931,772

	2007 \$'000	2006 \$'000
23. Reserves		
Employee equity settled benefits reserve (i)	2,043	395
Hedging reserve (ii)	172	-
Foreign currency translation (iii)	(13)	227
	2,202	622
Employee equity settled benefits reserve		
Balance at the beginning of the financial year	395	23
Share based payment – amortisation of executive options	1,648	372
	2,043	395
(i) The employee equity settled benefits reserve is used to recognise the fair value of options issued but not yet exercised.		
Hedging reserve		
Balance at beginning of financial year	-	-
Interest rate swap gain/(loss) fair value	172	-
Balance at end of financial year	172	-
(ii) The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit and loss, or is included as a basis adjustment to the non-financial hedged item. Refer Note 2(e) to the Preliminary Final Report.		
Foreign currency translation reserve		
Balance at beginning of financial year	227	(7)
(Deficit)/surplus from translation of financial statements of foreign operations	(240)	234
Balance at end of financial year	(13)	227
(iii) Exchange differences relating to foreign currency monetary items forming part of the net investment in foreign operations and the translation of foreign controlled entities are brought to account by entries made directly to the foreign currency translation reserve, as described in Note 2(u) of the Preliminary Final Report.		
24. Retained Profits		
Balance at beginning of financial year	31,256	23,921
Net profit attributable to members of parent entity	28,980	24,701
Dividends provided for or paid	(20,827)	(17,366)
Balance at end of financial year	39,409	31,256

Notes to the Preliminary Final Report

25. Notes to the Statement of Cash Flows

(a) Non-cash Financing and Investing Activities.

During the financial year, the consolidated entity:

- i. Acquired plant and equipment under finance lease with an aggregate value of \$2,159,449 (2006: \$2,057,150).
- ii. Operated a dividend reinvestment plan in which dividends paid during the year of \$3,033,727 (2006: \$8,488,844) were re-invested in ordinary shares.

	2007 \$'000	2006 \$'000
(b) Financing Facilities		
Bank overdraft facility, payable at call:		
Amount used	-	-
Amount unused	4,500	3,500
	4,500	3,500
Cash advance and market rate advance facilities subject to periodic roll-over:		
Amount used	166,378	5,000
Amount unused	68,622	80,000
	235,000	85,000

The bank overdraft and cash advance facility and market rate advance facilities are secured by a fixed and floating charge over the assets of the consolidated entity. The overdraft facilities are reviewable in August 2007 and December 2007. The market rate advance facility is reviewable in December 2007. The cash advance facilities are in two tranches and are reviewable in December 2007 and December 2009.

	2007 \$'000	2006 \$'000
(c) Reconciliation of Net Cash provided by Operating Activities to Profit from Ordinary Activities after Income Tax.		
Profit from ordinary activities, after taxation	28,980	24,701
Non-cash interest expense	2,912	800
Net Loss/(Gain) on disposal of property, plant and equipment	168	158
Amortisation of executive share options	1,648	372
Depreciation and amortisation of non-current assets	14,239	8,824
Discount on acquisition	(5,280)	-
Changes in net assets and liabilities net of effects from acquisition and divestment of businesses:		
(i) Decrease/(increase) in assets		
Current receivables	(16,361)	(23,522)
Current inventories	524	493
Other current assets	2,157	350
Deferred tax balances	(4,094)	1,363
Non current receivables	(1,604)	176
(ii) Increase/(decrease) in liabilities		
Current payables	6,049	11,846
Current tax liabilities	6,353	1,416
Current provisions	(898)	3,983
Non-current payables	2,245	8,824
Non-current provisions	5,623	(1,973)
Net cash provided by operating activities	42,661	37,585

