

**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 2008
(‘previous corresponding period’ – 30 June 2007)**

		\$A'000
Revenues from ordinary activities	Up 39.3% to	1,929,530
Revenues from continuing operations	Up 39.3% to	1,929,530
Net profit after tax from continuing operations	Up 32.0% to	39,328
Net profit after tax excluding gains on divestments	Up 15.8% to	34,497
Profit from ordinary operations after tax attributable to members	Up 32.0% to	39,328
Net profit for the period attributable to members	Up 32.0% to	39,328

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend (Previous Year)	14.0¢ 14.0¢	14.0¢ 14.0¢
Interim Dividend (paid 16 April 2008) (Previous Year)	9.0¢ 8.0¢	9.0¢ 8.0¢
Record date for determining entitlements to the Dividend	22 September 2008	
Date for payment of Final Dividend	14 October 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.

Earnings Per Ordinary Fully Paid Share (EPS)	Current Period	Previous Corresponding Period
Basic EPS	34.50¢	28.56¢
Diluted EPS	34.50¢	28.54¢
Earnings Per Share (EPS) from Continuing Operations		
Basic EPS	34.50¢	28.56¢
Diluted EPS	34.50¢	28.54¢
NTA Backing		
Net tangible asset backing per ordinary security	(154.4)¢	(104.6)¢
Net Asset Backing		
Net asset backing per ordinary security	192.4¢	124.8¢

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

Annual General Meeting

Place: Melbourne Town Hall
Date: Tuesday, 21 October 2008
Time: 11.00 am

Annual Report available (approximate date): 15 September 2008

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:



TB Janes – Director

Dated: 20 August 2008

Consolidated Income Statement			
For the financial year ended 30 June 2008			
	Note	2008 \$'000	2007 \$'000
Revenue	5	1,929,530	1,384,811
Other income	5	8,181	5,701
Employee and sub-contractor related costs		(1,676,232)	(1,213,539)
Raw materials and consumables used		(22,044)	(29,756)
Motor vehicle expenses		(3,982)	(2,988)
Office occupancy related costs		(15,622)	(10,990)
Loss from sale of assets		(48)	(168)
Marine vessel charter costs		(14,611)	-
Other expenses		(102,936)	(63,298)
Depreciation and amortisation expenses	5	(19,885)	(14,239)
Finance costs	5	(24,160)	(10,092)
Profit before income tax		58,191	45,442
Income tax expense	7	(18,863)	(15,643)
Profit for the year		39,328	29,799
Attributable to members of the parent entity	28	39,328	29,799

Earnings per share		
Basic EPS	34.50¢	28.56¢
Diluted EPS	34.50¢	28.54¢

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

Consolidated Balance Sheet			
As at 30 June 2008			
	Note	2008 \$'000	2007 \$'000
Current assets			
Cash and cash equivalents		-	5,531
Trade and other receivables	9	285,344	190,022
Other financial assets	12	59	22
Inventories	10	1,141	3,507
Other	11	9,062	5,898
Total current assets		295,606	204,980
Non-current assets			
Receivables	13	3,986	2,910
Other financial assets	12	1,177	150
Property, plant and equipment	14	27,102	20,143
Goodwill	15	348,404	177,818
Other intangibles	15	74,582	62,341
Deferred tax assets	16	10,048	11,295
Total non-current assets		465,299	274,657
Total assets		760,905	479,637
Current liabilities			
Payables	17	177,130	109,940
Borrowings	18	17,891	76,012
Other financial liabilities	21	47	-
Current tax liabilities	19	3,423	11,815
Provisions	20	34,377	33,665
Total current liabilities		232,868	231,432
Non-current liabilities			
Payables	17	49,359	5,660
Borrowings	22	226,982	99,516
Provisions	23	16,357	12,381
Other financial liabilities	21	657	-
Total non-current liabilities		293,355	117,557
Total liabilities		526,223	348,989
Net assets		234,682	130,648
Equity			
Issued capital	25	176,368	88,137
Reserves	27	4,273	2,202
Retained earnings	28	54,041	40,309
Total equity		234,682	130,648

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 2008			
	Note	2008 \$'000	2007 \$'000
Gain/(loss) on cash flow hedges taken to equity	27	360	172
Income tax on items taken directly to equity		(160)	-
Increase/(decrease) in foreign currency translation reserve arising on translation of foreign operations	27	267	(240)
Net income/(expense) recognised directly in equity		467	(68)
Profit for the period		39,328	29,799
Total recognised income and expense for the period		39,795	29,731
Increase in retained earnings at the beginning of the period due to the effect of changes in accounting policy	4	900	81

