

ABN 66 005 585 811

**Results for Announcement to the Market  
Financial Year Ended ('current period') – 30 June 2006  
(‘previous corresponding period’ – 30 June 2005)**

		<b>\$A'000</b>
Revenues from ordinary activities	Up 16.2% to	968,661
Revenue from continuing operations	Up 21.2% to	961,700
Net profit after tax from continuing operations	Up 65.8% to	23,971
Net profit after tax excluding gains on divestments	Up 65.2% to	24,666
Profit from ordinary operations after tax attributable to members	Down 4.7% to	24,701
Net profit for the period attributable to members	Down 4.7% to	24,701

<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
Final Dividend (Previous Year)	12.0¢ 10.0¢	12.0¢ 10.0¢
Interim Dividend (paid 19 April 2006) (Previous Year)	7.0¢ 6.0¢	7.0¢ 6.0¢
Record date for determining entitlements to the Dividend	25 September 2006	
Date for payment of Final Dividend	17 October 2006	

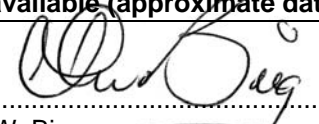
The Dividend Reinvestment Plan is in operation. Applicable discount rate is 2.5%. Price is based on the weighted average market price for fully paid shares sold on ASX during the 5 trading days immediately following the Record Date for determining entitlements to the dividend.

<b>Earnings Per Ordinary Fully Paid Share (EPS)</b>	<b>Current Period</b>	<b>Previous Corresponding Period</b>
Basic EPS	24.03¢	26.40¢
Diluted EPS	24.02¢	26.34¢

<b>Earnings Per Share (EPS) from Continuing Operations</b>	<b>Current Period</b>	<b>Previous Corresponding Period</b>
Basic EPS	23.32¢	14.73¢
Diluted EPS	23.31¢	14.69¢

<b>NTA Backing</b>	<b>Current Period</b>	<b>Previous Corresponding Period</b>
Net tangible asset backing per ordinary security	27.9¢	27.1¢

<b>The Annual Report is in the process of being audited</b>	
<b>Annual General Meeting</b>	
Place:	Melbourne Town Hall
Date:	24 October 2006
Time:	11.30 am
<b>Annual Report available (approximate date):</b>	20 September 2006

Signed:  ..... Date: 23 August 2006  
K.W. Bieg  
Company Secretary

<b>Consolidated Income Statement</b>			
For the financial year ended 30 June 2006			
	<b>Note</b>	<b>2006 \$'000</b>	<b>2005 \$'000</b>
Revenue	2	961,700	793,574
Loss from sale of assets		(158)	(70)
Employee and sub-contractor related costs		(835,232)	(691,707)
Raw materials and consumables used		(28,528)	(23,189)
Motor vehicle expenses		(2,507)	(2,285)
Office occupancy related costs		(6,613)	(6,142)
Depreciation and amortisation expenses	2	(8,789)	(9,403)
Finance costs	2	(2,418)	(3,013)
Other expenses		(41,860)	(36,196)
Profit before income tax expense		35,595	21,569
Income tax expense	4	(11,624)	(7,112)
<b>Profit from continuing operations</b>		<b>23,971</b>	<b>14,457</b>
Profit from discontinued operations	26	730	11,460
<b>Profit attributable to members of the parent entity</b>	23	<b>24,701</b>	<b>25,917</b>

<b>Earnings per share</b>		
Basic EPS	24.03¢	26.40¢
Diluted EPS	24.02¢	26.34¢

<b>Earnings per share from continuing operations</b>		
Basic EPS	23.32¢	14.73¢
Diluted EPS	23.31¢	14.69¢

Notes to the financial statements are included on pages 6 to 33.

<b>Consolidated Balance Sheet</b>			
As at 30 June 2006			
	Note	2006 \$'000	2005 \$'000
<b>Current assets</b>			
Cash and cash equivalents		5,950	2,605
Trade and other receivables	6	117,079	91,251
Inventories	7	4,020	4,681
Other	8	3,594	3,804
<b>Total current assets</b>		<b>130,643</b>	<b>102,341</b>
<b>Non-current assets</b>			
Receivables	9	1,118	961
Other financial assets		1	6
Property, plant and equipment	10	10,156	9,439
Goodwill	11	41,533	22,076
Other intangibles	11	45,546	48,670
Deferred tax assets	12	6,191	7,641
<b>Total non-current assets</b>		<b>104,545</b>	<b>88,793</b>
<b>Total assets</b>		<b>235,188</b>	<b>191,134</b>
<b>Current liabilities</b>			
Payables	13	74,077	38,525
Borrowings	14	6,736	19,205
Current tax liabilities	15	3,152	916
Provisions	16	22,828	21,073
<b>Total current liabilities</b>		<b>106,793</b>	<b>79,719</b>
<b>Non-current liabilities</b>			
Payables	13	3,415	-
Borrowings	17	2,419	8,187
Provisions	18	6,494	5,284
<b>Total non-current liabilities</b>		<b>12,328</b>	<b>13,471</b>
<b>Total liabilities</b>		<b>119,121</b>	<b>93,190</b>
<b>Net assets</b>		<b>116,067</b>	<b>97,944</b>
<b>Equity</b>			
Issued capital	20	84,189	74,007
Reserves	22	622	16
Retained earnings	23	31,256	23,921
<b>Total equity</b>		<b>116,067</b>	<b>97,944</b>

Notes to the financial statements are included on pages 6 to 33.

<b>Statement of recognised income and expense</b>			
For the financial year ended 30 June 2006			
	<b>Note</b>	<b>2006 \$'000</b>	<b>2005 \$'000</b>
Increase/(decrease) in foreign currency translation reserve arising on translation of foreign operations	22	234	(7)
<b>Net income/(expense) recognised directly in equity</b>		234	(7)
<b>Profit for the period</b>	23	24,701	25,917
<b>Total recognised income and expense for the period</b>		24,935	25,910

Notes to the financial statements are included on pages 6 to 33.