Notes to the Preliminary Final Report

25. Notes to the Statement of Cash Flows Continued

	2007 \$'000	2006 \$'000
(d) Business Acquired		
During the financial year, the consolidated entity acquired the TESA, Catalyst, Swan and other businesses (2006: Extraman and Prosafe businesses). Details of the acquisitions are as follows:		
Consideration		
Cash and related acquisition costs	100,132	8,361
Deferred Consideration	13,811 ¹	13,484
	113,943	21,845
Fair value of net assets of entity acquired		
Current Assets		
Cash	7,875	1
Receivables	55,976	9,493
Inventories	11	-
Prepayments	4,462	140
Non-current assets		
Receivables	-	118
Plant and equipment	7,228	346
Intangibles - software	4,630	-
Intangibles – customer contracts	600	304
Intangibles – brandnames	7,311	764
Intangibles - other	1,006	287
Deferred Tax Asset	3,177	12
Current Liabilities		
Bank overdraft	(32)	(461)
Payables	(26,260)	(6,400)
Borrowings	(64,652)	(55)
Tax Liabilities	(2,311)	(820)
Provision and Accruals	(11,736)	(1,151)
Non-current Liabilities		
Payables	-	(1)
Provisions	(264)	-
Borrowings	(301)	(46)
Net Assets Acquired	(13,280)	2,531
Goodwill and discount on acquisition	127,223	19,314
	113,943	21,845
Net Cash Outflow to acquire Businesses		
Cash and related acquisition costs	100,132	8,361
Less balances acquired:		
Cash	(7,875)	(1)
Bank overdraft	32	461
Net Outflow of cash	92,289	8,821
Net outflow of cash for prior year acquisitions		
Payment of deferred consideration	16,062	1,358
Net outflow of cash for acquisitions	108,351	10,179

¹ The total acquisition price for the shares and units of Swan, of which \$2,649,000 has already been paid, is based on a defined formula that will be settled by instalments on 7 September 2007, 1 February 2008 and 7 September 2008. The balance remaining is the best estimate of these future payments, discounted to a present value (as at acquisition date), based on information currently available (referred to as Deferred Consideration).

Notes to the Preliminary Final Report

25. Notes to the Statement of Cash Flows Continued

(e) Businesses Disposed

In the comparative period the consolidated entity disposed of the Engineering Services business unit of Skilled Maritime Services Pty Ltd. Details in aggregate of the disposals are as follows:

	2007 \$'000	2006 \$'000
Consideration		
Cash	-	579
Book Value of net assets sold		
Current Assets		
Inventories	-	169
Non-current assets		
Deferred tax assets	-	99
Plant and equipment	-	453
Current Liabilities		
Provision and Accruals	-	(368)
Net Assets disposed	-	353
	-	226
Less Costs of Disposal	-	(88)
Gain on Disposal	-	138
Net Cash Inflow on Disposal		
Cash consideration	-	579
Less balances disposed:		
Cash	-	-
Net Inflow of cash	-	579
Net inflow of cash from prior year divestments		
Receipt of deferred consideration	-	6,991
Net inflow of cash for divestments	-	7,570

Notes to the Preliminary Final Report

26. Acquisition of Business

On 16 August 2006 SKILLED announced a takeover offer for all the shares in the listed recruitment firm Catalyst Recruitment Systems Limited ("Catalyst"). The offer of 90 cents per share valued the Catalyst equity at \$45.9 million. The existing shareholders remained entitled to 4 cents per share final dividend. The offer was an all cash offer that has been funded by debt. On 2 October 2006, SKILLED declared the offer unconditional after receiving sufficient acceptances totalling 94.5% of the Catalyst shareholding, on this date effective control passed to SKILLED. On 15 November 2006, SKILLED completed its compulsory acquisition of the remaining shareholding and become entitled to 100% ownership of Catalyst. Catalyst is a national labour provider of both blue and white collar staff to a large range of clients, which complement SKILLED's staffing service businesses.

On 23 August 2006, SKILLED announced that it had entered into an agreement to acquire The Tesa Group Pty Ltd ("TESA") for a purchase price representing an enterprise value of \$66.4 million consisting of cash consideration of \$40.0 million and acquired debt of \$26.8 million. This acquisition was settled on 31 August 2006. The acquisition was satisfied entirely by cash which was funded by debt. TESA provides predominately blue collar labour services, with a significant focus on the black coal mining industry in New South Wales and Queensland. This acquisition complements the SKILLED branded staffing services business.

On 17 January 2007 SKILLED acquired Swan Contract Personnel Pty Ltd ("Swan") for an estimated net enterprise value of \$48.6 million consisting of cash and deferred consideration of \$16.8 million and acquired debt of \$31.8 million. Swan provides engineering and technical professionals to approximately 45 companies in the oil and gas and mineral mining sectors throughout Western Australia and Queensland. The cash payments for the acquisition were funded with debt.

During the financial year ended 30 June 2007, Skilled acquired a further four businesses (although less material) Damstra, Pacific Relines, ICE and Locumitis. In addition, SKILLED took over two call centres from AAPT which has been treated as a business combination.