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

Consolidated Cash Flow Statement For the financial year ended 30 June 2008			
	Note	2008 \$'000	2007 \$'000
Cash flows from operating activities			
Profit before taxation		58,191	45,442
Adjustments for:			
Depreciation and amortisation of non current assets		19,885	14,239
Interest revenue		(1,122)	(421)
Interest expense		24,160	10,092
Earnings before interest, tax, depreciation and amortisation		101,114	69,352
Profit on business combination (AAPT contract)		-	(5,280)
Profit on disposal of SEM Fire and Rescue Pty Ltd		(6,988)	-
Amortisation of executive share options		1,604	1,648
Net loss on disposal of property, plant & equipment		48	168
		95,778	65,888
Increase/decrease in assets and liabilities excluding effects of acquisitions and investments			
Increase in receivables		(46,179)	(17,965)
(Increase)/Decrease in inventories		(1,987)	524
(Increase)/Decrease in other assets		(2,363)	2,157
(Decrease)/Increase in payables		(2,180)	11,456
Increase in provisions		4,177	1,347
Cash generated from operations		47,246	63,407
Income taxes paid		(32,536)	(13,987)
Net Cash Provided by Operating Activities		14,710	49,420
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(11,923)	(6,075)
Payments for intangibles		(15,977)	(11,235)
Payments for purchase of businesses	29(d)	(99,243)	(108,351)
Proceeds from sale of controlled entities	29(e)	11,049	-
Proceeds from sale of property, plant and equipment		317	176
Net Cash Used in Investing Activities		(115,777)	(125,484)
Cash Flows From Financing Activities			
Proceeds from borrowings		513,010	408,414
Repayment of borrowings		(463,290)	(308,777)
Interest received		1,122	421
Interest paid		(19,402)	(7,180)
Proceeds from issues of equity		84,238	561
Dividends paid		(22,647)	(17,793)
Net Cash Provided by Financing Activities		93,031	75,646
Net Decrease in Cash and Cash Equivalents		(8,036)	(419)
Cash and cash equivalents at the beginning of the Financial Year		5,531	5,950
Cash and Cash Equivalents at the End of the Financial Year		(2,505)	(5,531)

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. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policies set out below. The consolidated entity has also adopted the following Standard listed below which only impacted on the consolidated entity's Preliminary Final Report with respect to disclosure:

- AASB 101 'Presentation of Financial Statements' (revised October 2006)

At the date of authorisation of the Preliminary Final Report, the Standards and Interpretations listed below were on issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the Preliminary Final Report, but may change the disclosures presently made:

- | | |
|--|---|
| <ul style="list-style-type: none">• AASB 101 'Presentation of Financial Statements' (revised September 2007)• AASB 8 'Operating Segments' | <p>Effective for annual reporting periods beginning on or after 1 January 2009</p> <p>Effective for annual reporting periods beginning on or after 1 January 2009</p> |
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Initial application of the following Standards and Interpretations is not expected to have any material impact on the Preliminary Final Report:

- | | |
|---|--|
| <ul style="list-style-type: none">• AASB 123 'Borrowing Costs' revised standard• AASB 3 'Business Combinations' and IAS 27 'Separate and Consolidated Financial Statements'• AASB 2008-1 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'• AASB 2008-2 'Amendments to Australian Accounting Standards- Puttable Financial Instruments and Obligations arising on Liquidation'• AASB Interpretation 12 'Service Concession Arrangements'• AASB Interpretation 13 'Customer Loyalty Programmes'• AASB Interpretation 14 'AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' | <p>Effective for annual reporting periods beginning on or after 1 January 2009</p> <p>Effective for annual reporting periods beginning on or after 1 July 2009</p> <p>Effective for annual reporting periods beginning on or after 1 January 2009</p> <p>Effective for annual reporting periods beginning on or after 1 January 2009</p> <p>Effective for annual reporting periods beginning on or after 1 January 2008</p> <p>Effective for annual reporting periods beginning on or after 1 July 2008</p> <p>Effective for annual reporting periods beginning on or after 1 January 2008</p> |
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The initial application of the expected issue of an Australian equivalent accounting standard to any of the following Standards is not expected to have a material impact on the financial report of the company or consolidated entity:

- | | |
|---|---|
| <ul style="list-style-type: none">• Improvements to IFRSs (2008)• Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' and IAS 27 'Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'• IFRIC 15 'Agreements for the Construction of Real Estate'• IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' | <p>Effective for annual reporting periods beginning on or after 1 January 2009</p> <p>Effective for annual reporting periods beginning on or after 1 January 2009</p> <p>Effective for annual reporting periods beginning on or after 1 January 2009</p> <p>Effective for annual reporting periods beginning on or after 1 October 2008</p> |
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Notes to the Preliminary Final Report

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.