<b>Consolidated Cash Flow Statement</b>			
For the financial year ended 30 June 2006			
	<b>Note</b>	<b>2006 \$'000</b>	<b>2005 \$'000</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		1,038,845	939,228
Payments to suppliers and employees		(990,923)	(904,155)
Interest received		279	182
Interest and other costs of finance paid		(1,618)	(3,033)
Income tax paid		(8,998)	(9,805)
<b>Net cash provided by operating activities</b>	24(c)	<b>37,585</b>	<b>22,417</b>
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment		(3,998)	(5,835)
Payment for purchase of businesses	24(d)	(10,179)	(3,700)
Proceeds from disposal of controlled entities and businesses	24(e)	7,570	19,330
Proceeds from sale of property, plant and equipment		242	233
<b>Net cash (used in)/provided by investing activities</b>		<b>(6,365)</b>	<b>10,028</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		163,600	291,600
Repayment of borrowings		(183,402)	(325,573)
Proceeds from issues of equity		803	674
Dividends paid		(8,876)	(4,192)
<b>Net cash (used in) financing activities</b>		<b>(27,875)</b>	<b>(37,491)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,345</b>	<b>(5,046)</b>
Cash at the beginning of the financial year		2,605	7,651
<b>Cash and cash equivalents at the end of the financial year</b>		<b>5,950</b>	<b>2,605</b>

Notes to the financial statements are included on pages 6 to 32.

**Notes to the Financial Statements**

**1. SUMMARY OF 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.

The consolidated entity changed its accounting policies on 1 July 2005 to comply with Australian Equivalents to International Financial Reporting Standards (A-IFRS). The transition to A-IFRS is accounted for in accordance with accounting standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's financial position, financial performance and its cash flows is discussed in note 28.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements, and in the preparation of the opening A-IFRS balance sheet at 1 July 2004 (as disclosed in note 28), the consolidated entity's date of transition.

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

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 financial statements. 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.

**Significant accounting policies**

The following significant accounting policies have been adopted in the preparation and presentation of the preliminary final financial 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.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control the entity.

Notes to the Financial Statements

1. **SUMMARY OF ACCOUNTING POLICIES CONTINUED**

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(b) **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.

(c) **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.

(d) **Income Tax**

The company and all its wholly-owned Australian resident entities are part of a tax consolidated group 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 the company (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).

**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.

**Notes to the Financial Statements**

**1. SUMMARY OF ACCOUNTING POLICIES CONTINUED**

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.

**(e) Receivables**

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts or impairment.

**(f) 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.

Notes to the Financial Statements

1. **SUMMARY OF ACCOUNTING POLICIES CONTINUED**

(g) **Financial Assets**

Investments in controlled entities are recorded at cost.

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on an accrual basis.

(h) **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.

(i) **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 Financial Statements**

**1. SUMMARY OF ACCOUNTING POLICIES CONTINUED**

**(j) 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 (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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

**(k) 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.

**(l) 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 Financial Statements

1. **SUMMARY OF ACCOUNTING POLICIES CONTINUED**

**Databases**

Databases are recorded at cost less accumulated amortisation, and amortised over 20 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 customer contracts**

Non-compete agreements and customer 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.

(m) **Accounts payable**

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(n) **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.

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.

(o) **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.

**Notes to the Financial Statements**

**1. SUMMARY OF ACCOUNTING POLICIES CONTINUED**

**(p) Derivative financial instruments**

The consolidated entity enters into interest rate swaps to manage its exposure to interest rate risk. AASB 139 'Financial Instruments' requires derivatives to be measured at fair value with gains or losses on re-measurement recognised in the income statement immediately unless the swap is designated and effective as a hedging instrument in which the timing of recognition in the income statement depends on the nature of the hedge relationship.

**(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, 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 at the present value of the estimated future cash outflows to be made by the consolidated entity with respect to services provided by employees up to the reporting date.

Contributions made to defined contribution superannuation plans are expensed when incurred.

**(r) Foreign Currency**

All foreign currency transactions during the financial period are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date.

Exchange differences are brought to account in the income statement in the period in which they arise, except that exchange differences relating to foreign currency monetary items forming part of the net investment in a foreign operation are transferred on consolidation to the foreign currency translation reserve and recognised in the income statement on disposal of the net investment

On consolidation, the assets and liabilities of foreign controlled entities are translated at reporting date using the current rate. 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.

**Notes to the Financial Statements**

**1. SUMMARY OF ACCOUNTING POLICIES CONTINUED**

**(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.

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.

**(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.

Notes to the Financial Statements

**1. SUMMARY OF ACCOUNTING POLICIES CONTINUED**

**(v) Share-based payments**

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.

**(w) Comparative amounts**

Comparative balances have been adjusted to reflect reporting under new accounting policies compliant with A-IFRS (refer note 28).

**Notes to the Financial Statements**

**2. Profit from operations**

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

**(a) Revenue**

*The items below include amounts attributable for both continuing and discontinued operations*

Sales revenue:

Sale of goods

Rendering of services

Interest revenue from other entities

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
	22,945	18,899
	945,437	814,552
	968,382	833,451
	279	182
	<b>968,661</b>	<b>833,633</b>

**Attributable to;**

Continuing operations

Discontinued operations

	961,700	793,574
	6,961	40,059
	<b>968,661</b>	<b>833,633</b>

**(b) Expenses**

*The items below include amounts attributable for both continuing and discontinued operations*

Finance costs:

Interest paid to other entities

Finance lease charges

Other finance costs

**Attributable to;**

Continuing operations

Discontinued operations

	1,417	2,761
	245	272
	756	-
	<b>2,418</b>	<b>3,033</b>

	2,418	3,013
	-	20
	<b>2,418</b>	<b>3,033</b>

Cost of goods sold

Net bad and doubtful debts expense

Depreciation and amortisation of:

Buildings

Plant and equipment

Computer systems and software

Leasehold improvements

Equipment under finance lease

Databases

Trademarks and brand names

Other

Total depreciation and amortisation expense

**Attributable to;**

Continuing operations

Discontinued operations

	18,697	15,624
	25	448
	-	9
	1,946	3,303
	4,025	4,129
	796	725
	914	943
	893	811
	152	-
	98	47
	8,824	9,967
	8,789	9,403
	35	564
	8,824	9,967

Operating lease rental expenses:

Minimum lease payments

Contributions made to defined benefits superannuation plans during the financial year

Equity settled share based payments

	6,885	7,214
	42	333
	372	23

**(c) Unusual items**

Restructuring costs in Origin Healthcare

	-	(448)
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**Notes to the Financial Statements**

**3. Segment Reporting**

	Skilled Brand \$'000	Other Brands \$'000	Divested Businesses		Eliminations \$'000	Unallocated \$'000	Total \$'000
			Trading \$'000	Divestment \$'000			
<b>2006</b>							
<b><u>Segment Revenues and Results</u></b>							
Revenue	724,349	238,247	6,961	-	(1,175)	279	968,661
Gain/(loss) on divestment	(108)	(50)	-	50	-	-	(108)
EBITDA	33,431	13,047	885	50	-	-	47,413
Depreciation and amortisation	3,053	5,691	35	-	-	-	8,779
Earnings before interest and tax	30,378	7,356	850	50			38,634
Net interest expense						2,139	2,139
Profit before income tax			850	50			36,495
Income tax expense			155	15			(11,794)
Profit after tax			695	35			<b>24,701</b>
<b><u>Segment Assets and Liabilities</u></b>							
Assets	116,264	106,342	-	-	-	12,582	235,188
Liabilities	64,643	41,906	-	214	-	12,358	119,121
<b><u>Other Segment Information</u></b>							
Acquisition of segment assets	4,872	23,794	-	-	-	-	28,666
<b>2005</b>							
<b><u>Segment Revenues and Results</u></b>							
Revenue	640,697	155,425	40,059	-	(2,730)	182	833,633
Gain/(loss) on divestment	70	-	-	12,695	-	(70)	12,695
EBITDA	28,818	5,713	333	12,688	-	-	47,552
Depreciation and amortisation	3,440	5,808	719	-	-	-	9,967
Earnings before interest and tax	25,378	(95)	(386)	12,688			37,585
Net interest expense				(7)		2,858	2,851
Profit before income tax			(386)	12,695			34,734
Income tax expense			(116)	1,705			8,817
Profit after tax			(270)	10,990			<b>25,917</b>
<b><u>Segment Assets and Liabilities</u></b>							
Assets	97,203	76,605	-	6,653	-	10,673	191,134
Liabilities	45,663	18,123	-	771	-	28,633	93,190
<b><u>Other Segment Information</u></b>							
Acquisition of segment assets	2,668	6,920	710	-	-	-	10,298

**Notes to the Financial Statements**

**3. 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**

Due to the divestments of the majority of the Infrastructure Services segment during the year ended June 2005, the segments have been reorganised into the two segments described below.

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

**Other Brands** Provision of supplementary labour hire. Revenue from this segment is predominantly earned through the provision of nursing, call centre and blue collar staff on the basis of hours worked. The brands included in this segment include Excelior, Origin Healthcare and its subsidiaries, SEM Fire and Rescue, PeopleCo and Extraman.

<b>4. Income Tax</b>	<b>2006 \$'000</b>	<b>2005 \$'000</b>
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 continuing operations	35,595	21,569
Profit/(loss) from discontinued operations	900	13,165
<b>Profit from operations</b>	<b>36,495</b>	<b>34,734</b>
Income tax expense calculated at 30%(i)	10,949	10,420
Non-deductible items including capital expenses, depreciation, entertainment and amortisation of share based payments	602	278
Difference in book and tax cost base of divested assets	-	(269)
First time recognition and utilisation of capital losses	-	(1,724)
Non-assessable items	(17)	(73)
Other	(14)	32
Under provision of income tax in previous year	274	153
<b>Income tax expense</b>	<b>11,794</b>	<b>8,817</b>
<b>Income Tax Expense Comprises</b>		
Current tax expense	10,282	8,176
Deferred tax expense relating to the origination and reversal of temporary differences	1,512	641
Total tax expense	<b>11,794</b>	<b>8,817</b>
<b>Attributable to;</b>		
Continuing operations	11,624	7,112
Discontinued operations (note 26)	170	1,705
	<b>11,794</b>	<b>8,817</b>

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

**Notes to the Financial Statements**

	2006		2005	
	Cents per share	Total \$'000	Cents per share	Total \$'000
<b>5. Dividends</b>				
<u>Recognised Amounts</u>				
Final 2004 dividend fully franked at a tax rate of 30%			10.0	9,590
Interim 2005 dividend fully franked at a tax rate of 30%			6.0	5,926
Final 2005 dividend fully franked at a tax rate of 30%	10.0	10,111		
Interim 2006 dividend fully franked at a tax rate of 30%	7.0	7,255		
		17,366		15,516
<u>Unrecognised Amounts</u>				
Final 2005 dividend fully franked at a tax rate of 30% (i)			10.0	10,045
Final 2006 dividend fully franked at a tax rate of 30% (ii)	12.0	12,469		

(i) The final 2005 dividend disclosed in Unrecognised Amounts, differs from that disclosed in "Recognised Amounts" due to the subsequent issue of shares for the exercise of share options, the acquisition of Medistaff and the employee share acquisition plan.

(ii) The final dividend for the year ended 30 June 2006 has not been recognised in this financial report because it was declared and approved subsequent to 30 June 2006.

