

SKILLED
50 
YEARS STRONG



**Notice of Annual
General Meeting
2014**

Notice of Annual General Meeting 2014

Dear Shareholder,

I am pleased to invite you to attend Skilled Group Limited's 2014 Annual General Meeting.

Our Annual General Meeting will be held at 11.00 am on **Thursday 23 October 2014**, at the Conference Centre, State Library of Victoria, Entry 3, La Trobe Street, Melbourne.

The Notice of Meeting which outlines the items of business and the Proxy Form accompany this letter.

If you are unable to attend the meeting, I encourage you to appoint a proxy to vote on your behalf. You can do this either online at www.investorvote.com.au, or by completing the enclosed proxy form and posting it in the enclosed envelope to our share registry, Computershare Investor Services Pty Limited, or faxing it to (+61 3) 9473 2555 so that it is received by 11.00am (AEST) on Tuesday 21 October 2014. Further information in relation to appointing a proxy is set out on page 2 of the Notice of Meeting.

If you are attending the meeting and have not lodged your Proxy Form, please bring it with you to facilitate your registration and entry.

A person attending the meeting on behalf of a corporate shareholder will need to bring with them a duly executed "Certificate of Appointment of Representative". This form of certificate may be obtained from Computershare (whose contact details are at the top of this letter).

Shareholders have the opportunity to submit written questions in advance of the meeting. These can be addressed to either the Board or the Auditor. Questions can either be emailed to our Company Secretary (spage@skilled.com.au) or faxed to (+61 3) 8646 6447. We ask that all questions be submitted by close of business on Thursday 16 October 2014. Relevant questions will be addressed at the Annual General Meeting and responses will be made available after the meeting on the Company's website (www.skilled.com.au).

After the meeting light refreshments will be served, at which time you will have an opportunity to meet Directors and Management in a more informal atmosphere.

I look forward to meeting many of our shareholders at the meeting.

Yours sincerely,



Vickki McFadden

Chairman

17 September 2014

Notice is hereby given that the Annual General Meeting of the shareholders of the Company will be held at the Conference Centre, State Library of Victoria, Entry 3, La Trobe Street, Melbourne, Victoria, at 11.00am on Thursday 23 October 2014.

BUSINESS TO BE CONDUCTED

1. Financial Statements and Reports

To consider the Directors' Report, Financial Statements and Independent Audit Report for the financial year ended 30 June 2014.

2. Adoption of Remuneration Report

To adopt the Remuneration Report for the financial year ended 30 June 2014.

3. Approval of the 2014 Grant of Performance Rights and Options to Mr Mick McMahon

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval be given to the grant of 122,000 performance rights and 674,000 options to Mr Mick McMahon in respect of Mr McMahon's 2014 grant under the SKILLED Group Long Term Incentive Plan on the terms set out in the Explanatory Notes."

4. Re-election of Director – Vickki McFadden

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Vickki McFadden, having retired in accordance with Article 46 of the Company's Constitution, be re-elected as a Director."

5. Re-election of Director – Tracey Horton

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Tracey Horton, having retired in accordance with Article 46 of the Company's Constitution, be re-elected as a Director."

6. Re-election of Director – Tony Cipa

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Tony Cipa, having retired in accordance with Article 46 of the Company's Constitution, be re-elected as a Director."

7. Election of Director – Jim Walker

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Jim Walker having been appointed to the Board since the last Annual General Meeting in accordance with Article 45 of the Company's Constitution, and having retired in accordance with Article 46 of the Company's Constitution be elected as a Director."

8. Financial Assistance

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That, in accordance with section 260B(2) of the Corporations Act 2001 (Cth) ["Corporations Act"], approval be given for financial assistance to be given by:

- T&C Services Pty Ltd (ABN 61 166 540 905); and
- Thomas & Coffey (QLD) Pty Ltd (ABN 15 164 087 656), (the Acquired Companies),

in relation to the acquisition of all of the issued shares in the Acquired Companies by ATIVO Pty Ltd, a wholly owned subsidiary of Skilled Group Limited, from Thomas & Coffey Limited and all elements of that transaction and any other transactions that may constitute financial assistance by the Acquired Companies for the purposes of section 260A of the Corporations Act in connection with this acquisition, as described in Item 8 of the Explanatory Notes."

Note: this is a special resolution which requires at least 75% of the votes cast by members entitled to vote on the resolution to be in favour of the resolution.