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.

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 or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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.

(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 cost 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

Notes to the Preliminary Final Report

2. **Significant Accounting Policies Continued**

(c) **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.

(d) **Derivative financial instruments**

The consolidated entity enters into derivative financial instruments to manage its exposure to interest rate risk.

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 derivatives and non-derivatives in respect of foreign currency risk as either cash flow hedges or hedges of net investments in foreign operations. 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 various 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. **Summary of Accounting Policies Continued**

(e) **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.

(f) **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.

(g) **Income Tax**

Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax consolidated entity 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 Skilled Group Limited (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. Summary of 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.

(h) 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.

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.

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.

Notes to the Preliminary Final Report

2. Summary of Accounting Policies Continued

(i) Financial Assets

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'.

Investments in controlled entities are recorded at cost less any impairment writedown.

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired when there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

(j) 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.

(k) 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. **Summary of Accounting Policies Continued**

(l) **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.

(m) **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.

(n) **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 are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles 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 Company 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.

Notes to the Preliminary Final Report

2. **Summary of Accounting Policies Continued**

Other trademark and brand names are amortised on a straight-line basis over their estimated useful lives. The estimated useful lives are reviewed at the end of each annual reporting period, with any changes being recognised as a change in the accounting estimate. Other trademark and brand names are recorded at cost less accumulated amortisation, and are amortised over periods ranging from 1-5 years

Databases

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

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 contracts

Non-compete agreements and 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.

(o) **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 except where capitalised in accordance with note 1(b).

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.

(p) **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.

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(f).

Notes to the Preliminary Final Report

2. Summary of Accounting Policies Continued

(q) 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 and contracted severance and incentives 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.

(r) Foreign Currency

The individual financial statements of each entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. For the purpose of the preliminary financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Skilled Group Ltd and the presentation currency of the financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise, except for:

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer note 2(d));
- exchange differences on monetary items receivable or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of foreign controlled entities are translated into Australian dollars at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rate for the period unless exchange rates fluctuate significantly. Exchange differences are taken directly to the foreign currency translation reserve and recognised in the income statement on disposal of the foreign operation.

(s) 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.

Notes to the Preliminary Final Report

2. Summary of Accounting Policies Continued

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.

(t) 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.

**(u) 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.

(v) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. 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. Critical Accounting Judgments and Key Sources of Uncertainty

Judgments and estimates

In the application of A-IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the preliminary final report. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Key areas of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at balance sheet date, that have significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year:

Acquisitions based on future earnings

As described in Note 30, during the year SKILLED acquired the issued capital of Offshore Marine Services Pty Ltd ("OMS Australia") and Offshore Marine Service (NZ) Ltd ("OMS New Zealand"). The acquisition purchase price for OMS Australia and OMS New Zealand is based on a multiple of 5.75 times their respective earnings before interest, tax, depreciation and amortisation ("EBITDA") for 2008 (80% weighting), 2009 (10% weighting) and 2010 (10% weighting) financial years.

Also as described in Note 30, during the year SKILLED acquired the issued capital of Offshore Marine Services (UK) Ltd ("OMS UK") and Offshore Marine Services Ltd ("OMS International"). The acquisition purchase price for OMS UK and OMS International is based on a multiple of 5.75 times EBITDA for 2010 (50% weighting), 2011 (25% weighting) and 2012 (25% weighting) financial years.

The valuation of the acquisition purchase price requires an estimation of future EBITDA's for each entity. In addition, the estimated payable amount is required to be discounted at a suitable discount rate in order to calculate present value.

Disposal based on future earnings

As described in Note 31, during the year SKILLED disposed of its wholly-owned subsidiary, SEM Fire and Rescue Pty Ltd ("SEM") for proceeds of \$11 million with an opportunity to receive up to an additional \$1 million based on SEM's future earnings.

