

Appendix 4D
ASX Listing Rule 4.2A.3
Results for announcement to the market
Skilled Group Limited
ABN 66 005 585 811
Half year ended ('current period') – 31 December 2014
('previous corresponding period' – 31 December 2013)

The Appendix 4D should be read in conjunction with Skilled Group Limited's most recent annual financial report.

		\$AUD'000
Revenue	Up 10.7% to	1,000,976
Profit after tax attributable to members	Up 0.8% to	21,152
Underlying profit after tax ¹	Up 2.6% to	26,724

Dividends (distributions)	Amount per security	Franked amount per security
Interim Dividend (Previous Year)	7.5¢ 7.5¢	7.5¢ 7.5¢
Final Dividend (Previous Year)	N/A 9.5¢	N/A 9.5¢
Record date for determining entitlements to the Dividend	18 March 2015	
Date for payment of Final Dividend	10 April 2015	
The Dividend Reinvestment Plan will remain suspended until further notice. As the dividend is fully franked, the conduit foreign income impact is nil per share.		

Earnings Per Ordinary Fully Paid Share (EPS)	Current period	Previous corresponding period
Basic EPS	9.0¢	9.0¢
Diluted EPS	8.8¢	8.8¢
Underlying basic EPS ¹	11.3¢	11.1¢
Underlying diluted EPS ¹	11.2¢	10.9¢

NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	(2.9¢)	15.5¢

Net asset backing	Current period	Previous corresponding period
Net asset backing per ordinary security	204.3¢	202.2¢

¹ Profit after tax reconciles to underlying profit after tax as follows:

	Current period \$'000	Previous corresponding period \$'000
Profit after tax	21,152	20,982
Reconciling items as per Note 4 - Segment Reporting	7,582	6,571
Income tax on reconciling items	(2,010)	(1,516)
Underlying profit after tax	26,724	26,037

Underlying basic and diluted EPS is calculated using underlying profit after tax.

Appendix 4D (continued)
ASX Listing Rule 4.2A.3
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Half year ended ('current period') – 31 December 2014
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Details of entities over which control was gained	Date of gain of control
Offshore Marine Services Alliance Pty Ltd	1 November 2014

The Consolidated Entity acquired 50% of the voting shares of Offshore Marine Services Alliance Pty Ltd (OMSA) from PB Sea-Tow Holdings (BVI) Limited (PB Sea-Tow) with effect from 1 November 2014, increasing the Consolidated Entity's ownership interest from 50% to 100%². From the date of acquisition, Offshore Marine Services Alliance Pty Ltd has contributed \$24,413,000 of revenue and \$2,261,000 of profit before tax to the Consolidated Entity's result, which includes profit from operations and amortisation of acquired intangibles.

Details of joint venture entities	Percentage of ownership interest held at end of period		Contribution to net profit of the Consolidated Entity	
	Current period	Previous corresponding period	Current period \$'000	Previous corresponding period \$'000
GSS Broadsword Marine JV Pty Ltd	50.0%	50.0%	100	(231)

² Prior to the acquisition, OMSA was a joint venture entity subject to joint control by the Consolidated Entity and PB Sea-Tow

**Half Year Report
31 December 2014
Skilled Group Limited
ABN 66 005 585 811**

Half Year Report Skilled Group Limited

Directors' report

The Directors of Skilled Group Limited (the "Company") present the financial report for the Consolidated Entity (comprising the Company and its controlled entities) for the half year ended 31 December 2014.

The names of the Directors of the Company during or since the end of the half year are:

V.A. McFadden	M.J. Findlay
A.R. McKay (appointed 5 January 2015)	R.N. Herbert AM
M.P. McMahon (resigned 5 January 2015)	T.A. Horton
A.M. Cipa	J.A. Walker

Review and results of operations

The Company recognised a net profit after tax of \$21.2 million for the six months ended 31 December 2014 and underlying net profit after tax of \$26.7¹ million.

Revenue was \$1,001.9 million, 10.6% above the previous corresponding period, and the EBITDA margin increased to 4.9% (1H14: 4.8%).

The Board has declared an interim dividend of 7.5 cps, fully franked, consistent with the 2014 interim dividend of 7.5 cps.

Segment overview

(EBITDA results are before corporate costs)

Engineering & Marine Services:

Provision of contract maintenance, project and shutdown services and offshore marine manning and management services. Brands include ATIVO, Thomas & Coffey, SKILLED Offshore, OMSA and Broadsword Marine Services.