These items of business should be read in conjunction with the explanatory notes on pages 2 to 9.

Dated this 11th day of September 2014.

By order of the Board



Sharyn Page

Company Secretary

Notice of Annual General Meeting

Voting at the Meeting

Shareholders can vote on the items of business by:

- attending the meeting, or
- appointing a proxy, representative or attorney to attend the meeting and vote on their behalf.

Voting Entitlements

The Board has determined that shareholders will be able to attend and vote at the meeting if they are recorded on the register of members of the Company at 7.00pm (AEDT) on Tuesday 21 October 2014.

Proxies

1. A shareholder entitled to attend and vote at this meeting is entitled to appoint a proxy (who need not be a shareholder of the Company) to vote on their behalf by completing the proxy form that accompanies this Notice of Meeting. A shareholder cannot appoint more than two proxies to attend and vote in his or her place.
2. A single proxy exercises all voting rights.
3. A shareholder appointing two proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a shareholder appoints two proxies and does not specify each proxy's proportion (or number) of voting rights, the rights are deemed to be 50% each. Fractions of votes will be disregarded.
4. SKILLED encourages you to consider directing your proxy how to vote by marking the appropriate box on each of the proposed resolutions on the proxy form.
5. **Chairman as proxy**

Items 2 and 3 are connected with the remuneration of Key Management Personnel (KMP). For this reason, the Chairman of the meeting can only vote undirected proxies on items 2 and 3 if the proxy expressly authorises the Chairman to do so (as provided for on the proxy form).

The Chairman of the meeting intends to vote, as your proxy, in favour of each of the proposed resolutions (where permissible). If you do not want the Chairman of the meeting to vote as your proxy in favour of any resolution, you need to direct your proxy to vote against, or abstain from voting on the relevant resolution by marking the appropriate box on the proxy form.

6. Other KMP as proxy

If you appoint a Director (other than the Chairman of the meeting) or another KMP (or a closely related party of any KMP) as your proxy, you should direct them how to vote on items 2 and 3 by marking the appropriate box. If you do not do so, your proxy will not be able to vote on your behalf on items 2 and 3.

The Proxy Form must be received by 11.00am on Tuesday 21 October 2014, and be lodged:

Online: www.investorvote.com.au

By Fax: Australia 1800 783 447
Overseas +61 3 9473 2555

In Person:
Registered Office: 2 Luton Lane,
Hawthorn, Victoria

Share Registry: Computershare Investor Services
Pty Limited
Yarra Falls, 452 Johnston Street,
Abbotsford, Victoria

By Mail:
Registered Office: The Company Secretary,
2 Luton Lane,
Hawthorn, Victoria, 3122

Share Registry: Computershare Investor Services
Pty Limited
GPO Box 242,
Melbourne, Victoria, 3001

Intermediary Online: Custodians who are subscribers to intermediary online may appoint their proxy by visiting www.intermediaryonline.com

EXPLANATORY NOTES

Item 1 – Financial Statements and Reports

During this item there will be an opportunity for consideration of the Directors' Report, Financial Statements and Independent Audit Report for the financial year ended 30 June 2014.

Shareholders will be provided the opportunity to ask questions and comment on these reports or about the Company generally.

Shareholders also have the right to question the auditors in connection with such matters as the Auditor's Report or the conduct of the audit. Written questions must be submitted no later than 5 business days before the Annual General Meeting and the answers will be available at and after the meeting. There will be no formal resolution with respect to this Item.

Item 2 – Adoption of Remuneration Report

During this item there will be an opportunity for shareholders to ask questions and comment on the Remuneration Report in the 2014 Annual Report.

The Remuneration Report appears on pages 18 to 29 of SKILLED's Annual Report 2014 and is available at www.skilled.com.au

The vote on this resolution will be advisory only and will not bind the Directors of SKILLED. However, the Board will take

the outcome of the vote into consideration when reviewing the remuneration policy for Directors and Executives in future.

Under the Corporations Act, if 25% or more of the votes cast on the resolution at the meeting are against adoption of the Remuneration Report, then:

- If comments are made on the Remuneration Report at the meeting, SKILLED's 2015 Remuneration Report will include an explanation of the Board's proposed action in response or, if no action is proposed, the Board's reason for this, and
- If, at the 2015 AGM, at least 25% of the votes cast on the resolution for adoption of the 2015 Remuneration Report are against it, SKILLED will be required to put to shareholders a resolution proposing that an extraordinary general meeting (EGM) be called to consider the election of Directors (spill resolution). If the spill resolution is passed (i.e. more than 50% of the votes cast are in favour of it), all of the Directors (other than the Managing Director), will cease to hold office at the subsequent EGM, unless re-elected at that meeting.