The goodwill on the above acquisitions is attributed to the expected future profitability of the businesses acquired. The above acquisitions for the 2007 financial year have been provisionally accounted for based on the best information available at the date of this report. It is possible that the fair values assigned to the assets and liabilities may change once these balances are finally realised. In accordance with applicable accounting standards, Skilled have 12 months from acquisition date, to finalise the accounting for these acquisitions.

Since acquisition Catalyst has contributed revenue of \$94,666,000 and earnings before interest, depreciation, amortisation, integration costs, tax and corporate overheads of \$5,304,000 to the consolidated entity. TESA has contributed revenue of \$154,878,000 and earnings before interest, depreciation, amortisation, integration costs, tax and corporate overheads of \$3,164,000 to the consolidated entity. Swan has contributed revenue of \$73,251,000 and earnings before interest, depreciation, amortisation, integration costs, tax and corporate overheads of \$3,926,000 to the consolidated entity. Other acquisitions have contributed revenue of \$14,234,000 and earnings before interest, depreciation, amortisation, integration costs, tax and corporate overheads of \$2,495,000 to the consolidated entity. Had these business combinations been effected at 1 July 2006, the revenue of the consolidated entity for the year ended 30 June 2007 would be \$1,544,708,000 and net profit after tax of \$30,022,000.

The assets and liabilities acquired are stated at their fair values. Fair values are equal to the carrying values in the books of the acquiree immediately prior to the acquisition with the exception of identifiable intangibles. Identifiable intangibles consisting of (brands, software and other) had book values of \$42,000 immediately prior to acquisition.

Notes to the Preliminary Final Report

27. Divestments

In the comparative year SKILLED divested the Engineering Services business unit of the Skilled Maritime Services Pty Ltd. This was completed on 27 March 2006, on which date control passed to the purchaser. The sale resulted in proceeds of \$579,000. The consolidated entity has recognised a pre tax profit on divestment of \$226,000 in the previous year before costs of disposal.

The results of the discontinued operations which have been included in the income statement are as follows:

	2007 \$'000	2006 \$'000
Financial Performance		
Revenue from ordinary activities	-	6,961
Expenses from ordinary activities	-	(6,111)
Profit/(loss) before income tax	-	850
Attributable income tax benefit/(expense)	-	(155)
	-	695
Gain/(loss) on disposal of operation	-	50
Attributable income tax expense	-	(15)
	-	35
Profit from discontinued operations	-	730
Cash Flows		
Net cash flows from operating activities	-	52
Net cash flows from investing activities	-	(52)
Net cash flows from financing activities	-	-
Total Net Cash Flows	-	-

28. Subsequent Events

On 20 August 2007, Skilled Group Limited entered into a contract to acquire the manning business of Offshore Marine Services ("OMS"). Other than this event, details of which are set out below, there has been no matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, results of those operations, or the state of affairs of the consolidated entity in future financial years.

Acquisition of OMS:

OMS provides experienced drilling and marine crews to businesses in the offshore oil and gas sector. OMS operates predominantly in Australia and New Zealand with developing businesses centred in the United Kingdom, Malta and Dubai.

The Australia and New Zealand manning business of OMS will be acquired for an estimated \$121 million. Estimated consideration is based on a multiple of 5.75 times earnings before interest, tax, depreciation and amortisation ("EBITDA") for the 2008 (80% weighting), 2009 (10% weighting) and 2010 (10% weighting) financial years. The consideration will be paid by way of an up front payment of \$79 million with the balance deferred over a three year period.

Estimated consideration for the purchase of the UK, Malta, and Dubai international manning business has been based on a multiple of 5.75 times EBITDA for the 2010 (50% weighting), 2011 (25% weighting) and 2012 (25% weighting) financial years. The purchase consideration will be paid over a three year period commencing in the 2009/10 financial year with no up front payment.

Notes to the Preliminary Final Report

28. Subsequent Events Continued

In 2007/08, OMS is forecasting revenue of approximately \$209 million and EBITDA of \$22 million, with an approximate contribution to the consolidated entity of \$173 million in revenue and \$18 million EBITDA. OMS will continue to operate as an autonomous brand.

The acquisition will be effected by the purchase of shares in various OMS operating companies. The acquisition will be funded using existing debt facilities which were recently extended to \$350 million. The acquisition is expected to complete on 31 August 2007.