	1H15	2H14	1H14	1H15 vs 1H14
Sales revenue ² (\$m)	431.7	365.6	252.3	71.1%
EBITDA (\$m)	36.4	35.6	22.7	60.8%
EBITDA margin %	8.4%	9.7%	9.0%	(54bps)

Engineering & Marine Services delivered strong revenue growth in line with expectations in 1H15, driven by acquisitions, major projects and strong business trends that are expected to continue into the second half.

The contribution of Thomas & Coffey (from February 2014) has exceeded expectations. The integration with ATIVO is well advanced and has created an Engineering business that is benefiting from its ability to leverage scale and broad capabilities across a national footprint and range of industries. Recent contract wins include clients in mining, manufacturing and utilities.

SKILLED Offshore continues to work with a broad range of clients across the oil & gas life cycle, with healthy levels of activity in the seismic, drilling, construction and production segments. As part of the Saipem project, the Castorone vessel mobilised in February 2015 and its work is expected to continue into FY16.

During the first half SKILLED moved to 100% ownership of OMSA, which is benefiting from new Gorgon work under its existing contract. Consistent with the project plan, vessels continue to de-mobilise as the construction phase moves towards its conclusion. OMSA has been combined with Broadsword to form SKILLED Marine, which will leverage technical and management capabilities, as well as Gorgon project expertise, across Broadsword's asset base.

Broadsword performed strongly in Q1, but Q2 performance was disappointing, largely as a result of the termination of the Western Desert Resources project. The integration of the business with OMSA will accelerate its recovery. Overall Engineering & Marine Services, enhanced by the successful combination of businesses, continued to deliver revenue and earnings growth in 1H15.

¹ Refer to Appendix 4D for reconciliation of underlying NPAT to reported NPAT. Underlying NPAT is an unaudited non-IFRS measure

² Includes equity accounted income from joint ventures

**Half Year Report
Skilled Group Limited**

Directors' report (continued)

Workforce Services:

Provision of blue-collar labour hire to clients in the industrial, mining and resources sectors under the SKILLED brand.

	1H15	2H14	1H14	1H15 vs 1H14
Sales revenue (\$m)	405.3	431.7	452.6	(10.4)%
EBITDA (\$m)	12.3	15.8	19.4	(36.7)%
EBITDA margin %	3.0%	3.7%	4.3%	(126bps)

Market conditions and the impact of client insourcing (partly offset through supplier consolidation by clients), affected Workforce Services' revenue and margin through 1H15. Activity levels were lower overall, but variable across sectors and geographies, with the infrastructure pipeline converting more slowly than expected.

Workforce Services is benefiting from increased automation, centralisation of processes and systems investment, however the full benefits of this work are yet to be realised. In response to market conditions the cost reduction program was accelerated during the half to drive further scale benefits.

Workforce Services continues to retain key clients and is benefiting from panel consolidation. The business has a clear focus on improving pricing discipline, cost and working capital management, while it evolves its business model to reflect the current market dynamics. The business is focused on providing a broader, value-enhancing offering to clients in the context of structural changes in the market.

Technical Professionals:

Provision of engineering and technical professional staff, white collar and nursing staff. Brands in this segment include Swan, Mosaic and SKILLED Health

	1H15	2H14	1H14	1H15 vs 1H14
Sales Revenue (\$m)	168.7	172.3	202.8	(16.8)%
EBITDA (\$m)	8.1	7.2	9.3	(12.9)%
EBITDA Margin %	4.8%	4.2%	4.6%	21bps

Overall, the revenue trend in Technical Professionals stabilised in 1H15, with higher EBITDA and margin vs 2H14. There was higher demand for permanent and contractor roles (excluding Swan) and positive trends in the white collar segment in particular.

Swan experienced a decline in contractor numbers during the half, as front end engineering design work remained weak, and a key client project nears completion.

Looking forward, Technical Professionals will maintain its focus on process improvement and capitalising on growth opportunities in targeted sectors, such as trainees & apprentices, health and niche white collar markets.

Net debt and operating cash flow

As expected, net debt increased through the half as a result of seasonal factors and working capital to support the Saipem project. At 31 December 2014 SKILLED's net debt was \$220.6 million and gearing (debt/debt+equity) was 31.4%. The gearing level is appropriate and consistent with the business' working capital requirements, with sufficient headroom under SKILLED's facilities.