BOARD RECOMMENDATION

The Board considers that the Company's remuneration policies are structured to provide rewards based on its performance and to be competitive with those in the markets in which they operate. On that basis, and with the executive Director acknowledging his personal interest, the Board recommends that shareholders vote in favour of this resolution.

VOTING EXCLUSION STATEMENT

No votes can be cast on Item 2 by or on behalf of any Key Management Personnel (KMP) (details of whose remuneration are included in the Remuneration Report) or their closely related parties (collectively referred to as a Prohibited Voter). However, a Prohibited Voter may vote directed proxies on this Item for someone other than a Prohibited Voter.

Further, a member of the KMP (regardless of whether or not their remuneration details are disclosed in the Remuneration Report) and their closely related parties may not vote a proxy on this Item unless it is a directed proxy and the vote is not cast on behalf of a Prohibited Voter. However, the Chairman of the meeting can vote undirected proxies, provided the proxy expressly authorises the Chairman to do so.

KMP includes Directors and certain senior SKILLED executives who have the authority and responsibility for planning, directing and controlling the activities of SKILLED, both directly and indirectly and whose remuneration details are disclosed in the Remuneration Report. It also includes people who have become a KMP since the Remuneration Report was issued on 13 August 2014.

A closely related party means a spouse, child or dependant of the KMP (or a child or dependant of the KMP's spouse), anyone else in the KMP's family who may be expected to influence (or be influenced by) the KMP in the KMP's dealing with SKILLED, or any company the KMP controls.

Item 3 – Approval of the 2014 Grant of Performance Rights and Options to Mr Mick McMahon

By the resolution sought under Item 3, the Company is seeking the approval of shareholders for a proposed grant of equity securities to the Chief Executive Officer, Mr Mick McMahon under the Company's Long Term Incentive Plan ("LTI Plan").

WHAT IS THE LTI PLAN?

The LTI Plan is a long term incentive plan established by the Board as part of the remuneration of the Company's executives to ensure SKILLED Group has the most effective reward mix in place, particularly in light of the changing legislative environment and economic conditions. The LTI Plan is designed to link the reward of selected individuals who have the capacity to influence the long term performance of the Company with the generation of shareholder wealth.

The primary objectives of the LTI Plan are to:

- align the interests of executives with the interests of the Company and its stakeholders;
- ensure that executive remuneration is competitive and aligned with remuneration in the Australian market; and
- encourage the achievement of performance goals and growth of the Company's business.

Under the LTI Plan, the Company may grant eligible executives awards in the form of performance rights, options or a combination of those awards.

As an executive director of the Company, Mr McMahon is entitled to participate in the LTI Plan. Mr McMahon is the only Director that may participate in the LTI Plan.

WHY IS SHAREHOLDER APPROVAL REQUIRED?

Under ASX Listing Rule 10.14, shareholder approval is required for a Director of the Company to be issued securities under an employee incentive scheme. Accordingly, approval is sought for the grant of performance rights and options to Mr McMahon.

If approval is granted under Listing Rule 10.14, approval is not required under Listing Rule 7.1.

WHAT GRANTS OF EQUITY SECURITIES HAVE BEEN MADE TO DIRECTORS OR THEIR ASSOCIATES SINCE THE 2013 ANNUAL GENERAL MEETING?

At the Company's 2013 Annual General Meeting, shareholders approved the grant of 325,000 performance rights and 1,750,000 options to Mr McMahon. These securities were granted to Mr McMahon on 20 December 2013. No amount was payable by Mr McMahon on the grant of these performance rights or options. The exercise price for these options is \$3.08.

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WHAT ARE THE TERMS AND CONDITIONS OF THE PERFORMANCE RIGHTS AND OPTIONS TO BE GRANTED TO MR MCMAHON?

A brief overview of the terms and conditions of the performance rights and options to be granted to Mr McMahon under the LTI Plan is set out below.