The valuation of the disposal proceeds requires an estimation of SEM's future earnings.

Notes to the Preliminary Final Report

4. Change in Accounting Policy

During the year, the consolidated entity changed its policy in regard to the tax effect accounting for certain acquired finite life intangible assets such as brand names, customer contracts and vendor restraints. Previously no deferred tax balances were recognised in respect of these finite life intangible assets as the CGT cost base of such assets equalled or exceeded their accounting carrying amounts. Where the tax base exceeded the carrying amount of the associated asset, generally no deferred tax asset was recognised as the deductible temporary difference arising was effectively an anticipated capital loss which does not meet the 'probable' criterion for recognition. The effect of this treatment was that the amortisation of the relevant assets was effectively treated as non-deductible in determining income tax expense.

Under the revised accounting policy, a deferred tax liability (reduction in deferred tax assets) is recognised in respect of the relevant finite life intangible assets at acquisition. This approach to tax effect accounting is appropriate as it separately considers the future tax consequences of recovering the value of the underlying asset through use and through ultimate disposal. The deferred tax liability is reduced as the assets are amortised. As the consolidated entity's intent is to recover the value of the intangible assets through use, it was appropriate to change the tax effect accounting treatment under AASB 112.

In accordance with the requirements of AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' the change in accounting policy has been recognised retrospectively and the comparatives restated. The change in accounting policy had the following impact on the consolidated financial report:

	2008 Annual \$'000	Dec 2007 6 months \$'000	2007 Annual \$'000	Dec 2006 6 months \$'000	2006 Annual \$'000	Dec 2005 6 months \$'000
Income statement						
Decrease in income tax expense	(1,595)	(755)	(819)	(361)	(81)	(32)
Increase in net profit after tax from continuing operations	1,595	755	819	361	81	32
Recognised income and expense						
Increase in profit for the period	1,595	755	819	361	81	32
Increase in total recognised income and expense for the year	1,595	755	819	361	81	32
Balance Sheet						
Cumulative increase in goodwill	5,793	5,793	3,066	2,403	389	297
Cumulative decrease in deferred tax assets	(3,298)	(4,138)	(2,166)	(1,961)	(308)	(265)
Cumulative increase in retained earnings	2,495	1,655	900	442	81	32

The accounting policy change had no effect on the Consolidated Entity's financial report prior to the 2006 year.

The change in accounting policy increased earnings per share by 1.40 cents (2007: 0.78 cents) (2006: 0.08 cents).

In addition, the consolidated entity has also elected to change its policy option in relation to the presentation of the consolidated and company cash flow statements. Cash flows from operating activities will be disclosed using the indirect method rather than the direct method, which was previously used. This change in accounting policy will result in the financial report providing more relevant information about the entity and its cash flows.

Furthermore, interest paid and interest received will be disclosed as financing activities, rather than their previous classification as operating activities, as they are considered to be financing transactions in nature. Interest received is now classified as a financing activity (rather than investing) as Skilled manage its cash accounts and bank debt on an integrated basis, attempting to sweep all available cash to minimise bank debt.

Notes to the Preliminary Final Report

5. Profit from operations

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

	2008	2007
	\$'000	\$'000
(a) Revenue		
<i>The items below include amounts attributable for both continuing and discontinued operations</i>		
Sales revenue:		
Sale of goods	12,764	21,063
Rendering of services	1,916,766	1,363,748
	1,929,530	1,384,811
(b) Other income		
<i>The items below include amounts attributable for both continuing and discontinued operations</i>		
Interest income	1,122	421
Profit on disposal of SEM Fire and Rescue Pty Ltd	6,988	-
Profit on business combination (AAPT contract)	-	5,280
Other	71	-
	8,181	5,701
(c) Expenses		
<i>The items below include amounts attributable for both continuing and discontinued operations</i>		
Finance costs:		
Interest paid to other entities	19,570	8,845
Finance lease charges	435	342
Notional interest on deferred acquisition payments	4,155	905
	24,160	10,092
Cost of goods sold	10,795	16,800
Net bad and doubtful debts expense/(recovery)	295	(440)
Depreciation and amortisation of:		
Plant and equipment	5,094	2,694
Computer systems and software	4,185	4,493
Leasehold improvements	1,703	1,527
Equipment under finance lease	1,452	1,287
Databases	2,122	1,509
Brand names	3,227	2,178
Other acquired intangibles	2,102	551
Total depreciation and amortisation expense	19,885	14,239
Operating lease rental expenses:		
Minimum lease payments (including marine vessel charter costs)	30,196	10,992
Equity settled share based payments (amortisation of executive options)	1,604	1,648
(d) Unusual items		
Profit on disposal of SEM Fire and Rescue Pty Ltd	6,988	-
Profit on business combination (AAPT contract)	-	5,280
Acquisition integration costs	(1,192)	(3,205)

