

**Appendix 4D ASX Listing Rule 4.2A.3
Half Year Report
Skilled Group Limited
ABN 66 005 585 811**

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Skilled Group Limited**

**Results for announcement to the market
Half year ended ('current period') – 31 December 2007
('previous corresponding period' – 31 December 2006)**

	Percentage change	\$AUD'000
Revenues from ordinary activities	Up 51.0% to	917,640
Revenues from continuing operations	Up 51.0% to	917,640
Net profit after tax from continuing operations	Up 23.3% to	13,726
Profit from ordinary activities after tax attributable to members	Up 23.3% to	13,726
Net profit for the period attributable to members	Up 23.3% to	13,726

Dividends (distributions)	Amount per security	Franked amount per security
Interim Dividend (payable 16 April 2008) (Previous Year)	9.0¢ 8.0¢	9.0¢ 8.0¢
Final Dividend (paid 16 October 2007) (Previous Year)	14.0¢ 12.0¢	14.0¢ 12.0¢
Record date for determining entitlements to the Dividend	1 April 2008	
Date for payment of Interim Dividend	16 April 2008	

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. The last date for the receipt of election notices for the Dividend Reinvestment Plan is 1 April 2008.

Earnings Per Ordinary Fully Paid Share (EPS)	Current Period	Previous Corresponding Period
Basic EPS	12.83¢	10.69¢
Diluted EPS	12.82¢	10.68¢

NTA Backing	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	(147.3)¢	(62.8)¢

Net Asset Backing	Current Period	Previous Corresponding Period
Net asset backing per ordinary security	173.0¢	113.5¢

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Directors' Report

The Directors of Skilled Group Limited (the "Company") present the financial report for the half year ended 31 December 2007. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the Directors of the Company during or since the end of the half year are:

K.V. Loughnan AO	K.W. Hughes
T.B. Janes	R.J. Gartside (resigned 23 October 2007)
G.M. Hargrave	R.N. Herbert AM
J.B. Dixon	V.A. McFadden

Review of Operations

A detailed review of the operations of the consolidated entity is contained in the interim results announcement to the Australian Stock Exchange.

Subsequent Events

On 29 January 2008 an Extraordinary General Meeting of shareholders approved the granting of 2 million shares at \$5.20 per share to Hedonsax, the Company's major shareholder. Other than this event, there has been no matter or circumstance other than that referred to in this half year report, that has arisen since the end of the financial half year, that has significantly affected or may significantly affect the operations of the consolidated entity, the results of these operations, or the state of affairs of the consolidated entity in future financial years.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 3.

Rounding of Amounts

The Company is of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the Directors' Report and the financial report have been rounded off to the nearest thousand dollars unless otherwise stated.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors


G.M. Hargrave
Director


T.B. Janes
Director

Melbourne, 20 February, 2008

The Board of Directors
Skilled Group Limited
Level 15, 380 St Kilda Road
Melbourne VIC 3004

20 February 2008

Dear Board Members

Skilled Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Skilled Group Limited.

As lead audit partner for the review of the financial statements of Skilled Group Limited for the half-year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountants

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Directors' Declaration
For the Half Year Ended 31 December 2007

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the disclosing entity will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



G.M. Hargrave
Director



T.B. Janes
Director

Melbourne, 20 February, 2008

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**Consolidated Income Statement
For the half year ended 31 December 2007**

	Half year ended 31 December 2007 \$ '000	Half year ended 31 December 2006 \$ '000
Revenue	917,640	607,684
Employee and sub-contractor related costs	(799,051)	(531,664)
Raw materials and consumables used	(11,847)	(15,101)
Motor vehicle expenses	(1,821)	(1,678)
Office occupancy related costs	(7,686)	(4,892)
Depreciation and amortisation expenses	(9,715)	(5,929)
Finance costs	(10,531)	(3,311)
Loss from sale of assets	(14)	(115)
Marine vessel charter costs	(5,695)	-
Other expenses	(49,954)	(27,639)
Profit before income tax expense	21,326	17,355
Income tax expense	(7,600)	(6,222)
Profit from continuing operations	13,726	11,133
Profit from discontinued operations	-	-
Profit attributable to members of the parent entity	13,726	11,133

Earnings per share		
Basic (cents per share)	12.83¢	10.69¢
Diluted (cents per share)	12.82¢	10.68¢

Earnings per share from continuing operations		
Basic (cents per share)	12.83¢	10.69¢
Diluted (cents per share)	12.82¢	10.68¢

Notes to the financial statements are included on pages 9 to 15.

