

## Report to Shareholders

FEBRUARY 2006

HALF YEAR RESULTS TO 31<sup>st</sup> DECEMBER 2005

SKILLED GROUP LIMITED

ABN 66 005 585 811

- **Sales Increase 13.7%**
- **Net profit after tax up 75% to \$12.3 million (excluding profit on divestments in 2004/05)**
- **Fully franked interim dividend of 7.0 cents per share**
- **FY EBITDA Guidance – up 20-25% from FY04/05**

This report sets out the results for Skilled Group Limited for the six months ended 31 December 2005. It was a period of solid growth for the company, with revenue and profit from trading operations reaching record levels.

### **Sales Revenue**

Sales revenue at the group level for the six months increased 13.7% to \$487 million compared to \$428 million for the same period last year, reflecting the strong growth in our core blue collar labour hire business.

### **Net Profit and EBIT – Headline Results**

Net Profit after Tax was \$12.3 million compared to \$7.0 million for the first half last year (excluding profit from divestments). As required for IFRS (International Financial Reporting Standards), all 2004/05 numbers are restated.

Earnings before Interest and Tax (EBIT) for the six months was \$19.4 million compared to \$11.6 million last year excluding profits from divestments.

### **Debt and gearing**

Net debt at 31 December 2005 was \$21.6 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) is currently 16.5%. Interest cover over the past 12 months was a strong 13.3 times.

### **Fully Franked dividend**

Directors have declared a fully franked Interim dividend of 7.0 cents per share payable on 19 April 2006. 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 interim dividend and for the lodgement of DRP notices will be Monday 3 April 2005. (The shares will be traded cum-dividend until Monday 27 March, and will commence trading on an ex-dividend basis on Tuesday 28 March).

### **Business structure**

The strong result for the first half of 2005/06 reflects the success of the company's strategy to focus on staffing services.

Through a series of divestments and acquisitions over the last few years, we have worked to reposition the Skilled Group from a diversified services company to one that is focussed on the provision of staffing services.

The acquisition of Extraman in July 2005 was part of this strategy and this business has contributed \$37.3 million to the Group's revenue this half, which is in line with our pre-acquisition expectations.

The company structure is now divided into two main business segments - the SKILLED Brand and Other Brands which include Origin Healthcare, Excelior, Extraman and SEM Fire & Rescue.

## Results from Operations

### SKILLED Brand

Revenue from the core SKILLED brand rose 15.7% to \$365 million. Earnings before interest tax, depreciation and amortisation (EBITDA) increased 32.3% to \$18.2 million while EBIT lifted 38.6% to \$16.7 million.

This success reflects our continued focus on our key customers where we have grown the share of our existing client's spend and improved margins.

While there was strong growth for this brand across the board it was particularly evident in Western Australia and Victoria due to strength in the mining and infrastructure industries.

We continued to focus on our top tier corporate clients and on placing employees in trades and technical services.

We believe there has been continued growth in the outsourcing of staffing services and we anticipate this to continue.

	<b>First Half 2005/06 A\$M</b>	<b>First Half 2004/05 A\$M</b>	<b>Change</b>
Sales	365.0	315.5	+15.7%
EBITDA	18.2	13.8	+32.3%
EBITDA %	5.0%	4.4%	
EBIT	16.7	12.0	+38.6%
EBIT %	4.6%	3.8%	

### Other Brands

Revenue from the Other Brands – Origin Healthcare, Excelior, Extraman and SEM Fire & Rescue, rose 8.0% to \$122.2 million. EBITDA was up 66.4% to \$5.5 million.

Within the Other Brands, Origin Healthcare increased sales by 15.3% to \$40.6 million, largely due to the impact of Medistaff, a nursing agency that was acquired by the Group in January 2005. A management restructure made around 12 months ago is also starting to positively impact the business.

Skilled Group acquired Perth-based staffing services business Extraman in July 2005. This business has contributed \$37.3 million to the Group's revenue this half, which is in line with our pre-acquisition expectations. Extraman has key exposure to the mining and resources and marine industries in Western Australia, Queensland and the Northern Territory.