Notes to the Preliminary Final Report

6. Segment Reporting

	Workforce and Maintenance Services \$'000	Other Brands \$'000	Eliminations \$'000	Unallocated \$'000	Total \$'000
2008					
<u>Segment Revenues and Results</u>					
Revenue	1,265,729	667,162	(3,361)	-	1,929,530
Other income	-	71	-	8,110	8,181
EBITDA	55,722	38,404	-	6,988	101,114
Depreciation and amortisation	(8,822)	(11,063)	-	-	(19,885)
Earnings before interest and tax	46,900	27,341		6,988	81,229
Net interest expense				(23,038)	(23,038)
Profit before income tax					58,191
Income tax expense					(18,863)
Profit after tax					39,328
<u>Segment Assets and Liabilities</u>					
Assets	363,076	385,424	-	12,405	760,905
Liabilities	102,017	172,430	-	251,776	526,223
<u>Other Segment Information</u>					
Acquisition of segment assets	33,817	176,536	-	-	210,353

	Workforce and Maintenance Services \$'000	Other Brands \$'000	Eliminations \$'000	Unallocated \$'000	Total \$'000
2007					
<u>Segment Revenues and Results</u>					
Revenue	1,107,504	279,120	(1,814)	-	1,384,810
Other revenue	-	5,280	-	421	5,701
EBITDA	53,483	15,869	-	-	69,352
Depreciation and amortisation	(7,524)	(6,715)	-	-	(14,239)
Earnings before interest and tax	45,959	9,154			55,113
Net interest expense				(9,671)	(9,671)
Profit before income tax					45,442
Income tax expense					(15,643)
Profit after tax					29,799
<u>Segment Assets and Liabilities</u>					
Assets	311,372	150,641	-	17,624	479,637
Liabilities	98,319	61,248	-	189,422	348,989
<u>Other Segment Information</u>					
Acquisition of segment assets	117,885	51,160	-	-	169,045

Notes to the Preliminary Final Report

6. 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 Workforce and Maintenance Services 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 Extraman business which was previously operated within the Other Brands management structure is now operated as part of the Workforce and Maintenance Services management structure, and the 2007 comparative has been re-stated to reflect this change.

Workforce and Maintenance Services Provision of supplementary labour hire and maintenance services. Revenue from this segment is earned predominantly from the provision of blue-collar hire and maintenance services to clients in the industrial and mining and resources sectors. Brands included in this segment include SKILLED, Tesa, Extraman and SKILLED Services.

Other Brands Provision of call centre, nursing, white collar and offshore marine staffing services. Brands included in this segment include Excelior, Origin Healthcare and its subsidiaries, SEM Fire and Rescue, PeopleCo, Mosaic, Swan Contract Personnel and Offshore Marine Services.

7. Income Tax	2008 \$'000	2007 \$'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 operations	58,191	45,442
Income tax expense calculated at 30%(i)	17,457	13,633
Non-deductible items including entertainment, deferred settlement discount and amortisation of share based payments	2,275	1,067
Benefit arising from previously unrecognised tax losses and temporary differences	(686)	-
Foreign income tax rate differential	(184)	-
Other	(114)	-
Effect on deferred tax balances due to business combination (AAPT contract)	-	784
Under provision of income tax in previous year	115	159
Income tax expense	18,863	15,643
Income Tax Expense Comprises		
Current tax expense in respect of the current year	21,281	20,554
Adjustments recognised in the current year in relation to the current tax of prior years	(523)	-
Deferred tax expense relating to the origination and reversal of temporary differences	(1,895)	(4,911)
Total tax expense	18,863	15,643

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

Notes to the Preliminary Final Report

	2008		2007	
	Cents per share	Total \$'000	Cents per share	Total \$'000
8. Dividends				
<u>Recognised Amounts</u>				
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
Final 2007 dividend fully franked at a tax rate of 30%	14.0	14,651	-	-
Interim 2008 dividend fully franked at a tax rate of 30%	9.0	10,945	-	-
		25,596		20,827
<u>Unrecognised Amounts</u>				
Final 2007 dividend fully franked at a tax rate of 30%	-	-	14.0	14,651
Final 2008 dividend fully franked at a tax rate of 30% (i)	14.0	17,073		

(i) The final dividend for the year ended 30 June 2008 has not been recognised in this financial report because it was declared and approved subsequent to 30 June 2008.