In 2013, the Company entered into a revised employment agreement with Mr McMahon. Under the revised agreement, Mr McMahon's annual remuneration consists of:

- fixed remuneration of \$1,500,000 (including superannuation and other non-cash benefits). This is fixed for three years from 1 September 2013; and
- subject to shareholder approval, a long-term incentive grant (LTI grant) of performance rights and options which entitles Mr McMahon to receive shares in the Company if certain performance criteria set by the Board are met over a 3 year period. At target performance, the LTI grant will represent \$1,000,000 (or approximately 67% of Mr McMahon's fixed remuneration) and at stretch performance, the grant will represent \$2,000,000 (or approximately 133% of Mr McMahon's fixed remuneration). A minimum of 50% of the LTI grant must be in the form of options.

Mr McMahon has elected to receive 50% of his 2014 grant in options and the balance in performance rights.

Performance rights and options are issued under the LTI Plan at stretch target. However, as explained below, it is not intended that Mr McMahon be granted the full number of options and performance rights.

The number of performance rights and options that vest cannot exceed the initial number issued and may, depending on the Company's performance, be less than the number issued. For example, if target levels of performance are met, only 50% of the performance rights and options will vest. The performance hurdles for the grant are provided in the tables below.

The number of performance rights issued is based on the volume weighted average price at which the Company's ordinary shares are traded on ASX ("VWAP") over the five trading days commencing on 14 August 2014 (being one day after the announcement of the 2014 full year results). The VWAP over that period was \$2.73.

The number of options issued is based on a Black Scholes option valuation methodology with the exercise price of each option based on the VWAP over the same period used for the performance rights calculation (outlined above).

NUMBER OF PERFORMANCE RIGHTS AND OPTIONS TO BE GRANTED TO MR MCMAHON IN 2014

On 13 August 2014, the Company announced that Mr McMahon has indicated his desire to step down from his role as CEO by the 2015 Annual General Meeting, by which time he will have served 5 years as CEO. The Company has formally commenced a recruitment process which will include consideration of internal and external candidates.

Performance rights and options issued are subject to the Company's LTI Plan Rules. These Rules provide the Board with a number of discretionary powers. As set out in the 2014 Remuneration Report, the Board has determined that in accordance with this discretion, employees who leave the Company and are determined by the Board to be "good leavers" are eligible to retain performance rights and options granted to them on a pro-rata basis, in line with their period of service during the 3 year performance period for the grant (rounded up or down to the nearest year).

If Mr McMahon is determined by the Board to be a "good leaver" when he leaves the Company, he would be eligible to retain a maximum of one-third of the performance rights and options which would have been granted in 2014 under the terms of his contract (as he would serve a maximum of one year's service during the performance period from 1 July 2014 – 30 June 2017).

The Board has determined that rather than issue the performance rights and options as provided for under Mr McMahon's employment agreement and then pro-rata the number of rights and options issued under this 2014 grant in line with its discretion under the LTI Plan Rules when he leaves, that the rights and options to be granted in 2014 will be reduced to one-third of the amount he would have been entitled to. This means that instead of issuing 366,000 performance rights and 2,022,000 options, the Company is proposing, subject to shareholder approval, to issue 122,000 performance rights and 674,000 options.

DATE OF GRANT OF PERFORMANCE RIGHTS AND OPTIONS

If shareholder approval is obtained, the performance rights and options will be granted to Mr McMahon shortly after the 2014 Annual General Meeting and within 12 months after the date of the 2014 Annual General Meeting.

No amount is payable by Mr McMahon upon the grant of the performance rights or options.

WHAT ARE THE PERFORMANCE HURDLES?

The performance rights and options to be granted will only vest upon satisfaction of the following performance hurdles:

- (i) 50% of the performance rights and options granted to Mr McMahon will be subject to a performance hurdle based on the Company's earnings per share ("EPS") performance over the period 1 July 2014 to 30 June 2017. The performance rights and options will vest as follows:

Performance Level	3 Year Cumulative EPS 1 July 2014 – 30 June 2017	% of Performance Rights and Options assessed under EPS performance measure to vest
Below Threshold	Less than 3% Compound Annual Growth ("CAGR")	0%
Threshold	3% CAGR	25%
Between Threshold & Target	Between 3% and 5% CAGR	Straight line vesting between 25% and 50%
Target	5% CAGR	50%
Between Target & Stretch	Between 5% and 7% CAGR	Straight line vesting between 50% and 100%
Stretch	7% CAGR	100%

