

24 August 2011

## Full Year Results for the year ended 30 June 2011

### Financial Summary

- Sales Revenue up 10.5% to \$1.88 billion
- Underlying EBITDA up 19.1% to \$82.3 million
- Underlying EBIT up 13.7% to \$57.1 million
- Underlying NPAT up 36% to \$26.1 million
  - Reported NPAT \$3.1 million impacted by restructuring costs, goodwill impairment and write-offs
- Operating cash flow up 161% to \$75.7 million
- Debt refinancing completed; Net Debt reduced to \$96.6 million from \$184.4 million
- Gearing reduced to 19% from 35%
- Final dividend of 3 cents per share, fully franked

### Improving performance and good progress on strategy implementation

SKILLED Group (ASX:SKE) today announced an improved performance in underlying profitability with double digit revenue growth for the full year ended 30 June 2011.

SKILLED Group CEO, Mr Mick McMahon, said that the strong result was a reflection of the SKILLED Group's brand strength in trades and technical professionals with exposure in high growth sectors, together with good progress on the implementation of the "Core Plus" strategy.

Mr McMahon said, "Approximately 50% of the Group's revenue is from Western Australia and Queensland, primarily in the mining and resources and oil and gas sectors. Workforce Services, Swan Contract Personnel, Offshore Marine Services and the OMSA JV contract (servicing Gorgon) have continued to benefit from the growth in these sectors".

"Good progress has also been made on the implementation of the Core Plus strategy with the Balance Sheet strengthened, a refreshed leadership team and the cost reduction programme ahead of schedule," he added.

Net Debt as at June 2011 reduced to \$96.6 million (FY10: \$184.4 million) following the capital raising (\$69m) and working capital improvements. Re-negotiation of the \$160 million syndicated debt facility has been completed (2 years maturity: \$60m; 3 years maturity: A\$100m). FY12 interest expense is expected to be approximately 50% lower than FY11 due to the lower debt and reduced interest margins.

The cost reduction programme targeting annualised savings of \$10 million in FY13 is ahead of plan with annualised savings to date of approximately \$7 million and further cost savings identified, increasing the FY13 targeted reduction to \$12 million. The associated restructuring charges are \$4.6 million in FY11, with a further \$1-2 million likely in FY12.

As previously announced, the Company commenced a process for the sale of the Excelior call centre business, excluding the telecommunications traineeships and apprenticeships business, with discussions being held with the preferred bidder. The telecommunications traineeships and apprenticeships business, with approximately \$10 million revenue annually, has been transferred to Workforce Services.

Commenting on the strategy, Mr McMahon said, "With a lower cost base, a stronger balance sheet and a focus on the core business, the Core Plus strategy positions the Group well in an uncertain economic environment."

**Safety** remains our number one value. We firmly believe that each of our employees and staff have the right to arrive home in the same condition in which they left for work. Over the last six months, SKILLED Group has refreshed its approach to safety with clear line leadership and accountability and has launched the “Safety Golden Rules” program reinforcing the five key risk areas and the five key defences to further improve our safety performance. A network wide Arrive Alive campaign focusing on the importance of safety on the roads was also initiated during the year.

## Performance Summary

### Revenue (A\$m)

	FY11	FY10	Change
Workforce Services	945.9	841.4	12.4%
Other Staffing Services	422.0	350.4	20.4%
Engineering and Marine Services <sup>1</sup>	465.0	459.3	1.2%
Business Services (Excelior)	50.3	51.9	(3.1%)
<b>Total Segment Revenue<sup>1</sup></b>	<b>1,883.2</b>	<b>1,703.0</b>	<b>10.6%</b>
<b>Eliminations</b>	<b>(3.2)</b>	<b>(3.1)</b>	
<b>Group Revenue<sup>1</sup></b>	<b>1,880.0</b>	<b>1,699.9</b>	<b>10.6%</b>

<sup>1</sup>includes equity accounted income from OMSA JV

Group revenue was \$1,880.0 million, up 10.6% on previous corresponding period (pcp).

The core Workforce Services division generated 12.4% revenue growth vs. pcp driven by higher than expected levels of activity on the east coast in mining and infrastructure projects despite the Queensland floods. This was marginally offset by increased in-sourcing by some clients. Whilst second half growth rates were maintained, there has been some reduction in the rate of growth in the last three months to August 2011.

Other Staffing Services, which includes Swan, Mosaic, and Origin Healthcare delivered a 20.4% growth in revenue vs. pcp. Swan continued to be a major contributor, benefiting from the increased project engineering activity in the West Australian mining and oil & gas sectors.

Engineering and Marine Services revenue grew by 1.2% vs. pcp as a result of increased activity in ATIVO shutdown and projects and OMS international manning activity. Including our share of the OMSA joint venture contract, revenue was up 7% in this segment.