	2008 \$'000	2007 \$'000
Franking account balance	61,091	35,930

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 \$7,317,000 (2007: \$6,279,000).

	2008 \$'000	2007 \$'000
9. Current Receivables		
Trade receivables	276,782	183,983
Allowance for doubtful debts	(740)	(1,505)
	276,042	182,478
Goods and services tax receivable	3,132	2,986
Other receivables	6,170	4,558
	285,344	190,022
10. Inventories		
Raw materials and stores at cost	945	2,958
Work in progress at cost	196	549
	1,141	3,507

Notes to the Preliminary Final Report

	2008 \$'000	2007 \$'000
11. Other Assets		
Prepayments	9,062	5,898
12. Other Financial Assets		
Current		
Interest rate swaps	59	22
Non current		
Interest rate swaps	1,177	150
13. Non-Current Receivables		
Claims recoveries	2,815	2,530
Other receivables	1,171	380
	3,986	2,910

	Land & Buildings	Leasehold Improvements	Plant & Equipment	Equipment Under Finance Lease	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Net Book Value					
As at 30 June 2007	1	5,940	9,261	4,941	20,143
As at 30 June 2008	258	10,916	10,493	5,435	27,102

	2008 \$'000	2007 \$'000
15. Intangibles		
Goodwill		
Net Book Value	348,404	177,818

	Databases	Software and Licenses	Trademarks and Brand- names	Contracts	Other	Total
Other Intangibles						
Net Book Value						
As at 30 June 2007	14,366	26,748	19,739	547	941	62,341
As at 30 June 2008	12,244	37,297	18,531	5,333	1,177	74,582

Notes to the Preliminary Final Report

	2008 \$'000	2007 \$'000
16. Deferred Tax Assets		
Temporary differences	10,048	11,295
Deferred tax assets have been reduced by the deferred tax liability attributable to temporary differences by the amount of	5,125	4,123
17. Payables		
Current Payables		
Unsecured:		
Trade payables and accruals	94,269	68,790
Deferred purchase consideration	62,006	22,182
Goods and services tax payable	20,855	18,968
	177,130	109,940
Non Current Payables		
Unsecured:		
Deferred purchase consideration	49,359	5,660
18. Current borrowings		
Secured:		
Bank overdraft	2,505	-
Bank Debt Facilities (i)	5,000	70,000
Insurance Premium Funding (ii)	7,994	4,255
Finance Lease Liabilities (iii)	2,392	1,757
	17,891	76,012
(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.		
19. Current Tax Liabilities		
Income tax payable	3,423	11,815
20. Current Provisions		
Employee Benefits (Note 24)	29,479	29,810
Litigation (i)	345	628
Claims(ii)	2,605	1,488
Other	1,948	1,739
	34,377	33,665
(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

21. Other Financial Liabilities	2008	2007
Current	\$'000	\$'000
Foreign currency forward contracts	15	-
Interest rate swaps	32	-
	47	-
Non current		
Interest rate swaps	657	-

22. Non-current borrowings	2008	2007
Secured:	\$'000	\$'000
Bank Debt facilities (i)	223,707	96,378
Finance lease liabilities (ii)	3,275	3,138
	226,982	99,516

(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.

23. Non-Current Provisions	2008	2007
Employee benefits (Note 24)	\$'000	\$'000
Employee benefits (Note 24)	6,358	5,710
Claims Provisions (i)	7,627	6,106
Other	2,372	565
	16,357	12,381
(i) Provision for Claims incurred under self insurance in relation to Workers Compensation.		
24. Employee Benefits		
The aggregate employee entitlement liability recognised and included in the financial statements is as follows:		
Provision for employee benefits:		
Current (Note 20)	29,479	29,810
Non-Current (Note 23)	6,358	5,710
Accrued wages and salaries (i)	54,288	34,489
	90,125	70,009
(i) Accrued wages and salaries are included in current trade payables and accruals as disclosed in note 17 to the financial statements.		