- (ii) 50% of the performance rights and options granted to Mr McMahon will be subject to a performance hurdle based on the Company's "Relative TSR" performance (as described below) over the period 1 July 2014 to 30 June 2017. The performance rights and options will vest as follows:

Performance Level	3 Year Relative Total Shareholder Returns (TSR) 1 July 2014 – 30 June 2017	% of Performance Rights and Options assessed under Relative TSR measure to vest
Below Target	Below 50th Percentile	0%
Target	50th Percentile	50%
Between Target & Stretch	Between 50th and 75th Percentile	Straight line vesting between 50% and 100%
Stretch	75th Percentile	100%

WHAT IS RELATIVE TSR?

Total Shareholder Return ("TSR") is the growth in a company's share price, plus the value of the dividends and distributions on the relevant shares notionally reinvested. "Relative TSR" ranks the TSR performance of a company with the TSR performance of a comparative group of companies. The TSR comparator group will be all of the companies in the ASX 200 Index (excluding financial institutions) and including the Company's key competitors.

VESTING OF PERFORMANCE RIGHTS AND OPTIONS

At the end of the 3 year performance period, the performance rights and options will be tested against these performance hurdles. There is to be no retesting of the performance hurdles. Any performance rights or options which do not vest at the end of the performance period will lapse.

For each performance right that vests, one share will be allocated to Mr McMahon. No amount will be payable by Mr McMahon for shares allocated to him on vesting of the performance rights.

Options that meet the performance hurdles will become vested options. Mr McMahon may exercise a vested option by paying the exercise price of \$2.73 per vested option, and upon exercise one share will be allocated to Mr McMahon.

On vesting of performance rights or the exercise of vested options, the Company can elect to either issue new shares, or arrange for the transfer of existing shares to Mr McMahon.

The Board may decide to "cash settle" any vested performance rights and options for a cash price equivalent to the VWAP over the 5 day period prior to vesting (in the case of vested performance rights) and a cash price equivalent to the VWAP over the 5 day period prior to exercise (in the case of vested options).

Mr McMahon is required to hold 50% of any performance rights or options that vest for two years after the vesting of that grant.

CESSATION OF EMPLOYMENT

When Mr McMahon ceases to be employed by the Company, the Board will determine whether Mr McMahon is a "good leaver" in accordance with its discretion under the LTI plan Rules (and as outlined in section 4 of the Remuneration Report) and:

- eligible to retain performance rights and options granted in 2012 and 2013 on a pro rata basis; and
- eligible to retain the performance rights and options granted in 2014.

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The performance rights and options to be granted in 2014 may be pro-rated if Mr McMahon serves less than 6 months during their performance period.

If the Board determines not to exercise this discretion, performance rights and options granted to Mr McMahon will lapse when he leaves the Company.

Any performance rights and options retained will be tested against the relevant performance criteria at the end of the three year performance period.

Mr McMahon must exercise any vested options within the earlier of six months of vesting (or such longer time as determined by the Board) and 6 years from the date of issue. If they are not exercised by that time, they lapse.

If Mr McMahon were to die while still in service (and unless the Board determines otherwise), the performance criteria will be waived for a pro rata number of any unvested performance rights and options (based on the number of years of service, rounded to the nearest whole year, for the relevant performance period). These performance rights and options will vest. The remaining unvested performance rights and options will lapse. Mr McMahon's estate will need to exercise any vested options within the earlier of 6 months of Mr McMahon's death (or such longer time as determined by the Board) and 6 years from the date of issue. If not exercised by that time, they will lapse.

CHANGE OF CONTROL

In the event of a change of control of the Company, unless determined otherwise by the Board, a pro rata number of the performance rights and options granted under the LTI Plan, in the applicable performance period that have elapsed, will be tested early (at a date determined by the Board). As it may be difficult in these circumstances to determine whether the EPS hurdles have been met, those performance rights and options will be tested only against the Relative TSR performance hurdle (calculated over that part of the applicable performance period that has elapsed). The remainder of performance rights and options granted under the LTI Plan will lapse.

Any performance rights that are tested early and vest will be treated in the same manner as all other vested performance rights under the LTI Plan as described above. Any options that are tested early and vest will be subject to the normal exercise process or may, at the Board's discretion, be cancelled for an amount in cash which the Board determines reflects the underlying value of those vested options.

Any options that vest would need to be exercised by a date determined by the Board.

