

AUDIT INDEPENDENCE POLICY

Background

- Audit independence has recently emerged as a public issue and it is appropriate for the Board to have a formal policy on this subject.
- It is a fundamental principle of Skilled's Corporate Governance Policy that the external auditor be independent and that the audit be conducted without compromise or conflict of interest.
- Skilled Group wants access to the best possible professional advice relevant to the nature of its operations. The current position is that the external auditor also provides Skilled with other non audit related services. These services mainly relate to income tax, indirect tax and employment tax (refer attached schedule for 2001/02).

The CFO has confirmed, that in his opinion, Deloitte are able to provide the best advice to Skilled in these areas. He sees no conflict with the external audit function and in many ways is complementary.

Deloitte has also confirmed that it sees no conflict in its role as external auditor and also as the provider of these other services.

- Deloitte have advised that they do not and will not provide services that result in them auditing their own work or taking part in management decisions.

The non audit services which Deloitte do not provide to audit clients include the following:

- Book-keeping services which involve making managerial decisions
- internal audit outsourcing services
- asset or liability valuation services which are material to financial reports or involve a significant degree of subjectivity
- executive recruitment or contracting services
- litigation including acting as an advocate of the company where the amounts involved are material to the financial statements
- any service that requires the provider to act as an officer of the company and/or make managerial decisions
- any service prohibited by the Corporations Act to be provided by the auditor

This view is consistent with Skilled's position to ensure audit independence.

Proposed Policy

- The Risk & Compliance committee monitors the independence, objectivity, effectiveness and scope of the external audit, and reviews the external auditor's findings and recommendations.
- The Risk & Compliance committee reviews the processes governing all non-audit work undertaken by the external auditor to ensure the independence of the external auditor is not affected by conflicts.
- The lead audit partner on the Skilled Group Limited audit can serve in that capacity for a maximum of five years.
- At least three years must elapse before any retired partner or former partner of the external auditor can be permitted to serve as a Director or Officer of the Company.

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APPROVED BY: Company Secretary
Skilled Group Limited