	2006 \$'000	2005 \$'000
Franking account balance (tax paid basis)	27,518	24,963

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 \$5,344,000 (2005: \$4,305,000)

	2006 \$'000	2005 \$'000
<b>6. Current Receivables</b>		
Trade receivables	110,066	83,225
Allowance for doubtful debts	(740)	(695)
	109,326	82,530
Goods and services tax receivable	4,574	769
Deferred settlement on divested businesses	-	6,653
Other receivables	3,179	1,299
	117,079	91,251
<b>7. Current Inventories</b>		
Raw materials and stores at cost	2,611	2,745
Raw materials and stores at net realisable value	48	50
	2,659	2,795
Work in progress at cost	1,361	1,886
	4,020	4,681

**Notes to the Financial Statements**

	2006 \$'000	2005 \$'000
<b>8. Other Current Assets</b>		
Prepayments	3,594	3,804
<b>9. Non-Current Receivables</b>		
Claims Recoveries	903	750
Other receivables	215	211
	1,118	961

	Land & Buildings	Leasehold Improvements	Plant & Equipment	Equipment Under Finance Lease	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Net Book Value</b>					
As at 30 June 2005	1	1,840	4,292	3,306	9,439
As at 30 June 2006	1	1,412	4,715	4,028	10,156

	2006 \$'000	2005 \$'000
<b>11. Intangibles</b>		
<b>Goodwill Net Book Value</b>	41,533	22,076

	Databases	Software and Licenses	Trademarks and Brand- names	Other	Total
<b>Other Intangibles Net Book Value</b>					
As at 30 June 2005	16,767	17,903	14,000	-	48,670
As at 30 June 2006	15,875	14,627	14,611	433	45,546

**Notes to the Financial Statements**

	<b>2006 \$'000</b>	<b>2005 \$'000</b>
<b>12. Deferred Tax Assets</b>		
Temporary differences	6,191	7,641
	<b>6,191</b>	<b>7,641</b>
Deferred tax assets have been reduced by the deferred tax liability attributable to temporary differences by the amount of:	2,930	2,296
<b>13. Payables</b>		
<b>Current Payables</b>		
Unsecured:		
Trade payables and accruals	48,590	28,240
Deferred purchase consideration	10,825	2,234
Goods and services tax payable	14,662	8,051
	<b>74,077</b>	<b>38,525</b>
<b>Non Current Payables</b>		
Unsecured:		
Deferred purchase consideration	3,415	-
	<b>3,415</b>	<b>-</b>
<b>14. Current borrowings</b>		
Secured: Bank Debt Facilities (i)	5,000	18,000
Secured: Finance Lease Liabilities (ii)	1,736	1,205
	<b>6,736</b>	<b>19,205</b>
(i) Secured by registered mortgage debenture over all of the assets of the consolidated entity.		
(ii) Effectively secured over the assets leased, the current market value of which exceeds the value of the finance lease liability.		
<b>15. Current Tax Liabilities</b>		
Income tax payable	3,152	916
<b>16. Current Provisions</b>		
Employee Benefits (Note 19)	20,581	18,683
Litigation (i)	572	432
Claims(ii)	602	434
Other	1,073	1,524
	<b>22,828</b>	<b>21,073</b>

- (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 Financial Statements**

	<b>2006 \$'000</b>	<b>2005 \$'000</b>
<b>17. Non-current borrowings</b>		
Secured:		
Bank Debt facilities (i)	-	6,000
Finance lease liabilities (ii)	2,419	2,817
	<b>2,419</b>	<b>8,187</b>

(i) Secured by registered mortgage debenture over all of the assets of the consolidated entity.

(ii) Effectively secured over the assets leased, the current market value of which exceeds the value of the finance lease liability.

	<b>2006 \$'000</b>	<b>2005 \$'000</b>
<b>18. Non-Current Provisions</b>		
Employee benefits (Note 19)	4,532	3,807
Claims Provisions (i)	1,641	1,477
Other	321	-
	<b>6,494</b>	<b>5,284</b>
(i) Provision for Claims incurred under self insurance in relation to Workers Compensation		
<b>19. Employee Benefits</b>		
The aggregate employee entitlement liability recognised and included in the financial statements is as follows:		
Provision for employee benefits:		
Current (Note 16)	20,581	18,683
Non-Current (Note 18)	4,532	3,807
Accrued wages and salaries (i)	19,084	9,512
	<b>44,197</b>	<b>32,002</b>
(i) Accrued wages and salaries are included in current trade payables and accruals as disclosed in note 13 to the financial statements.		
	<b>2006 No.</b>	<b>2005 No.</b>
Number of full time equivalents employees at the end of the financial year.	13,480	12,100

**Notes to the Financial Statements**

	<b>2006 \$'000</b>	<b>2005 \$'000</b>
<b>20. Issued Capital</b>		
103,908,169 fully paid ordinary shares (2005: 100,464,670)	84,189	74,007

	<b>2006 No. '000</b>	<b>2006 \$'000</b>	<b>2005 No. '000</b>	<b>2005 \$'000</b>
<b>Fully Paid Ordinary Shares</b>				
Balance at beginning of financial year	100,465	74,007	95,592	61,959
Issue of shares as partial consideration for the acquisition of the Medistaff Nursing Agency business	301	876	-	-
Issue of shares under Employee Share Acquisition Scheme	136	432	170	507
Issue of shares under the Dividend Reinvestment Plan	2,698	8,489	4,481	11,324
Issue of shares under executive share option plan (note 21)	308	385	222	217
<b>Balance at end of financial year</b>	<b>103,908</b>	<b>84,189</b>	<b>100,465</b>	<b>74,007</b>

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

<b>Skilled Performance Shares</b>				
Balance at beginning of the financial year	9,000	-	9,000	-
Skilled performance shares cancelled	(9,000)	-	-	-
Balance at end of the financial year	-	-	9,000	-

On 30 September 2005 nine Skilled Performance Shares converted to ordinary shares and the remaining Skilled performance shares were cancelled.

**Shares held by Subsidiaries**

Allskills Pty Ltd, a wholly owned subsidiary, held 312,250 (2005: 254,250) shares in Skilled Group Limited at 30 June 2006. These shares were held for the benefit of the Skilled Group Limited Share Plan Trust.