Notes to the Preliminary Final Report

	2008 \$'000	2007 \$'000
25. Issued Capital		
121,953,052 fully paid ordinary shares (2007: 104,647,260)	176,368	88,137

	2008 No. '000	2008 \$'000	2007 No. '000	2007 \$'000
Fully Paid Ordinary Shares				
Balance at beginning of financial year	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	683	2,947	583	3,033
Issue of shares to related party	2,000	10,391	-	-
Issue of shares under institutional share placement	14,423	73,834	-	-
Issue of shares under executive share option plan (note 26)	-	-	2	2
Balance at end of financial year	121,953	176,368	104,647	88,137

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

Shares held by Subsidiaries

Allskills Pty Ltd, a wholly owned subsidiary, held 370,500 (2007: 324,226) shares in Skilled Group Limited at 30 June 2008. These shares were held for the benefit of the Skilled Group Limited Share Plan Trust.

26. 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.

	2008 No.	2007 No.
Executive Share Option Plan		
Balance at beginning of the financial year	3,002,000	931,772
Granted during the financial year	2,354,000	2,177,000
Exercised during the financial year	-	(1,772)
Lapsed during the financial year	(696,000)	(105,000)
Balance at end of the financial year	4,660,000	3,002,000

Notes to the Preliminary Final Report

	2008 \$'000	2007 \$'000
27. Reserves		
Employee equity settled benefits reserve (i)	3,647	2,043
Hedging reserve (ii)	372	172
Foreign currency translation (iii)	254	(13)
	4,273	2,202
Employee equity settled benefits reserve		
Balance at beginning of the financial year	2,043	395
Share based payments – amortisation of executive options	1,604	1,648
Balance at end of financial year	3,647	2,043
(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	172	-
Gains/(loss) recognised on cash flow hedges:		
Foreign currency forward contracts	(15)	-
Interest rate swaps	(22)	172
Income tax related to gains/losses recognised in equity	(41)	-
Transferred to profit or loss:		
Interest rate swaps	397	-
Income tax related to amounts transferred to profit or loss	(119)	
Balance at end of financial year	372	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(d) to the Preliminary Final Report.		
Foreign currency translation reserve		
Balance at beginning of financial year	(13)	227
(Deficit)/surplus from translation of financial statements of foreign operations	267	(240)
Balance at end of financial year	254	(13)
(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(r) of the Preliminary Final Report.		

Notes to the Preliminary Final Report

	2008 \$'000	2007 \$'000
28. Retained Profits		
Balance at beginning of financial year	40,309	31,337
Net profit attributable to members of parent entity	39,328	29,799
Dividends provided for or paid	(25,596)	(20,827)
Balance at end of financial year	54,041	40,309

29. 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 \$2,739,506 (2007: \$2,159,449).
- ii. Operated a dividend reinvestment plan in which dividends paid during the year of \$2,946,708 (2007: \$3,033,727) were re-invested in ordinary shares.

	2008 \$'000	2007 \$'000
(b) Financing Facilities		
Bank overdraft facility, payable at call:		
Amount used	2,505	-
Amount unused	7,719	4,500
	10,224	4,500
Syndicated bank debt facility and market rate advance facilities subject to periodic roll-over:		
Amount used	228,707	166,378
Amount unused	136,293	68,622
	365,000	235,000

The bank overdraft, syndicated bank debt facility and market rate advance facility are secured by a fixed and floating charge over the assets of the consolidated entity. The bank overdraft, market rate facility and short term money market facility are reviewable in December 2008. The syndicated bank debt facility is in two tranches that are reviewable in August 2010 and August 2011.