Business Services revenue was slightly lower than pcp; however there was increased call centre activity from government contracts and on-boarding of contract wins over the last 3 months to August 2011.

### Underlying EBITDA (A\$m)

	FY11	FY10	Change
Workforce Services	42.3	39.4	7.4%
Other Staffing Services	21.5	16.9	27.2%
Engineering and Marine Services	33.7	25.5	32.2%
Business Services (Excelior)	1.0	3.6	(72.2%)
Unallocated / Eliminations	(16.2)	(16.3)	
<b>Underlying EBITDA</b>	<b>82.3</b>	<b>69.1</b>	<b>19.1%</b>

Underlying EBITDA was up 19.1% and EBITDA margins increased to 4.4% from 4.1% vs. pcp. Underlying EBITDA margins fell from 4.6% in 1H11 to 4.2% in 2H11 mainly due to end of charter costs provisions (OMS) and other contractual provisions (ATIVO and Workforce Services) accounted for in the second half.

## Reconciliation of Net Profit After Tax to Underlying Net Profit After Tax (A\$m)

	FY11	FY10
<b>Reported Net Profit After Tax</b>	<b>3.1</b>	<b>12.7</b>
Restructuring and branch co-location/closure costs	6.3	5.3
Costs associated with the discontinued sale process of Swan	0.9	-
Asset impairment – goodwill (non cash)	12.4	1.7
Notional interest on earn-out liabilities (non cash)	1.0	2.3
Amortisation of acquired intangibles assets (non cash)	2.5	3.0
Unamortised bank establishment fees write off (non cash)	4.1	-
R&D tax concession and tax consolidation adjustments		(3.2)
Tax on above	(4.2)	(2.6)
<b>Underlying Net Profit After Tax</b>	<b>26.1</b>	<b>19.2</b>

Reported NPAT was \$3.1 million compared to \$12.7 million for the pcp, including restructuring and branch co-location/closure costs, the write-off of unamortised bank establishment fees, goodwill impairment and costs associated with the discontinued sale process of Swan.

The goodwill impairment charge of \$12.4 million was incurred in 1H11 and related to the Longhill (\$2.7 million), Skilled NZ (\$1.7 million) and Extraman (\$8.0 million) businesses.

### Final Dividend

Given the improvement in the underlying performance of the Group, the Board has declared a fully franked final dividend of 3 cents per share.

The Record Date for determining entitlements to the dividend will be 21 September 2011, with payment to be made on 13 October 2011.

The Dividend Reinvestment Plan will be suspended until further notice.

### SKILLED Group Outlook

The overall FY11 revenue growth rate of 10.5% is likely to reduce due to uncertainty in the global economic environment. Continued growth in the oil & gas, mining, rail and infrastructure sectors is expected along with growth in the telecommunications sector due to the NBN project. This will be partially offset by continued patchy activity in industrial sectors and insourcing by some clients.

However, improvement in controllable factors is expected to continue with annualised savings from cost reductions ahead of plan; continued focus on operational excellence and working capital improvements; and gaining leverage from existing scale via the implementation of our strategy.

Lower interest costs as a result of the reduced debt position and re-negotiation of the debt facility; and lower depreciation and amortisation will improve profitability in FY12.

Longer term growth in earnings is expected to be underpinned by:

- SKILLED Group brand strengths in high demand trades, technical professionals and experienced operator skill sets;
- continued strong position in growth sectors of Mining, Resources, Oil & Gas, Infrastructure;
- OMSA JV contract growth and NBN contract resourcing; and
- continued implementation of the Core Plus strategy and Skilled re-Engineering change program.

## Segment Overview

(all EBIT and EBITDA results are before Corporate Costs)

### Workforce Services:

Provision of supplementary labour hire. Revenue from this segment is earned predominantly from the provision of blue-collar labour hire to clients in the industrial, mining and resources sectors under the Skilled brand.

		FY11	FY10
Revenue	\$M	945.9	841.4
Underlying EBITDA	\$M	42.3	39.4
Underlying EBITDA margin		4.5%	4.7%
Underlying EBIT	\$M	36.0	33.6
Underlying EBIT margin		3.8%	4.0%

Revenue growth in Workforce Services was 12.4% across all geographies and assisted by higher than expected levels of activity on the east coast mainly in mining and infrastructure projects, despite the Queensland floods. This growth was marginally offset by increased in-sourcing by some clients in the face of skills shortages in some sectors.

Workforce Services' underlying EBITDA margin reduced in the period to 4.5% vs. 4.7% pcp, due to continuing competitive pressure; the effect of reinstating the 10% pay cut taken by staff in the GFC (affecting pcp and reinstated in FY11), and the broadening of the sales mix which has resulted in a slight decrease in the overall margin.