Our customer contact business Excelior grew sales revenue 5.3% to \$33.7 million. There has been growth in its existing customer base and new business wins including a significant Federal Government contract. The Burnie call centre in Tasmania is operating at capacity.

SEM Fire & Rescue which manufactures emergency services vehicles while not a core business, continues to provide a solid profit contribution. It recorded sales of \$9.2 million for the period which is down 13.2% on the previous corresponding period. However, it currently has a full order book and we expect a stronger second half.

## Other Brands

	First Half 2005/06 A\$M	First Half 2004/05 A\$M	Change
Sales	122.2	113.2	+8.0%
EBITDA	5.5	3.3	+66.4%
EBITDA %	4.5%	2.9%	
EBIT	2.7	-0.4m	
EBIT %	2.2%	-0.4%	

	First Half 2005/06 A\$M	First Half 2004/05 A\$M	Change
<b>SALES</b>			
Excelior	33.7	32.0	+5.3%
Origin Healthcare	40.6	35.2	+15.3%
Extraman	37.3	N/A	
SEM	9.2	10.6	-13.2%
Other (including revenue from divested businesses)	1.4	35.4	-96.0%
<b>Total Other Brands</b>	<b>122.2</b>	<b>113.2</b>	<b>+8.0%</b>

## Consolidated Profit & Loss

	31 December 2005 A\$M	31 December 2004* A\$M	Change A\$M	Change %
Excluding Divestments				
Revenue	486.7	428.3	58.5	13.7%
EBITDA	23.8	17.1	6.7	39.2%
EBIT	19.4	11.6	7.8	67.7%
Net profit after Tax	12.3	7.0	5.2	74.5%

\*Excluding profit from divestments

## General Outlook

Your Board is pleased with the performance of the Group and is optimistic about the period ahead. We remain committed to continuing to build on the strategic initiatives of the past few years. Our focus remains on growing the Company and reinforcing our position as Australia's leading Staffing Services business.

Based on recent performance and our view of the immediate future we expect EBITDA for the full 2005/06 financial year to increase in the range of 20-25% above last year. This is consistent with the upgraded guidance issued in December 2005.



**Ken V Loughnan AO**  
Chairman



**Greg Hargrave**  
Managing Director & Chief Executive Officer

## Consolidated Balance Sheet (Unaudited)

	31 December 2005 \$'000	30 June 2005 \$'000
<b>Current assets</b>		
Cash assets	1,812	2,605
Receivables	106,917	91,251
Inventories	5,719	4,681
Other	2,476	3,804
<b>Total current assets</b>	<b>116,924</b>	<b>102,341</b>
<b>Non-current assets</b>		
Receivables	1,288	961
Other financial assets	-	6
Property, plant and equipment	9,506	9,439
Goodwill	38,731	22,076
Other Intangibles	47,296	48,670
Deferred tax assets	7,556	7,641
<b>Total non-current assets</b>	<b>104,377</b>	<b>88,793</b>
<b>Total assets</b>	<b>221,301</b>	<b>191,134</b>
<b>Current liabilities</b>		
Payables	54,068	38,525
Borrowings	1,327	19,205
Current tax liabilities	1,576	916
Provisions	21,356	21,073
<b>Total current liabilities</b>	<b>78,327</b>	<b>79,719</b>
<b>Non-current liabilities</b>		
Payables	6,063	-
Borrowings	22,072	8,187
Provisions	5,928	5,284
<b>Total non-current liabilities</b>	<b>34,063</b>	<b>13,471</b>
<b>Total liabilities</b>	<b>112,390</b>	<b>93,190</b>
<b>Net assets</b>	<b>108,911</b>	<b>97,944</b>
<b>Equity</b>		
Issued capital	82,797	74,007
Reserves	16	16
Retained profits	26,098	23,921
<b>Total equity</b>	<b>108,911</b>	<b>97,944</b>

The detailed financial results are provided in the Appendix 4D Half Year Report lodged with the ASX and are available on the Skilled web site at [www.skilled.com.au](http://www.skilled.com.au). A hard copy can be obtained by contacting the Company Secretary's office on (03) 9924 2175.