**Notes to the Financial Statements**

**21. 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.

<b>Executive Share Option Plan</b>	<b>2006 No.</b>	<b>2005 No.</b>
Balance at beginning of the financial year	309,969	632,435
Granted during the financial year	930,000	-
Exercised during the financial year	(308,197)	(221,630)
Lapsed during the financial year	-	(100,836)
<b>Balance at end of the financial year</b>	<b>931,772</b>	<b>309,969</b>

<b>22. Reserves</b>	<b>2006 \$'000</b>	<b>2005 \$'000</b>
Employee equity settled benefits reserve	395	23
Foreign currency translation (i)	227	(7)
	<b>622</b>	<b>16</b>
<b>Employee equity settled benefits reserve</b>		
Balance at the beginning of the financial year	23	-
Share based payment – amortisation of executive options	372	23
	<b>395</b>	<b>23</b>
<small>(i) The share-based payments reserve is used to recognise the fair value of options issued but not yet exercised.</small>		
<b>Foreign currency translation reserve</b>		
Balance at beginning of financial year	(7)	-
(Deficit)/surplus from translation of financial statements of foreign operations	234	(7)
	<b>227</b>	<b>(7)</b>
<b>Balance at end of financial year</b>		
<small>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 1 of the financial statements.</small>		
<b>23. Retained Profits</b>		
Balance at beginning of financial year	23,921	13,520
Net profit attributable to members of parent entity	24,701	25,917
Dividends provided for or paid	(17,366)	(15,516)
	<b>31,256</b>	<b>23,921</b>
<b>Balance at end of financial year</b>		

**Notes to the Financial Statements**

**24. 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 \$2,057,150 (2005: \$1,199,936).
- ii. Operated a dividend reinvestment plan for the dividends paid in the year to 30 June 2006 of \$8,488,844 (2005: \$11,324,189).

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(b) Financing Facilities</b>		
Bank overdraft facility, payable at call:		
Amount used	-	-
Amount unused	3,500	3,500
	<b>3,500</b>	<b>3,500</b>
Cash advance and market rate advance facilities subject to periodic roll-over:		
Amount used	5,000	24,000
Amount unused	80,000	61,000
	<b>85,000</b>	<b>85,000</b>

The bank overdraft, cash advance facility and market rate advance facilities are all subject to a registered mortgage debenture. The mortgage is secured over all assets of the consolidated entity. The overdraft facilities are reviewable in December 2006 and February 2007 and the market rate advance facility in February 2007. The cash advance facilities are in three tranches, reviewable in February 2007, February 2008 and February 2009.

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(c) Reconciliation of Net Cash provided by Operating Activities to Profit from Ordinary Activities after Income Tax.</b>		
Profit from ordinary activities, after taxation	24,701	25,917
Deferred Settlement of Business Acquisition	(12,127)	-
Non-cash interest expense	800	-
Collection of deferred settlement proceeds	(6,991)	-
Net Loss/(Gain) on disposal of property, plant and equipment	157	433
(Gain)/Loss on disposal of businesses (before costs of disposal)	(226)	(15,929)
Depreciation and amortisation of non-current assets	8,824	10,969
Changes in net assets and liabilities net of effects from acquisition and divestment of businesses:		
(i) Decrease/(increase) in assets		
Current receivables	(16,694)	(11,504)
Current inventories	656	147
Other current assets	350	(39)
Deferred Tax	1,363	1,200
Non current Receivables	176	(107)
Related party balances divested		5,218
(ii) Increase/(decrease) in liabilities		
Current payables	24,346	5,326
Current tax liabilities	1,416	(2,255)
Current provisions	3,983	2,216
Non-current payables	8,824	-
Non-current provisions	(1,973)	825
Net cash provided by operating activities	<b>37,585</b>	<b>22,417</b>

Notes to the Financial Statements

**24. Notes to the Statement of Cash Flows Continued**

<b>(d) Business Acquired</b>	<b>2006</b>	<b>2005</b>
During the financial year, the consolidated entity acquired the Extraman and ProSafe businesses (2005: Medistaff Nursing Agency business). Details of the acquisitions are as follows:	<b>\$'000</b>	<b>\$'000</b>
<b>Consideration</b>		
Cash and related acquisition costs	8,361	3,540
Deferred Consideration	13,484 <sup>1</sup>	2,234 <sup>2</sup>
	21,845	5,774
Fair value of net assets of entity acquired		
Current Assets		
Cash	1	-
Receivables	9,493	-
Prepayments	140	-
Non-current assets		
Receivables	118	-
Plant and equipment	346	101
Intangibles - databases	-	3,000
Intangibles – customer contracts	304	-
Intangibles – brandnames	764	-
Intangibles - other	287	-
Deferred Tax Asset	12	-
Current Liabilities		
Bank overdraft	(461)	-
Payables	(6,400)	-
Borrowings	(55)	-
Tax Liabilities	(820)	-
Provision and Accruals	(1,151)	-
Non-current Liabilities		
Payables	(1)	-
Borrowings	(46)	-
Net Assets Acquired	2,531	3,101
Goodwill on acquisition	19,314	2,673
	21,845	5,774
<b>Net Cash Outflow to acquire Businesses</b>		
Cash and related acquisition costs	8,361	3,540
Less balances acquired:		
Cash	(1)	-
Bank overdraft	461	-
<b>Net Outflow of cash</b>	8,821	3,540
<b>Net outflow of cash for prior year acquisitions</b>		
Payment of deferred consideration	1,358	160
<b>Net outflow of cash for acquisitions</b>	10,179	3,700

<sup>1</sup> The total acquisition price for Extraman, of which \$7,695,000 has already been paid, is based on a defined formula that will be settled by instalments on 30 September 2006, 28 February 2007 and 30 September 2007. The balance remaining is the best estimate of these future payments, discounted to a present value (as at acquisition date), based on information currently available (referred to as Deferred Consideration).