IS THERE ANY PROHIBITION AGAINST HEDGING EQUITY SECURITIES GRANTED UNDER THE COMPANY'S LTI PLAN?

Hedging includes entering into transactions in financial products that operate to limit the economic risk associated with holding securities.

Executive Directors and other senior executives are prohibited under the Company's Share Trading Policy from hedging equity securities granted under the LTI Plan prior to the vesting of those securities.

TRANSFER

Performance rights and options granted under the LTI Plan are only transferable with the consent of the Board.

BOARD RECOMMENDATION

The non-executive Directors' believe that it is in the best interests of shareholders to approve the proposed 2014 LTI Plan grant to Mr McMahon as the requirements for vesting of the proposed grant of performance rights and options are subject to performance hurdles that appropriately align Mr McMahon's 'at risk' remuneration with shareholder returns over the longer term. The proposed grant has been reduced to one-third of his contractual entitlement to reflect that, having announced his intention to step down from his role as CEO prior to the 2015 AGM, and that he will serve a maximum term of one year during the 3 year performance period for the performance rights and options to be granted.

The non-executive Directors unanimously recommend that shareholders vote in favour of this Item 3 to approve the proposed 2014 LTI Plan grant of performance rights and options to Mr McMahon.

VOTING EXCLUSION STATEMENT

Pursuant to Listing Rules 10.14 and 14.11.1, the Company will disregard any votes cast on this Item by Mr McMahon or an associate of Mr McMahon.

However, the Company is not required to disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the Chairman of the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Further, Key Management Personnel and their closely related parties may not vote as a proxy on this resolution if the appointment does not specify how the proxy is to vote. However, the Chairman of the meeting can vote undirected proxies, provided the proxy expressly authorises the Chairman to do so.

Item 4 – Re-election of Director – Vickki McFadden

VICKKI MCFADDEN

BComm, LLB, Age 55

Independent Non-Executive Chairman

Ms McFadden was appointed to the Board in September 2005 and has been a director for 9 years. She was appointed Chairman of the Board in October 2010. She is also Chairman of the Nomination Committee and a member of the Audit & Risk Committee and the Remuneration Committee.

Skills and experience

Ms McFadden is an experienced company director and has particular expertise in finance, law, corporate finance transactions and corporate governance. She has previously been a Director/Principal of Centaurus Corporate Finance and Managing Director, Investment Banking, at Merrill Lynch in Australia. Ms McFadden is currently involved in various company director and advisory roles.

Current directorships and offices:

President of the Takeovers Panel (since March 2013). Member since March 2008

Non-Executive Director (since August 2011) of The Myer Family Investments Pty Ltd, Sidney Myer Custodian Pty Ltd, the Myer Family Asset Management Limited and Mypac Pty Ltd. Chairman of the Myer Family Investments Pty Ltd Audit, Governance & Risk Committee

Member, Advisory Board and Executive Committee of Australian School of Business, the University of New South Wales (since August 2000)

Previous listed company directorships:

Non-Executive Director, Leighton Holdings Limited (June 2013 – May 2014)

BOARD RECOMMENDATION

Ms McFadden has been a Director of the Company for 9 years and its Chairman for 4 years. Under the revised ASX Corporate Governance Principles & Recommendations which will apply for the financial year commencing 1 July 2014, tenure is included as one of a number of matters that the ASX recommend that Company's consider in determining whether a Non-Executive Director continues to be independent. The Board (with Ms McFadden abstaining), has determined that, having regard to the significant contribution that Ms McFadden makes to the Board, the independent manner in which she chairs meetings and engages with management and other Directors and the valuable stewardship, external focus and insight that she brings to Board discussions having regard to her broader commercial experience, that she continues to discharge her obligations and contribute to the Board in an independent manner.

The Board, other than Ms McFadden, recommends that shareholders vote in favour of Ms McFadden's re-election to the Board.

Item 5 – Re-election of Director – Tracey Horton

TRACEY HORTON

BEc(Hons), MBA, Age 51

Independent Non-Executive Director

Ms Horton was appointed to the Board in February 2011 and has been a director for 3 years. She is a member of the Audit & Risk Committee, the Remuneration Committee and the Nomination Committee.