Operating cash flow before tax was \$5.2 million (1H14: \$13.1 million).

**Half Year Report
Skilled Group Limited**

Directors' report (continued)

Outlook

In the context of continuing external market challenges, SKILLED's performance will be supported by its diversified business mix and underlying resilience.

- **Engineering & Marine Services:** Engineering is expected to continue to generate attractive growth across a range of sectors and to convert its strong pipeline of shutdown and maintenance work. SKILLED Offshore has a visible pipeline of opportunities and is well placed to deliver existing contracts and continue to win new work, leveraging its full life cycle exposure and strong client relationships. The Castorone vessel mobilised in early February 2015, with work on the Saipem project expected to continue into FY16.
- **Workforce Services:** While challenging market conditions are expected to continue, management is focused on positioning the business for sustainable and profitable growth. The Transformation program will continue to deliver greater efficiency and effectiveness, with more initiatives planned for the second half. A key ongoing focus will be continuing to retain existing customers and taking advantage of opportunities to win new panel positions.
- **Technical Professionals:** Modest growth is expected across white-collar recruitment, health and training services; contractor numbers in Swan are likely to remain weak.

SKILLED will continue with its cost improvement, process centralisation and efficiency program, which is on track to deliver at least \$15 million of savings in FY15.

Acquisition of remaining 50% interest in the Offshore Marine Services Alliance joint venture

The Consolidated Entity acquired 50% of the voting shares of Offshore Marine Services Alliance Pty Ltd (OMSA) from PB Sea-Tow Holdings (BVI) Limited (PB Sea-Tow) with effect from 1 November 2014, increasing the Consolidated Entity's ownership interest from 50% to 100%. OMSA is a marine logistics business, currently providing tugs, barges and small vessel marine support services on the Gorgon Project, under a contract that runs until December 2015. The Consolidated Entity intends to combine OMSA and its existing Broadsword Marine operations to create a single marine services business with broad operational and project capability. Further details of the acquisition are contained in Note 13 to the condensed financial statements within this Half Year Report.

Refinancing of the Consolidated Entity's Revolving Credit Facility

On 11 December 2014, the Consolidated Entity refinanced its Syndicated Revolving Credit Facility. The new \$320 million facility is on improved terms and expires in 3 tranches of \$130 million in February 2018, \$130 million in February 2019 and \$60 million in February 2020. A fourth tranche of \$90 million (drawn to \$85 million at 31 December 2014) is due to mature in August 2015 and will be subsumed into the remaining tranches of the Syndicated Revolving Credit Facility. As at 31 December 2014, the total unused amount of the Syndicated Revolving Credit Facility was \$179.1 million.

Subsequent events

There has been no matter or circumstance that has arisen since the end of the half year that has significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 5.

**Half Year Report
Skilled Group Limited**

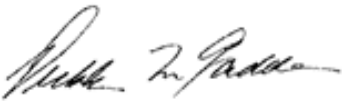
Directors' report (continued)

Rounding of amounts

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



V.A. McFadden
Chairman

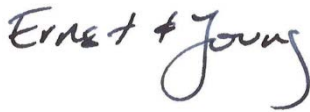


A.R. McKay
Chief Executive Officer
and Managing Director

11 February 2015

Auditor's Independence Declaration to the Directors of Skilled Group Limited

In relation to our review of the financial report of Skilled Group Limited for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Ashley Butler
Partner

11 February 2015

**Half Year Report
Skilled Group Limited**

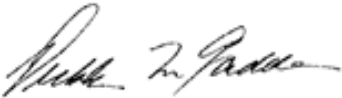
Directors' declaration
For the Half Year Ended 31 December 2014

In the opinion of the Directors:

- (a) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2014 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors



V.A. McFadden
Chairman



A.R. McKay
Chief Executive Officer
and Managing Director

11 February 2015

**Half Year Report
Skilled Group Limited**

Condensed consolidated statement of comprehensive income
For the half year ended 31 December 2014