<sup>2</sup> The deferred consideration of the Medistaff Nursing Agency comprises the issue of shares with a fair value of \$876,000 and a cash payment of \$1,358,000.

**Notes to the Financial Statements**

**24. Notes to the Statement of Cash Flows Continued**

**(e) Businesses Disposed**

During the 2006 financial year the consolidated entity disposed of the Engineering Services business unit of Skilled Maritime Services Pty Ltd. In the 2005 financial year the consolidated entity disposed of Skilled Communications Services Pty Ltd, the Skilled Power Services business and the Skilled Mechanical Workshops business. Details in aggregate of the disposals are as follows:

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Consideration</b>		
Cash	579	19,290
Deferred Settlement	-	6,653
	579	25,943
<b>Book Value of net assets sold</b>		
Current Assets		
Cash	-	5
Receivables	-	17,187
Inventories	169	499
Other receivables	-	423
Non-current assets		
Deferred tax assets	99	-
Plant and equipment	453	5,554
Current Liabilities		
Bank overdraft	-	(45)
Payables	-	(9,987)
Borrowings	-	(98)
Provision and Accruals	(368)	(2,362)
Non-current Liabilities		
Borrowings	-	(420)
Other	-	(742)
<b>Net Assets disposed</b>	<b>353</b>	<b>10,014</b>
	226	15,929
Less Costs of Disposal	(88)	(3,234)
Gain on Disposal	138	12,695
<b>Net Cash Inflow on Disposal</b>		
Cash consideration	579	19,290
Less balances disposed:		
Cash	-	5
Bank overdraft	-	(45)
<b>Net Inflow of cash</b>	<b>579</b>	<b>19,330</b>
Net inflow of cash from prior year divestments		
Receipt of deferred consideration	6,991	-
<b>Net inflow of cash for divestments</b>	<b>7,570</b>	<b>19,330</b>

**Notes to the Financial Statements**

**25. Acquisition of Business**

On 4 July 2005 SKILLED acquired the Extraman business by purchasing 100% of the shares of ExtraGroup Pty Ltd and its controlled entities. The purchase price is based on an "earn out" arrangement of a multiple of Earnings before Interest and Tax ("EBIT") for the 2005, 2006, and 2007 financial years, plus the assumption of outstanding debt and payout of retained profits at the date of acquisition. Currently the purchase price is estimated to be a gross amount of \$22.5m, prior to discounting the deferred consideration in accordance with Accounting Standard AASB 3 Business Combinations. Extraman specialises in the provision of staff to the resources and engineering industries.

On 27 March 2006 Skilled acquired via Origin Healthcare Holdings Pty Ltd the ProSafe business by purchasing 100% of the shares of ProSafe Personnel Pty Ltd ("ProSafe") for cash consideration of \$667,000. ProSafe provides health, nursing and safety services through contract staff employment and recruitment.

Since acquisition Extraman has contributed revenue of \$69,055,000 and earnings before interest, tax and corporate overheads of \$6,340,000 to the consolidated group. ProSafe has contributed revenue of \$501,000 and earnings before interest, tax and corporate overheads of \$102,000 to the consolidated group. Had these business acquisitions been effected at 1 July 2005, the revenue of the consolidated group would be \$969,491,000 and net profit \$24,790,000.

**26. Divestments**

On 27 March 2006 SKILLED divested the Engineering Services business unit of the Skilled Maritime Services Pty Ltd. This was completed on 27 March 2006, on which date control passed to the purchaser. The sale resulted in proceeds of \$579,000.

The consolidated entity has recognised a pre tax profit on divestment of \$226,000 for the current reporting period before costs of disposal.

The results of the discontinued operations which have been included in the income statement are as follows. The 2005 financial year profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current period:

	<b>2006</b>	<b>2005</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000(i)</b>	<b>\$'000(ii)</b>
<b>Financial Performance</b>			
Revenue from ordinary activities	6,961	40,059	35,785
Expenses from ordinary activities	(6,111)	(39,589)	(35,538)
Profit/(loss) before income tax	850	470	247
Attributable income tax benefit/(expense)	(155)	-	67
	<b>695</b>	<b>470</b>	<b>314</b>
Gain/(loss) on disposal of operation	50	12,695	12,695
Attributable income tax expense	(15)	(1,705)	(1,705)
	<b>35</b>	<b>10,990</b>	<b>10,990</b>
<b>Profit from discontinued operations</b>	<b>730</b>	<b>11,460</b>	<b>11,304</b>
<b>Cash Flows</b>			
Net cash flows from operating activities	52	2,404	2,404
Net cash flows from investing activities	(52)	17,883	17,883
Net cash flows from financing activities	-	(797)	(797)
<b>Total Net Cash Flows</b>	<b>-</b>	<b>19,490</b>	<b>19,490</b>

(i) Comparatives adjusted for current year discontinued operations.

(ii) Comparatives as at 30 June 2005 as reported in previous reporting periods financial statements and subsequently adjusted for A-IFRS, for details of the A-IFRS adjustments refer to note 28. This excludes the effect of the subsequent divestment of the Engineering Services business unit of the Skilled Maritime Services business which occurred during the 2006 financial year.

**Notes to the Financial Statements**

**27. Subsequent Events**

Since the end of the financial year two acquisitions have been announced. Other than these two acquisitions, there has not been any matter or circumstance other than that referred to in this preliminary final report that has arisen since the end of the financial year, that has significantly affected or may significantly affect the operations of the consolidated entity, the results of these operations, or the state of affairs of the consolidated entity in future financial years.

The details of the two acquisitions are outlined below;

On 16 August 2006, SKILLED announced a takeover offer for all the shares in the listed recruitment firm Catalyst Recruitment Systems Limited ("Catalyst"). The offer of 90 cents per share values Catalyst at \$47.1m. The existing shareholders of Catalyst remain entitled to the 4 cents per share final dividend. The acquisition is an all cash offer which will be funded by debt.