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Consolidated Statement of Recognised Income and Expense
For the half year ended 31 December 2007

	Half year ended 31 December 2007 \$ '000	Half year ended 31 December 2006 \$ '000
Gain on cash flow hedges taken to equity	158	-
Income tax on items taken directly to equity	(47)	-
Change in foreign currency translation reserve arising on translation of foreign operations and hedging of net investment in foreign subsidiary	287	(174)
Net revenue/ (expense) recognised directly in equity	398	(174)
Profit for the period	13,726	11,133
Total recognised income and expense for the period	14,124	10,959

Notes to the financial statements are included on pages 9 to 15.

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**Consolidated Balance Sheet
As at 31 December 2007**

	Note	31 December 2007 \$'000	30 June 2007 \$'000
Current assets			
Cash and cash equivalents		-	5,531
Trade and other receivables		276,628	190,044
Inventories		4,810	3,507
Financial assets		27	-
Other		7,158	5,898
Total current assets		288,623	204,980
Non-current assets			
Receivables		3,822	3,060
Property, plant and equipment		25,194	20,143
Goodwill		312,099	174,753
Other intangibles		71,025	62,341
Financial assets		564	-
Deferred tax assets		14,513	13,460
Total non-current assets		427,217	273,757
Total assets		715,840	478,737
Current liabilities			
Payables		130,912	109,940
Borrowings	8	102,994	76,012
Current tax liabilities		2,659	11,815
Financial liabilities		217	-
Provisions		29,799	33,665
Total current liabilities		266,581	231,432
Non-current liabilities			
Payables		59,259	5,660
Borrowings	8	168,450	99,516
Financial liabilities		44	-
Provisions		14,598	12,381
Total non-current liabilities		242,351	117,557
Total liabilities		508,932	348,989
Net assets		206,908	129,748
Equity			
Issued capital	4	164,775	88,137
Reserves		3,649	2,202
Retained earnings	6	38,484	39,409
Total equity		206,908	129,748

Notes to the financial statements are included on pages 9 to 15.

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**Consolidated Cash Flow Statement
For the half year ended 31 December 2007**

	Note	Half year ended 31 December 2007 Inflows/(Outflows) \$'000	Half year ended 31 December 2006 Inflows/(Outflows) \$'000
Cash flows from operating activities			
Receipts from customers		964,108	663,661
Payments to suppliers and employees		(975,072)	(651,143)
Interest received		583	130
Interest and other costs of finance paid		(6,685)	(2,485)
Income tax paid		(22,251)	(7,120)
Net cash (used in)/provided by operating activities		(39,317)	3,043
Cash flows from investing activities			
Payments for property, plant and equipment		(6,804)	(5,842)
Payments for intangibles		(5,885)	-
Payments for purchase of businesses	10	(92,626)	(102,370)
Proceeds from sale of property, plant and equipment		116	97
Net cash used in investing activities		(105,199)	(108,115)
Cash flows from financing activities			
Proceeds from borrowings		262,778	261,300
Repayment of borrowings		(185,026)	(149,602)
Proceeds from issues of equity, net of costs		73,827	254
Dividends paid		(12,901)	(10,358)
Net cash provided by financing activities		138,678	101,594
Net (decrease) in cash held		(5,839)	(3,478)
Cash and cash equivalents at the beginning of the period		5,531	5,950
Cash and cash equivalents at the end of the period		(308)	2,472

Notes to the financial statements are included on pages 9 to 15.

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Notes to the Financial Statements
For the half year ended 31 December 2007

1. Significant Accounting Policies

Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the 2007 annual financial report. The presentation currency for this half year report is Australian dollars.

Basis of preparation

The condensed financial statements have 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.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2007 annual financial report for the financial year ended 30 June 2007.

2. Unusual Items

	December 2007 \$'000	December 2006 \$'000
Integration costs associated with businesses acquired	716	1,707

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Notes to the Financial Statements for the half year ended 31 December 2007

3. Segment Reporting

Segment Revenues and Results Half year ended December 2007	SKILLED Brand	Other Brands	Eliminations	Unallocated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	621,894	297,382	(2,219)	583	917,640
EBITDA	27,707	13,281			40,988
Depreciation and amortisation	(4,088)	(5,627)			(9,715)
Earnings before interest and tax	23,619	7,654			31,273
Net interest expense				(9,947)	(9,947)
Profit before income tax expense					21,326
Income tax expense				(7,600)	(7,600)
Net profit after tax					13,726
Segment Assets And Liabilities					
Assets	336,295	362,880	-	16,665	715,840
Liabilities	90,368	139,374	-	279,190	508,932
Other Segment Information					
Acquisition of segment assets	15,422	141,720			157,142
Net gain on disposal of businesses	-	-	-	-	-

Segment Revenues and Results Half year ended December 2006	SKILLED Brand	Other Brands	Eliminations	Unallocated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	512,601	95,739	(786)	130	607,684
EBITDA	23,629	2,836			26,465
Depreciation and amortisation	(3,156)	(2,773)			(5,929)
Earnings before interest and tax	20,473	63			20,536
Net interest expense				(3,181)	(3,181)
Profit before income tax expense					17,355
Income tax expense				(6,222)	(6,222)
Net profit after tax					11,133
Segment Assets And Liabilities					
Assets	288,713	90,315	-	14,174	393,202
Liabilities	92,377	16,783	-	165,511	274,671
Other Segment Information					
Acquisition of segment assets	98,816	12,971			111,787
Net gain on disposal of businesses	-	-	-	-	-

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3. Segment Reporting (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 been expanded in the current year, as detailed below in each of the segment descriptions. In addition, the Extraman business which was previously operated within the Other Brand management structure is now operated as part of the SKILLED Brand management structure. The 2006 comparative has been re-stated to reflect this change.