Skills and experience

Ms Horton brings extensive strategy development, performance improvement, business turnaround and leadership experience to the Board. She was Dean of The University of Western Australia Business School between February 2005 and August 2011. Prior to this position, she worked in the public and private sectors in Australia and overseas as an economist, business analyst and management consultant. This included working at the Reserve Bank of Australia, based in Sydney; and at Bain & Company, based in San Francisco.

Current directorships and offices:

Non-Executive Director, AHG Limited (since May 2012)

Non-Executive Director, Navitas Limited (since June 2012)

Member, Bain & Co Advisory Board (since January 2014)

Member, Australian Treasury Advisory Committee (since May 2014)

Chairman, Council of Presbyterian Ladies College (since September 2012)

President, Chamber of Commerce and Industry of WA (Inc) (since October 2013), Vice President (October 2012 – October 2013)

Chair, Perth Fashion Festival (February 2013)

Previous listed company directorships:

Nil

BOARD RECOMMENDATION

The Board, other than Ms Horton, recommends that shareholders vote in favour of Ms Horton's re-election to the Board.

Item 6 – Re-election of Director – Tony Cipa

TONY CIPA

BBus, Grad Dip Accounting, Age 59

Independent Non-Executive Director

Mr Cipa was appointed to the Board in April 2011 and has been a director for 3 years. He is Chairman of the Audit & Risk Committee.

Skills and experience

Mr Cipa brings significant financial and leadership experience to the Board. He spent 20 years with CSL Limited in various

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senior finance roles. Mr Cipa was Chief Financial Officer of CSL from 1994 to 2000 and was subsequently appointed to the Board of CSL Limited as Finance Director in 2000 until his retirement in 2010.

Tony is an Associate of the Governance Institute of Australia.

Current directorships and offices:

Non-Executive Director, Healthscope Limited (since June 2014). He is Chairman of its Audit, Risk & Compliance Committee, and a member of its Nomination and Remuneration Committees.

Non-Executive Director, Navitas Limited (since May 2014). He is the Chairman of its Audit Committee.

Non-Executive Director, Mansfield District Hospital (since July 2011)

Previous listed company directorships:

Nil

BOARD RECOMMENDATION

The Board, other than Mr Cipa, recommends that shareholders vote in favour of Mr Cipa's re-election to the Board.

Item 7 – Election of Director – Jim Walker

JIM WALKER

GAICD, Age 61

Independent Non-Executive Director

Mr Walker was appointed to the Board in November 2013.

Skills and experience

Jim has over 40 years of experience in the resources sector, most recently as Managing Director and Chief Executive Officer of WesTrac Pty Ltd, where he led the company's rapid development in industrial and mining services locally and in China. Prior to this, Mr Walker held various roles with other Australian Caterpillar dealers.

Jim is a qualified Diesel and Heavy Earthmoving Equipment Fitter.

Current directorships and offices:

Chairman, Macmahon Holdings Limited (since March 2014).
Non-Executive Director (since October 2013)

Non-Executive Director, Seeing Machines Limited (since May 2014)

Non-Executive Director, RAC Holdings, WA (since October 2013)
Chairman, WA State Training Board (since July 2014).
Director (since March 2014)

Trustee – WA Motor Museum (since 2001)

Councillor, Wesley College, Perth (since 2006)

Previous listed company directorships:

Nil

BOARD RECOMMENDATION

As part of its recruitment and induction processes for non-executive Directors, the Company has undertaken police, ASIC and bankruptcy searches and reference checking in relation to Mr Walker. The Board is not aware of any matters or relationships that might influence or reasonably be perceived to influence Mr Walker's capacity to exercise independent judgement on issues before the Board or his ability to act in the best interests of the Company and its shareholders.

The Board, other than Mr Walker, recommends that shareholders vote in favour of Mr Walker's election to the Board.

Item 8 – Financial Assistance

The Company's financiers have requested that this Item be put to the Company's shareholders for approval under a technical provision in the Corporations Act.

BACKGROUND

On 12 November 2013, the Company announced that it had entered into a Sale and Purchase Agreement ("Agreement") with Thomas & Coffey Limited ("Thomas & Coffey"). Under the Agreement, the Company's wholly owned subsidiary, ATIVO Pty Ltd ("ATIVO"), acquired the whole of the issued share capital of T&C Services Pty Ltd ("T&C Services") and its wholly owned subsidiary, Thomas & Coffey (QLD) Pty Ltd ("T&C QLD") (together, the "Acquired Companies"), from Thomas & Coffey for total cash consideration of \$33.5 million (the "Acquisition"). The Acquisition occurred on 11 February 2014.