The directors of Catalyst have unanimously recommended that shareholders accept the offer, which is open until 26 September 2006 ("closing date"), unless extended. The offer is contingent on SKILLED receiving acceptances for a minimum of 90% of the shares in Catalyst by the closing date and certain other conditions which are considered to be standard for a public company takeover. SKILLED has acquired a 19.9% interest in Catalyst.

Catalyst is a national labour provider of both blue & white collar staff to a large range of clients, which complement the SKILLED branded staffing services business.

On 23 August 2006, SKILLED announced that it had entered into an agreement to acquire The TESA Group Pty Ltd ("TESA") for a purchase price representing an enterprise value of \$61.9 million. The agreement is subject to the satisfactory completion of stage two due diligence expected to be concluded by 31 August 2006. The acquisition will be satisfied entirely by cash which will be fully funded by debt.

TESA provides predominantly blue collar labour services, with a significant focus on the black coal mining industry in New South Wales and Queensland. This acquisition will complement the SKILLED branded staffing services business.

Given the timing of these acquisitions and the fact that certain conditions still have to be satisfied before they are completed, SKILLED have yet to allocate the purchase price for each acquisition across the fair value of the net assets acquired. This will be performed in the half year to 31 December 2006.

Notes to the Financial Statements

**28. Adoption of Australian Equivalents to International Financial Reporting Standards from 1 July 2005**

The consolidated entity changed its accounting policies on 1 July 2005 to comply with Australian accounting standards equivalent to International Financial Reporting Standards (A-IFRS). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, with 1 July 2004 as the date of transition.

An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's financial position and financial performance is set out in the following tables and notes that accompany the tables. The adoption of A-IFRS has had no material effect on the cash flow statement for the period ended 30 June 2005.

**Opening Balance Sheet as at 1 July 2004**

The following is an analysis of the impact that conversion to A-IFRS had on the balance sheet as at 1 July 2004.

**Balance Sheet  
as at 1 July 2004**

		Consolidated		
	Note	Previous AGAAP 1/07/2004 \$'000	Effect of change to AIFRS \$'000	A-IFRS 1/07/2004 \$'000
<b>Current Assets</b>				
Cash assets		7,651	-	7,651
Receivables		97,509	-	97,509
Inventories		5,327	-	5,327
Other		3,802	-	3,802
<b>Total Current Assets</b>		<b>114,289</b>	<b>-</b>	<b>114,289</b>
<b>Non-Current Assets</b>				
Receivables		854	-	854
Other financial assets		-	-	-
Property, plant and equipment	28(a)	37,670	(22,834)	14,836
Other intangibles	28(a)	33,678	17,734	51,412
Goodwill	28(e)	20,299	-	20,299
Deferred tax assets	28(c)	9,276	(70)	9,206
<b>Total Non-Current Assets</b>		<b>101,777</b>	<b>(5,170)</b>	<b>96,607</b>
<b>Total Assets</b>		<b>216,066</b>	<b>(5,170)</b>	<b>210,896</b>
<b>Current Liabilities</b>				
Payables		43,186	-	43,186
Borrowings		16,564	-	16,564
Current tax liabilities		3,159	-	3,159
Provisions	28(c)	21,472	(229)	21,243
<b>Total Current Liabilities</b>		<b>84,381</b>	<b>(229)</b>	<b>84,152</b>
<b>Non-Current Liabilities</b>				
Borrowings		46,064	-	46,064
Provisions		5,201	-	5,201
<b>Total Non-Current Liabilities</b>		<b>51,265</b>	<b>-</b>	<b>51,265</b>
<b>Total Liabilities</b>		<b>135,646</b>	<b>(229)</b>	<b>135,417</b>
<b>Net Assets</b>		<b>80,420</b>	<b>(4,941)</b>	<b>75,479</b>
<b>Equity</b>				
Issued capital		61,959	-	61,959
Reserves	28(d)	4,671	(4,671)	-
Retained profits	28(f)	13,790	(270)	13,520
<b>Total Equity</b>		<b>80,420</b>	<b>(4,941)</b>	<b>75,479</b>

Notes to the Financial Statements

*Effect of A-IFRS on the income statement for the financial year ended 30 June 2005*

Consolidated Income statement	Note	Financial year ended 30 June 2005			
		Previous AGAAP \$'000	Effect of Change to A- IFRS \$'000	Re- classificat ion A-IFRS(i) \$'000	A-IFRS \$'000
Revenue	28(h)	833,633	-	(35,785)	797,848
Loss from sale of assets	28(h)	-	-	(70)	(70)
Proceeds from sale of businesses and assets	28(h)	26,176	-	(26,176)	-
Cost base of businesses and assets sold	28(h)	(13,551)	-	13,551	-
Employee and sub-contractor related costs	28(c,g,h)	(722,807)	(63)	29,039	(693,831)
Raw materials and consumables used		(27,061)	-	3,088	(23,973)
Motor vehicle expenses		(3,704)	-	1,352	(2,352)
Office occupancy related costs		(6,786)	-	437	(6,349)
Depreciation and amortisation expenses	28(e,f)	(11,655)	1,688	516	(9,451)
Finance costs		(3,033)	-	20	(3,013)
Other expenses		(38,103)	-	1,086	(37,017)
Profit before income tax expense		33,109	1,625	(12,942)	21,792
Income tax expense	28(f,h)	(8,829)	12	1,638	(7,179)
<b>Profit from continuing operations</b>		-	-	-	<b>14,613</b>
Profit from discontinued operations	28(h)	-	-	11,304	11,304
<b>Profit attributable to members of the parent entity</b>		<b>24,280</b>	<b>1,637</b>	-	<b>25,917</b>

The restatement of the income statement for 2005 shown above excludes the restatement for the subsequent divestment of the Engineering Services business unit of Skilled Maritime Services Pty Ltd. For details of the divestment refer to note 26.

- (i) Reclassification of income statement line items relating to the operations results and the disposals of divested entities and businesses, as required by A-IFRS.