Notes to the Preliminary Final Report

29. Notes to the Statement of Cash Flows Continued

(d) Business Acquired	2008	2007
During the financial year, the consolidated entity acquired the OMS and other businesses (2007: TESA, Catalyst and Swan and other businesses). Details of the acquisitions are as follows:	\$'000	\$'000
Consideration		
Cash and related acquisition costs	81,056	100,132
Deferred Consideration	101,070	13,811
	182,126	113,943
Fair value of net assets of entity acquired		
Current Assets		
Cash	6,604	7,875
Receivables	47,579	55,976
Inventories	455	11
Prepayments	4,513	4,462
Non-current assets		
Receivables	-	-
Plant and equipment	1,168	7,228
Intangibles – software	19	4,630
Intangibles – contracts	6,420	600
Intangibles – brand names	2,032	7,311
Intangibles – other	704	1,006
Deferred tax asset	-	502
Current Liabilities		
Bank overdraft	(1,841)	(32)
Payables	(17,032)	(26,260)
Borrowings	(17,052)	(64,652)
Tax Liabilities	(2,441)	(2,311)
Provision and Accruals	(9,312)	(11,736)
Non-current Liabilities		
Payables	(7)	-
Provisions	-	(264)
Borrowings	(5,338)	(301)
Deferred tax liabilities	(3,575)	-
Net Assets Acquired	12,896	(15,955)
Goodwill and discount on acquisition	169,230	129,898
	182,126	113,943
Net Cash Outflow to acquire Businesses		
Cash and related acquisition costs	81,056	100,132
Less balances acquired:		
Cash	(6,604)	(7,875)
Bank overdraft	1,841	32
Net Outflow of cash	76,293	92,289
Net outflow of cash for prior year acquisitions		
Payment of deferred consideration	22,950	16,062
Net outflow of cash for acquisitions	99,243	108,351

The assets and liabilities acquired are stated at their fair values and in the case of foreign operations have been translated at the rate prevailing at acquisition date.

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

Notes to the Preliminary Final Report

29. Notes to the Statement of Cash Flows Continued

(e) Businesses Disposed

The consolidated entity disposed of its interest in SEM Fire & Rescue Pty Ltd during the year. Details in aggregate of the disposal are as follows:

	2008 \$'000	2007 \$'000
Consideration		
Cash	11,000	-
Payable	(7)	
Book Value of net assets sold		
Current Assets		
Receivables	2,524	-
Inventories	4,808	-
Other	138	-
Non-current assets		
Deferred tax assets	321	-
Plant and equipment	430	-
Other intangibles	3	-
Goodwill	137	-
Current Liabilities		
Bank overdraft	(49)	
Payables	(4,199)	-
Interest bearing liabilities	(48)	-
Provisions	(644)	-
Non-current Liabilities		
Interest bearing liabilities	(122)	-
Provisions	(234)	-
Net Assets disposed	3,065	-
	7,928	-
Less Costs of Disposal	(940)	-
Gain on Disposal	6,988	-
Net Cash Inflow on Disposal		
Cash consideration	11,000	-
Less balances disposed:		
Bank overdraft	(49)	-
Net Inflow of cash	11,049	-
Net inflow of cash from prior year divestments		
Receipt of deferred consideration	-	-
Net inflow of cash for divestments	11,049	-

Notes to the Preliminary Final Report

30. Acquisition of Business

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 was 31 August 2007. Total enterprise value for OMS Australia and OMS NZ 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 financial year 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 is 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 was 31 October 2007. Total consideration for OMS UK and OMS International 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.

During the financial year ended 30 June 2008, Skilled acquired a further four businesses (although less material) being Hudson Trade and Industrial, Tradeforce, Eng-Mech and Longhill (referred to as 'Other Acquisitions'). In 2007 Other Acquisitions included Damstra, Pacific Relines, ICE and Locumitis.

The goodwill on the above acquisitions is attributed to the expected future profitability of the businesses acquired. The above acquisitions for the 2008 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 OMS Australia and OMS NZ have contributed revenue of \$201,189,000 and earnings before interest, depreciation, amortisation, integration costs, tax and corporate overheads of \$24,255,000 to the consolidated group. Since acquisition OMS International and OMS UK have contributed revenue of \$22,358,000 and earnings before interest, depreciation, amortisation, integration costs, tax and corporate overheads of \$1,244,000 to the consolidated group. Since acquisition Other acquisitions have contributed revenue of \$38,364,000 and earnings before interest, depreciation, amortisation, integration costs, tax and corporate overheads of \$2,398,000 to the consolidated group. Had these business combinations been effected at 1 July 2007, the revenue of the consolidated group for the year ended 30 June 2008 would be \$2,005,454,000 and net profit after tax \$41,529,000.

31. Divestment of Business

On 1 May 2008, SKILLED sold its emergency services vehicle manufacturing business, SEM Fire & Rescue Pty Ltd ("SEM"). Cash proceeds of \$11 million were received as well as the opportunity to receive an additional amount of up to \$1 million through an earn-out arrangement. The divestment resulted in a net profit before tax of \$6.99 million. SEM contributed revenue to the consolidated group of \$12,831,000 in the period from 1 July 2007 up to the disposal date.

32. Subsequent Events

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.