SKILLED Brand Provision of supplementary labour hire and contract maintenance and project services. Revenue from this segment is earned predominantly from the provision of blue-collar and technical professionals on the basis of hours worked.

Other Brands Provision of supplementary labour hire. Revenue from this segment is predominantly earned through the provision of nursing, call centre, white collar and marine manning services on the basis of hours worked.

The brands included in this segment include Excelior, Origin Healthcare and its subsidiaries, SEM Fire and Rescue, PeopleCo, Mosaic, Swan and Offshore Marine Services ('OMS').

4. Issued Capital

	December 2007 \$'000	June 2007 \$'000
119,603,232 fully paid ordinary shares (June 2007: 104,647,260)	164,775	88,137

	6 months ended December 2007 No. '000	6 months ended December 2007 \$'000	12 months ended June 2007 No. '000	12 months ended June 2007 \$'000
Fully Paid Ordinary Shares				
Balance at beginning of reporting period	104,647	88,137	103,908	84,189
Issue of shares under employee share acquisition scheme	200	1,059	154	913
Issue of shares under the dividend reinvestment plan	333	1,750	583	3,033
Issue of shares under executive share option plan	-	-	2	2
Issue of shares under institutional share placement (i)	14,423	73,829	-	-
Balance at end of reporting period	119,603	164,775	104,647	88,137

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

(i) Net of issuance costs of \$1,173,000

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5. 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 when issued, the cost of which is based on an independent valuation as at the grant date and amortised over the vesting period of the options.

Executive Share Option Plan 1994	6 months ended December 2007 No.	12 months ended June 2007 No.
Balance at beginning of the reporting period	-	1,772
Exercised during the reporting period	-	(1,772)
Balance at end of the reporting period	-	-

Executive Share Option Plan 2006	6 months ended December 2007 No.	12 months ended June 2007 No.
Balance at beginning of the reporting period	3,002,000	930,000
Granted during the reporting period	2,354,000	2,177,000
Lapsed during the reporting period	(97,000)	(105,000)
Balance at end of the reporting period	5,259,000	3,002,000

6. Retained Earnings

	6 months ended December 2007 \$'000	12 months ended June 2007 \$'000
Balance at beginning of the reporting period	39,409	31,256
Net profit attributable to members of parent entity	13,726	28,980
Dividends provided for or paid	(14,651)	(20,827)
Balance at end of reporting period	38,484	39,409

7. Dividends

	6 months ended December 2007		12 months ended June 2007	
	Cents per share	Total \$'000	Cents per share	Total \$'000
<u>(a) Recognised Amounts</u>				
Final dividend relating to year ended June 2006, 100% franked	-	-	12.0	12,469
Interim dividend relating to year ended June 2007, 100% franked	-	-	8.0	8,358
Final dividend relating to year ended June 2007, 100% franked	14.0	14,651	-	-
		14,651		20,827
<u>(b) Unrecognised Amounts</u>				
Final dividend for year ended June 2007, 100% franked	-	-	14.0	14,651
Interim dividend for year ended June 2008, 100% franked	9.0	10,764	-	-

The interim dividend for the year ended 30 June 2008 has not been recognised in this financial report because it was declared subsequent to 31 December 2007.

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8. Borrowings

	December 2007 \$'000	June 2007 \$'000
Current		
Bank overdraft (i)	308	-
Bank debt facilities (i)	98,451	70,000
Insurance premium funding	1,882	4,255
Finance lease liabilities	2,353	1,757
	102,994	76,012
Non-current		
Bank debt facilities (i)	164,841	96,378
Finance lease liabilities	3,609	3,138
	168,450	99,516
Total	271,444	175,528

(i) During the period Skilled increased its cash advance facilities from \$225 million to \$350 million.

9. Contingent Liabilities

	December 2007 \$'000	June 2007 \$'000
Bank guarantees for various contracts	16,268	12,743

10. Business Acquisitions

On 14 September 2007 SKILLED acquired the issued capital of Offshore Marine Services Pty Ltd ("OMS Australia") and Offshore Marine Services (NZ) Ltd ("OMS NZ"). The effective date of the acquisition of these companies was 31 August 2007. Total enterprise value for OMS Australia and OMS NZ is estimated to be \$122 million which is calculated as the 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. During the period payments of \$72 million were made for the shares in the OMS Australia and New Zealand legal entities using existing debt facilities. The balance of consideration will be deferred over a three year period.