The Acquisition was funded by a drawing under the Company's Syndicated Revolving Credit Facility ("Facilities Agreement").

It is proposed that each Acquired Company will:

- become a guarantor under the Facilities Agreement; and
- grant security over its property (current and future acquired) to National Australia Bank Limited (as security trustee under the Facilities Agreement) to secure performance of its guarantees.

By becoming guarantors under the Facilities Agreement, the Acquired Companies are deemed under the Corporations Act 2001 (Cth) ("Corporations Act") to be providing financial assistance to acquire their own shares ("Financial Assistance").

WHY SHAREHOLDER APPROVAL IS REQUIRED

Under sections 260A and 260B of the Corporations Act, the giving of Financial Assistance requires approval of shareholders of the ultimate parent company of the Acquired Companies ie approval by Skilled Group Limited shareholders by special resolution at a general meeting of the Company.

It is proposed that the Financial Assistance now be approved by special resolution of the shareholders of the Company.

The shareholders of the Acquired Companies have passed or will pass resolutions approving the giving of this Financial Assistance. This is also a requirement of section 260A and 260B(1) of the Corporations Act.

EFFECT OF THE FINANCIAL ASSISTANCE

The advantage for the Company of the Acquired Companies providing Financial Assistance is that the Company will continue to have the benefit of the Facilities Agreement and will continue to comply with its obligations under this Agreement. The Directors of the Company believe the draw down under the Facilities Agreement (and, indirectly, the Acquired Companies providing Financial Assistance) provided the most efficient form of financing available to assist the Company to complete the Acquisition.

The Company is already liable for the amounts payable under the Facilities Agreement so the Acquired Companies giving Financial Assistance is unlikely to adversely affect the Company.

The advantages for the Acquired Companies in giving Financial Assistance and becoming part of the SKILLED Group of Companies through the Acquisition is that they are able to advance and develop their business as a wholly owned subsidiary of the Company to a greater extent than would otherwise have been the case.

Reasons for this include the Acquired Companies' ability to benefit from:

- (a) the working capital facilities provided to the Skilled Group of companies under the Facilities Agreement;
- (b) repayment of their existing debts from funds drawn under the Facilities Agreement as a result of the Acquisition;
- (c) the capital resources and management expertise of the Skilled group of companies (including systems and processes);
- (d) becoming a member of the Company consolidated group for income tax purposes with any future income tax liabilities which might otherwise be payable by the Acquired Companies becoming the responsibility of Skilled Group Limited; and
- (e) trade creditors and employee entitlements able to be sufficiently funded by cashflows from the operating activities of the Skilled group of companies.

The disadvantages for the Acquired Companies of giving the Financial Assistance include:

- (a) the possibility that the ability to independently obtain finance from other sources will be restricted by the undertakings, representations and warranties given under the Facilities Agreement;
- (b) that in the event of default under the Facilities Agreement, the lenders' recourse to assets secured under the Facilities Agreement will include the assets of the Acquired Companies; and
- (c) the risk that the Acquired Companies will become liable for all amounts outstanding under the Facilities Agreement.

WHAT HAPPENS IF SHAREHOLDER APPROVAL IS NOT GRANTED

The Company has taken a number of internal steps to ensure that it is in compliance with the Corporations Act requirements in relation to this matter.

If shareholder approval is not obtained the Acquired Companies will continue to operate as part of the Skilled Group and the Company will continue to discuss the terms of its Facility Agreement and provision of security in relation to the assets and financial obligations of these companies under this agreement with its financiers.

BOARD RECOMMENDATION

The Directors of the Company have considered the giving of the Financial Assistance and are of the opinion that there are reasonable grounds to believe that it is in the best interests and for the commercial benefit of the Company and each Acquired Company giving Financial Assistance.

The Board recommends that shareholders vote in favour of Item 8.

NOTICE TO ASIC

A copy of this Notice of Annual General Meeting was lodged with ASIC before being sent to the shareholders of the Company, as required by section 260B(5) of the Corporations Act.

DISCLOSURE

The Directors of the Company consider that these Explanatory Notes contain all information known to the Company that would be material to the decision of the Company's shareholders on how to vote on the financial assistance resolution set out in Item 8, other than information which would be unreasonable to include because it had previously been disclosed to shareholders.

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