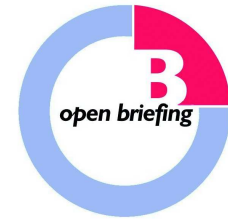


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Skilled Group Limited
Level 15, 380 St Kilda Road,
Melbourne, Victoria 3004

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Record of interview:

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SKILLED Group Limited has today announced the successful renegotiation of a \$175 million debt facility. What is SKILLED's new debt profile, how much head room do you have within your existing and new facilities and to what extent have finance costs risen?

CFO Terry Janes

Our renegotiated, total syndicated bank debt facility of \$350 million is the same size as the previous facility. It consists of two tranches, each of \$175 million. Tranche A, previously a one year facility, maturing in August 2008, has been extended for three years to August 2011. There has been no change to the August 2010 maturity of Tranche B.

At 31 December, our net debt was \$271 million. We expect net debt will be lower at June 30th and thus we have considerable headroom under these committed debt facilities.

We're very happy with the favourable terms and the extension of the Tranche A maturity date we've renegotiated with the banks which demonstrates the strong support we've had from our syndicate of bankers; National Australia Bank, ANZ and Westpac. In line with the changed conditions in credit markets and the longer term of the Tranche A facility, the bank margin on Tranche A has increased by around 70 basis points. There has been no increase in the margin applicable to the Tranche B facility.

This increase in margin on Tranche A will have an immaterial impact on our cost of finance for the remainder of this financial year. Although the increased margin will have a small impact next year, we have substantially protected ourselves against further market interest rate rises by hedging about 80 percent of our interest rate exposure for this year and about 70 percent for FY09.

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In the six months to December 2007 Skilled had a net interest expense of \$9.9 million including a net interest cash cost of \$6.1 million. Can you explain the difference between the two amounts and give some guidance as to the likely interest expense in the current six month period?

CFO Terry Janes

Our \$9.9 million net interest expense for the half year to 31 December 2007 comprised cash interest paid on debt of \$6.1 million, plus interest of \$2.7 million accrued, but not paid. In addition, there was a non-cash accounting charge of \$1.1 million representing discount expense on the deferred payments for acquisitions which have an earn-out component.

We expect total interest expense on debt for the second half to be about \$10 million and the non-cash accounting charge for the discount expense on the deferred acquisition payments to be about \$3 million.

This means we expect the FY08 interest expense on debt to be around \$19 million and the non-cash accounting charge for the discount expense on deferred acquisition payments to be about \$4 million.

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Where do you envisage your leverage ratios will be at the end of FY08?

CFO Terry Janes

Our most important measure of leverage is EBITDA cover of interest expense on debt. We're very comfortable with our current EBITDA interest cover which is well above the minimum levels required under our banking covenants.

Based upon our FY08 EBITDA guidance of between \$92 and \$97 million, excluding the profit on our recent divestment of SEM Fire and Rescue, our ratio of EBITDA to interest expense at year end will be around 5 times. Our anticipated EBITDA growth in FY09 will take our interest cover higher.

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How do your relationship banks view the current level of interest cover?

CFO Terry Janes

We have a long standing relationship with the NAB, and while ANZ and Westpac are more recent lenders, all are very comfortable with our current levels of debt and interest cover ratios.

Our strong banking relationships reflect the strength of our business. SKILLED historically generates robust cash flows, requires relatively low levels of capex, and is exposed to diversified sectors of the economy and diversified, high quality customers. Our bankers understand the low risk nature of our business and are very supportive and keen to do business with us.

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Cash flow from operations in the half year to December 2007 was negative \$39.3 million which surprised the market. Can you explain why it was negative in the December half-year and can you give some guidance on cash flow from operations in the current six month period?

CFO Terry Janes

There were four main reasons why our December half cash flow from operations was negative. Firstly, there is the seasonal influence. Every December half our closing receivables are higher and creditors lower than at 30 June. This is due to the difficulty of collecting debt during the Christmas holiday period Collections then pick-up in January and February. In terms of creditors, our accrued wages for field employees are generally lower at 31 December than they are at 30 June.