Notes to the Financial Statements

Balance Sheet	Note	Consolidated 30 June 2005		
		Previous AGAAP \$'000	Effect of Change to A-IFRS \$'000	A-IFRS \$'000
<b>Current Assets</b>				
Cash assets		2,605	-	2,605
Receivables		91,251	-	91,251
Inventories		4,681	-	4,681
Other		3,804	-	3,804
<b>Total Current Assets</b>		<b>102,341</b>	<b>-</b>	<b>102,341</b>
<b>Non-Current Assets</b>				
Receivables		961	-	961
Other financial assets		6	-	6
Property, plant and equipment	28(a)	27,342	(17,903)	9,439
Other intangibles	28(a, b)	35,867	12,803	48,670
Goodwill	28(e)	20,388	1,688	22,076
Deferred tax assets	28(c)	7,699	(58)	7,641
<b>Total Non-Current Assets</b>		<b>92,263</b>	<b>(3,470)</b>	<b>88,793</b>
<b>Total Assets</b>		<b>194,604</b>	<b>(3,470)</b>	<b>191,134</b>
<b>Current Liabilities</b>				
Payables		38,525	-	38,525
Borrowings		19,205	-	19,205
Current tax liabilities		916	-	916
Provisions	28(c)	21,262	(189)	21,073
<b>Total Current Liabilities</b>		<b>79,908</b>	<b>(189)</b>	<b>79,719</b>
<b>Non-Current Liabilities</b>				
Borrowings		8,187	-	8,187
Provisions		5,284	-	5,284
<b>Total Non-Current Liabilities</b>		<b>13,471</b>	<b>-</b>	<b>13,471</b>
<b>Total Liabilities</b>		<b>93,379</b>	<b>(189)</b>	<b>93,190</b>
<b>Net Assets</b>		<b>101,225</b>	<b>(3,281)</b>	<b>97,944</b>
<b>Equity</b>				
Issued capital		74,007	-	74,007
Reserves	28(d),28(g)	5,077	(5,061)	16
Retained profits	28(f)	22,141	1,780	23,921
<b>Total Equity</b>		<b>101,225</b>	<b>(3,281)</b>	<b>97,944</b>

**Note 28(a)**

Previously software was classified under property plant and equipment. Under A-IFRS software is now classified as an intangible asset and as such has been transferred to the balance sheet classification of intangibles. Software of \$17,903,000 has been reclassified from property plant and equipment to Intangibles as at 30 June 2005 for the consolidated entity.

**Note 28(b)**

Intangible assets under previous AGAAP included a revaluation of \$5,100,000 prior to the adoption of A-IFRS. This revaluation, previously allowable under AGAAP is no longer allowed under A-IFRS and is written off against the applicable general reserve.

**Notes to the Financial Statements**

**Consolidated  
June 2005  
\$'000**

Changes to other intangibles are as follows:

Removal of previous revaluation	(5,100)
Reclassification of software (refer Note 28(a))	17,903
	<b>12,803</b>

**Note 28(c)**

The effect of discounting the expected long term portion of employee benefits at 30 June 2005 has resulted in a reduction of employee benefits provision of \$189,000 for the consolidated entity. The tax effect of this adjustment is to decrease the deferred tax asset by \$58,000 as at 30 June 2005.

Changes to provisions are as follows:

Opening A-IFRS adjustment 1 July 2004	(229)
Current period effect of discounting employee benefits provision	40
	<b>(189)</b>

**Note 28(d)**

Under A-IFRS the consolidated entity has elected to reset the foreign currency translation reserve to zero, effectively reclassifying \$429,000 of negative reserves to opening retained earnings as at 1 July 2004, the date of transition.

Changes to reserves are as follows:

Removal of previous revaluation (refer Note 28(b))	(5,100)
Reset of Foreign exchange revaluation	16
Amortisation of Executive Options (refer Note 28(g))	23
	<b>(5,061)</b>

**Note 28(e)**

The consolidated entity has elected not to restate business combinations that occurred prior to the date of transition to A-IFRS, and accordingly, the carrying amount of goodwill at the date of transition has not changed. However, goodwill, which was amortised under previous accounting policies, is no longer amortised under A-IFRS from the date of transition. The effect of this for the period end 30 June 2005 is an increase in the carrying amount of goodwill of \$1,688,000 for the consolidated entity and an increase in the net profit before tax of \$1,688,000.

**Note 28(f)**

Changes to retained profits are as follows:

Amortisation of executive share options (refer Note 28(g))	(23)
Add back goodwill amortisation for the period (refer Note 28(e))	1,688
Adjustment to employee benefits provision (refer Note 28(c))	(40)
Tax effect of employee benefits provision adjustment (refer Note 28(c))	12
A-IFRS adjustments made to Income Statement	1,637
Opening A-IFRS adjustment 1 July 2004	(270)
Effect of resetting foreign revaluation reserve (i)	413
Total of A-IFRS adjustments made to retained earnings	<b>1,780</b>

(i) During the year ended 30 June 2005 the consolidated entity transferred \$413,000 from its foreign currency translation reserve to retained profits, in relation to the liquidation of a foreign subsidiary. This entry is reversed on the adoption of A-IFRS as the foreign currency translation reserve is reset to zero.

**Notes to the Financial Statements**

**Note 28(g)**

Under previous AGAAP the fair value of executive options was not recognised until the options were exercised. Under A-IFRS the consolidated group is required to amortise the fair value of the options at "grant date" over the vesting period of the options. The consolidated group has elected not to retrospectively recognise share-based payments vested before 1 January 2005. The impact for the period ended 30 June 2005 is an additional expense in the income statement of \$23,000 resulting in a corresponding increase in reserves in the balance sheet.

**Note 28(h)**

Under previous AGAAP proceeds and cost of business assets disposed were required to be reported separately. Under A-IFRS these gain on disposals are required to be reported as the net profit from divested business, together with the operating revenues and expenses of the entities and businesses to the date of their disposal.