

Report to Shareholders

AUGUST 2006

FULL YEAR RESULTS TO 30th JUNE 2006

SKILLED GROUP LIMITED

ABN 66 005 585 811

- **Revenue increases 16%**
- **Net profit after tax up 65% to \$24.7 million**
- **EBITDA up 36% to \$47.5 million**
- **Fully franked final dividend of 12.0 cents per share**
- **Announced acquisition of TESA Group and bid to acquire Catalyst Recruitment**
- **Positive outlook for 2006/07**

This report sets out the results for SKILLED Group Limited for the 12 months ended 30 June 2006.

Revenue

Revenue at the group level for the 12 months increased 16% to \$968.7 million compared to \$833.6 million for the same period last year, reflecting strong organic growth across the SKILLED brand and the 12 month contribution of the Extraman business.

Net Profit and EBIT – Headline Results

Net Profit after Tax was \$24.7 million compared to \$14.9 million in 2005 (excluding profit from divestments).

Earnings before Interest and Tax (EBIT) for the twelve months was \$38.6 million compared to \$24.9 million last year excluding profits from divestments.

Fully Franked dividend

Directors have declared a fully franked final dividend of 12.0 cents per share payable on 17 October 2006. This brings the total dividend paid for the year to 19.0 cents per share.

The Dividend Reinvestment Plan (DRP) will operate for this dividend, offering shareholders the opportunity to reinvest their dividends in new shares. The DRP discount rate applicable for this dividend will be 2.5%. The record date for determining entitlements to the final dividend and for the lodgment of DRP notices will be 25 September 2006.

The shares will be traded cum-dividend until Monday 18 September 2006, and will commence trading on an ex-dividend basis on 19 September 2006.

Acquisitions

On 17 August 2006 we launched a bid to acquire all of the shares in the ASX publicly listed company Catalyst Recruitment through a cash offer of 90 cents per share valuing Catalyst's fully diluted equity at \$47.1 million. The offer will close on 26 September 2006 and is subject to a number of conditions which includes receiving a minimum 90% Catalyst Recruitment shareholder acceptance.

On 23 August 2006 we announced the acquisition of the TESA Group for \$61.9 million. TESA provides skilled labour to the mining, manufacturing and utility sectors and operates in 18 locations throughout Australia.

The acquisitions of Catalyst Recruitment and TESA Group consolidates SKILLED's position as Australia's leading provider of staffing services.

Debt and gearing

Net debt at 30 June 2006 was \$3.2 million compared to \$24.8 million at 30 June 2005, reflecting the strong cashflow from operations. Gearing (expressed as net debt to net debt + equity) at 30 June 2006 was 2.7% and interest cover over the past 12 months was a strong 18.1 times.

We anticipate gearing will increase to 53% immediately following the acquisitions of Catalyst Recruitment and TESA Group and will reduce to 47% by June 2007.

Results from Operations

SKILLED Brand

Revenue from the core SKILLED brand increased 13.4% to \$731 million. Earnings before interest tax, depreciation and amortisation (EBITDA) was up 17.9% to \$34.3 million while EBIT rose 21.9% to \$31.2 million.

This strong organic growth can be attributed to the robust mining and resources sector and continued investment in infrastructure, particularly in rail and roads.

During the year we established the national SKILLED Services Group to undertake dedicated shutdowns, contract maintenance, projects such as plant relocation and expansion and rail services.

	2006 A\$M	2005 A\$M	Change
Revenue	731.3	645.0	+13.4%
EBITDA	34.3	29.1	+17.9%
EBITDA %	4.7%	4.5%	
EBIT	31.2	25.6	+21.9%
EBIT %	4.3%	4.0%	

Other Brands

Revenue from the Other Brands – Origin Healthcare, Excelior, Extraman and SEM Fire & Rescue, rose 25% to \$238.2 million. EBITDA was up 126% to \$13.1 million.

Within the Other Brands, Origin Healthcare increased revenue by 5% to \$77.6 million and EBITDA more than doubled as we reduced costs and increased our margins. In February 2006, we acquired ProSafe Personnel, a small Western Australian agency specialising in the recruitment and selection of nursing and occupational health and safety (OHS) professionals to the offshore oil and gas industry.

Extraman reported revenue of \$69.0 million for the period and benefited from solid growth in the mining and resources sector.

Excelior, our call centre business, increased revenue by 3.4% to \$64.5 million. In Burnie, Tasmania we refurbished and expanded our call to seat 150 and we commenced the construction of a second call centre in Box Hill, Victoria to seat 50.

PeopleCo, a start up business providing generalist staffing services to the small to medium enterprise (SME) market, reported revenue of \$4.0 million.

SEM Fire & Rescue which manufactures emergency services vehicles continues to provide a solid profit contribution reporting revenue of \$23.1 million, a 22% increase on last years result.

Other Brands

	2006 A\$M	2005 A\$M	Change
Sales	238.2	191.2	+25%
EBITDA	13.1	5.8	+126%
EBITDA %	5.5	3.0	
EBIT	7.4	-0.7	+1157%
EBIT %	3.1	0.4	

	2006 \$AM	2005 \$AM	Change
REVENUE			
Excelior	64.5	62.4	+3.4%
Origin Healthcare	77.6	73.8	+5.1%
Extraman	69.0	n/a	
SEM	23.1	19.0	+21.6%
PeopleCo	4.0	0.2	+1900.0%
Divested Businesses		35.8	
Total	238.2	191.2	24.6%

Consolidated Profit & Loss

	30 June 2006 A\$M	30 June 2005* A\$M	Change %
Revenue	968.7	833.6	16%
EBITDA	47.5	34.9	36%
EBIT	38.6	24.9	55%
Net profit after Tax	24.7	14.9	65%

*Excluding profit from divestments

General Outlook

The Board is pleased with the performance of the Group and remains optimistic about the future.

Based on current trading conditions and our view of the year ahead the Board is forecasting organic EBITDA growth in the range of 10 to 15% from \$47.5 million EBITDA in 2005/06. In addition, we expect incremental EBITDA from acquisitions of approximately \$10 million in 2006/07.



Ken V Loughnan AO
Chairman



Greg Hargrave
Managing Director & Chief Executive Officer

Statement of Financial Position (Unaudited)

	2006	2005
	\$'000	\$'000
Current assets		
Cash assets	5,950	2,605
Receivables	117,079	91,251
Inventories	4,020	4,681
Other	3,594	3,804
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Total current assets	130,643	102,341
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Non-current assets		
Receivables	1,118	961
Other financial assets	1	6
Property, plant and equipment	10,156	9,439
Goodwill	41,533	22,076
Other Intangibles	45,546	48,670
Deferred tax assets	6,191	7,641
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Total non-current assets	104,545	88,793
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Total assets	235,188	191,134
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Current liabilities		
Payables	74,077	38,525
Borrowings	6,736	19,205
Current tax liabilities	3,152	916
Provisions	22,828	21,073
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Total current liabilities	106,793	79,719
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Non-current liabilities		
Payables	3,415	-
Borrowings	2,419	8,187
Provisions	6,494	5,284
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Total non-current liabilities	12,328	13,471
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Total liabilities	119,121	93,190
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Net assets	116,067	97,944
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Equity		
Issued capital	84,189	74,007
Reserves	622	16
Retained profits	31,256	23,921
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Total equity	116,067	97,944
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The detailed financial results are provided in the Appendix 4E Preliminary Final Year Report lodged with the ASX and are available on the Skilled website at www.skilled.com.au. A hard copy can be obtained by contacting the Company Secretary's office on (03) 9924 2175.