Secondly, the working capital requirements of the Offshore Marine Services (OMS) business acquired last September are greater than our traditional businesses because OMS's multi-national oil and gas industry clients are on longer payment terms. With strong sales growth in the months post acquisition, additional working capital investment of about \$17 million was made in OMS.

Thirdly, as two acquisitions made in the first half, Hudson's Trade and Industrial and Trade Force New Zealand, were asset purchases, not balance sheet purchases, we had to fund some \$5 million of initial working capital for these businesses.

Fourthly, tax payments in the first half were higher than normal due to balancing or catch-up payments on previous years' incomes. These balancing payments amounted to around \$8.5 million. In addition, another \$3.5 million of pre-acquisition tax liabilities for OMS were paid for which provision had been made in the acquired OMS balance sheet.

We expect cash flow from operations to be strongly positive in the current half year with lower tax and working capital outflows as the seasonal influences on debtors and creditors' balances reverse, and the one-off issues impacting the first half are not be repeated.

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Recently you sold SEM Fire and Rescue for an upfront payment of \$11 million. Do you plan any additional asset sales and what is the immediate outlook like for acquisitions?

CEO & MD Greg Hargrave

We have no plans for further asset sales and we have no plans to make any significant sized acquisitions in the next twelve months or so. We'll continue to evaluate acquisition opportunities which we believe would create long term value, but in the near term they're likely to be smaller, bolt-on deals structured around earn-outs.

Whilst it was profitable, SEM Fire and Rescue was clearly a non-core business for us. We have been trying to divest this business for a number of years to concentrate on our core business of staffing services. We are pleased that we've been able to divest it now on attractive terms.

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SKILLED provided updated earnings guidance for FY08 of EBITDA of \$92 to \$97 million and net profit after tax of \$31 to \$35 million. That implies EBITDA growth of 32 to 40 percent. What are the key drivers of this EBITDA growth?

CEO & MD Greg Hargrave

The underlying performance of the business continues to be strong. We are the industry leader in staffing services and there is still a skills shortage. In 2008, we are seeing the revenue and margin benefits of the integration of the acquisitions we made in 2007 in organic growth. Second half margins are benefiting from a slow down in the growth of corporate infrastructure cost increases, largely in IT and senior executive appointments, which we put in place to take us to our next growth phase.

We are a direct beneficiary of the resources boom. Our September 2007 acquisition of drilling and marine crew provider, OMS, has taken the oil, gas and mining sectors to around 35 percent of our portfolio. OMS is performing strongly and is ahead of expectations.

Our key industrial sectors, manufacturing, transport, logistics and utilities continue to grow. While below earlier expectations, Excelior is ahead of last year. PeopleCo is benefiting from national expansion with 13 new branches opened in the first half.

We're seeing stronger regional employment. Last year our second half was negatively affected by the flow-on impact of drought on regional employment in secondary industries particularly in NSW, South Australia and Victoria.

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SKILLED's share price has fallen from a high of \$5.64 in December 2007 and currently trades at \$3.21. For the year ending June 2007 the company paid a fully franked annual dividend of 22.0 cents and on that dividend SKILLED is yielding 6.8 percent. What is the outlook for the dividend in the year ending June 2008?

CEO & MD Greg Hargrave

In FY07 we paid an interim dividend of 8.0 cents per share and a final of 14.0 cents per share. We recently paid an FY08 interim dividend of 9.0 cents per share.

As always, we will assess the final dividend following the end of the financial year. Given our earnings guidance, we expect to at least maintain our dividend. We would not expect any material change to past dividend payout ratios which in recent years have been 70 to 80 percent.

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Thank you Greg and Terry.

For more information about SKILLED, visit www.skilled.com.au or call Annabel Urquhart, Group Manager Corporate Affairs, on (03) 8646 6417 or 0458 394 213.

For previous Open Briefings with SKILLED Group Limited, or to receive future Open Briefings by e-mail, please visit www.corporatefile.com.au.

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