Growth was also supported by growth in training, apprenticeships and workforce management technology solutions.

Continued growth in oil & gas and mining sectors and increased activity levels in infrastructure projects are expected to continue into FY12, subject to global economic stability.

### Other Staffing Services:

Provision of engineering and technical professional staff, white collar and nursing staff. Brands in this segment include Swan, Mosaic and Origin Healthcare

		FY11	FY10
Revenue	\$M	422.0	350.4
Underlying EBITDA	\$M	21.5	16.9
Underlying EBITDA margin		5.1%	4.8%
Underlying EBIT	\$M	9.7	10.8
Underlying EBIT margin		2.3%	3.1%

Swan Contract Personnel was the major contributor to the revenue growth as it continued to benefit from the increased engineering development occurring in the Western Australian mining and oil & gas sectors. Swan remains well positioned to benefit from continued growth in mining and resources.

There was strong demand for contractors and permanent recruitment in the IT&T sector (Mosaic).

Tightened budget focus from hospitals and state/federally funded home and aged care continued to impact Origin Healthcare. Specialist nursing skills are the highest demand points with skills shortages preventing the ability to meet supply requirements. An accelerated amortisation cost of an incremental \$6 million on the Origin employee database was incurred this year resulting in the database asset

being fully written down. The focus for this business in FY12 will be on broadening the range of service offerings and reducing costs.

### **Engineering and Marine Services:**

*Provision of contract maintenance and project and shutdown services and offshore marine staffing and vessel chartering and management services. Brands include ATIVO and Offshore Marine Services.*

		<b>FY11</b>	<b>FY10</b>
Revenue <sup>1</sup>	\$M	465.0	459.3
Underlying EBITDA	\$M	33.7	25.5
Underlying EBITDA margin		7.2%	5.6%
Underlying EBIT	\$M	31.5	22.9
Underlying EBIT margin		6.8%	5.0%

<sup>1</sup> includes equity accounted income from OMSA JV

A stronger contribution from both Offshore Marine Services and ATIVO resulted in the increase in underlying EBITDA.

The improved performance overall was supported by a strong performance from OMS International and OMS Australia, including the OMSA Alliance joint venture, servicing the Gorgon project. The outlook remains strong due to major LNG projects.

The improved revenue growth in ATIVO was due to the execution of a number of maintenance and shutdown contracts with blue chip clients in Western Australia and in the manufacturing sector.

### **Business Services:**

*Provision of customer contact solutions to third party clients through Excelior*

		<b>FY11</b>	<b>FY10</b>
Revenue	\$M	50.3	51.9
Underlying EBITDA	\$M	1.0	3.6
Underlying EBITDA margin		2.0%	6.9%
Underlying EBIT	\$M	(2.0)	0.3
Underlying EBIT margin		(4.0%)	0.6%

As previously announced, the Company has commenced the sale process of Excelior (excluding GTO telecommunications traineeships and apprenticeships); the sale process is in progress with discussions being held with the preferred bidder.

Whilst revenue was in line with pcp, there was increased call centre activity from government contracts and on-boarding of contract wins in the last quarter. Recent tender wins will result in increased call centre volumes and improved utilisation.

The telecommunications traineeships and apprenticeships business remains profitable, contributing \$10 million revenue per annum. This business has been transferred to Workforce Services from FY12 onwards.

## **Retirement of non-executive director**

Mr Greg Hargrave has notified the Board that he will not be standing for re-election at the upcoming Annual General Meeting and will therefore retire as a non-executive director with effect from 31 August 2011.

Mr Hargrave was Chief Executive Officer and Managing Director of SKILLED Group from August 2003 to November 2010. He remained as a non-executive director following his resignation, however has been on a leave of absence from the Board since that time.

“As a major shareholder of SKILLED I firmly believe that the Core Plus strategy is the right platform for the Company to prosper. My father Frank founded this great business and together with my family, I am confident that under the leadership of Mick McMahon, Vicki McFadden and the Board, the Company will achieve great success over the coming years.” Mr Hargrave said.

For further information please contact:

Delphine Cassidy  
Executive General Manager Investor Relations  
SKILLED Group Limited  
Mobile: 0419 163 467

### **About SKILLED Group**

SKILLED Group Limited is Australia and New Zealand's leading provider of labour hire and workforce services. SKILLED Group has over 160 offices across Australasia with annualised revenues around A\$1.9billion. SKILLED partners with clients to improve their workforce efficiency and increase their productivity levels and provides staffing services to the industrial, healthcare and contact service centre sectors. SKILLED is listed on the Australian Stock Exchange (ASX: SKE) and has approximately 6,200 shareholders, predominantly in Australia.