On 30 November 2007 SKILLED acquired the issued capital of Offshore Marine Services UK Limited ("OMS UK") and Offshore Marine Services Ltd ("OMS International"). The effective date of the acquisition of these companies was 31 October 2007. Total consideration for OMS UK and OMS International is estimated to be \$34 million which is calculated as the multiple of 5.75 times EBITDA for 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.

On 29 October 2007, SKILLED acquired the Australian assets of Hudson's Trade and Industrial business ("Hudson Trade and Industrial") for cash consideration of \$3.7 million. The acquisition was satisfied entirely by cash which was funded by debt.

On 14 December 2007, SKILLED acquired the New Zealand business Tradeforce with an initial payment of NZ\$ 1.5 million. The total purchase price, which is based on a multiple of 4.25 times average EBIT for the 2008 and 2009 calendar years, is estimated to be around NZ\$3 million based on current earnings.

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10. Business Acquisitions (continued)

Details of the acquisitions are as follows:

	FAIR VALUE ON ACQUISITION	
	December 2007 \$'000	December 2006 \$'000
Consideration		
Cash	80,959	93,306
Deferred Consideration	68,052	-
	<u>149,011</u>	<u>93,306</u>
Fair value of net assets of entity acquired		
Current Assets		
Cash	6,303	2,123
Receivables	45,691	44,070
Inventories	455	11
Prepayments and other assets	4,753	4,267
Non-Current assets		
Plant and equipment	1,177	4,663
Intangibles – brands	1,986	5,566
Intangibles – software	-	4,630
Intangibles – other	7,124	1,148
Deferred tax asset	96	1,304
Current Liabilities		
Overdraft	(1,841)	(32)
Payables	(18,874)	(19,246)
Borrowings	(12,755)	(32,813)
Tax liabilities	(3,450)	(2,133)
Provision and accruals	(9,367)	(7,943)
Non-Current Liabilities		
Borrowings	(5,276)	(301)
Deferred tax liability	(948)	-
Payables	(7)	-
Provision and accruals	-	(5)
Net Assets acquired	<u>15,067</u>	<u>5,309</u>
Goodwill on acquisition	<u>133,944</u>	<u>87,997</u>
	<u>149,011</u>	<u>93,306</u>
Net Cash Outflow to acquire business		
Cash consideration	80,959	93,306
Add: bank overdraft balances acquired:	1,841	32
Less: cash balance acquired	(6,303)	(2,123)
Net outflow of cash	<u>76,497</u>	<u>91,215</u>
Net Cash Outflows for prior years acquisitions		
Payment of deferred consideration (i)	16,129	11,155
Net outflow of cash for acquisitions	<u>92,626</u>	<u>102,370</u>

(i) During the period deferred consideration payments were made in respect of the prior period's acquisitions of Extraman, Swan, HVA and ICE Personnel.

The goodwill on the above acquisitions is attributed to the expected future profitability of the businesses acquired. The above acquisitions for the December 2007 financial period 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 OMS has contributed revenue of \$81,342,000 and earnings before interest, depreciation, amortisation, integration costs, tax and corporate overheads of \$9,020,000 to the consolidated group. Hudson Trade and Industrials has contributed revenue of \$9,380,000 and earnings before interest, depreciation, amortisation, integration costs, tax and corporate overheads of \$623,000 to the consolidated group. Tradeforce has contributed revenue of \$455,000 and earnings before interest, depreciation, amortisation, integration costs, tax and corporate overheads of \$(5,000) to the consolidated group. Had these business combinations been effected at 1 July 2007, the revenue of the consolidated group for the half year ended 31 December 2007 would be \$984,734,000 and net profit after tax \$16,104,000.

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Notes to the Financial Statements for the half year ended 31 December 2007

11. Subsequent Events

On 29 January 2008 an Extraordinary General Meeting of shareholders approved the granting of 2 million shares at \$5.20 per share to Hedonsax, the Company's major shareholder. Other than this event, there has been no matter or circumstance other than that referred to in this half year report, that has arisen since the end of the financial period, that has significantly affected or may significantly affect the operations of the consolidated entity, the results of these operations, or the state of affairs of the consolidated entity in future financial years.

Independent Auditor's Review Report to the members of Skilled Group Limited

We have reviewed the accompanying half-year financial report of Skilled Group Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, cash flow statement, statement of recognised income and expense for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising Skilled Group Limited and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 4 to 15.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Skilled Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Skilled Group Limited is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.


DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountants
Melbourne, 20 February 2008

Member of
Deloitte Touche Tohmatsu