	Note	Half year ended 31 December 2014 \$'000	Half year ended 31 December 2013 \$'000
Revenue		1,000,976	903,937
Share of profit from associates		946	2,317
Gain from sale of assets		9	121
Other income		55	114
Employee and sub-contractor related costs		(887,830)	(808,127)
Raw materials and consumables used		(17,674)	(4,136)
Office occupancy related costs		(8,679)	(6,727)
Depreciation and amortisation expenses	2	(10,495)	(7,102)
Finance costs	3	(5,984)	(4,141)
Marine vessel charter costs		(6,744)	(6,488)
Other expenses		(35,755)	(41,083)
Profit before income tax expense		28,825	28,685
Income tax expense		(7,673)	(7,703)
Profit for the period		21,152	20,982
Other comprehensive income			
Items that may subsequently be reclassified to profit/(loss):			
Gain on cash flow hedges taken to equity		1,479	93
Income tax on items taken directly to equity		(444)	(28)
Change in foreign currency translation reserve arising on translation of foreign operations and net investment in foreign subsidiaries		1,512	1,020
Other comprehensive income for the period, net of tax		2,547	1,085
Total comprehensive income for the period		23,699	22,067
Profit attributable to members of the parent entity		21,152	20,982
Total comprehensive income attributable to members of the parent entity		23,699	22,067
Earnings per share			
Basic (cents per share)		9.0¢	9.0¢
Diluted (cents per share)		8.8¢	8.8¢

Notes to the condensed financial statements are included on pages 12 to 21.

**Half Year Report
Skilled Group Limited**

Condensed consolidated statement of financial position
As at 31 December 2014

	Note	31 December 2014 \$'000	30 June 2014 \$'000
Assets			
Current assets			
Cash and cash equivalents		14,885	7,858
Trade and other receivables		328,668	254,907
Inventories		1,779	821
Other financial assets		1,479	–
Current tax asset		1,454	–
Other assets		7,674	6,264
Total current assets		355,939	269,850
Non-current assets			
Receivables		1,839	2,627
Property, plant and equipment		88,306	88,131
Equity accounted investments		680	22,882
Intangibles		488,369	472,007
Deferred tax assets		6,227	17,602
Total non-current assets		585,421	603,249
Total assets		941,360	873,099
Liabilities			
Current liabilities			
Payables	5	147,524	123,571
Borrowings	11	6,124	5,006
Current tax liabilities		–	3,577
Provisions		49,356	49,432
Total current liabilities		203,004	181,586
Non-current liabilities			
Payables	5	8,319	20,107
Borrowings	11	229,410	172,924
Provisions		19,045	19,685
Total non-current liabilities		256,774	212,716
Total liabilities		459,778	394,302
Net assets		481,582	478,797
Equity			
Issued capital	7	352,707	352,986
Reserves		4,427	166
Retained earnings	9	124,448	125,645
Total equity		481,582	478,797

Notes to the condensed financial statements are included on pages 12 to 21.

**Half Year Report
Skilled Group Limited**

Condensed consolidated statement of changes in equity
For the half year ended 31 December 2014

	Issued capital	Foreign currency translation reserve	Hedging reserve	Employee equity- settled benefits reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2014	352,986	(725)	–	891	125,645	478,797
Profit for the period	–	–	–	–	21,152	21,152
Exchange differences arising on translation of foreign operations	–	1,512	–	–	–	1,512
Gain/(loss) on cash flow hedges	–	–	1,479	–	–	1,479
Income tax relating to components of other comprehensive income	–	–	(444)	–	–	(444)
Total comprehensive income for the period	–	1,512	1,035	–	21,152	23,699
Share based payments (note 7)	(279)	–	–	1,714	–	1,435
Payment of dividends	–	–	–	–	(22,349)	(22,349)
Balance at 31 December 2014	352,707	787	1,035	2,605	124,448	481,582

Notes to the condensed financial statements are included on pages 12 to 21.

**Half Year Report
Skilled Group Limited**

Condensed consolidated statement of changes in equity
For the half year ended 31 December 2014

	Issued capital	Foreign currency translation reserve	Hedging reserve	Employee equity- settled benefits reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2013	349,661	(1,296)	(65)	3,499	120,107	471,906
Profit for the period	–	–	–	–	20,982	20,982
Exchange differences arising on translation of foreign operations	–	1,020	–	–	–	1,020
Gain/(loss) on cash flow hedges	–	–	93	–	–	93
Income tax relating to components of other comprehensive income	–	–	(28)	–	–	(28)
Total comprehensive income for the period	–	1,020	65	–	20,982	22,067
Own shares acquired to settle share based payments	(1,204)	–	–	–	–	(1,204)
Share based payments (note 7)	1,389	–	–	(305)	–	1,084
Payment of dividends	–	–	–	–	(21,018)	(21,018)
Balance at 31 December 2013	349,846	(276)	–	3,194	120,071	472,835

Notes to the condensed financial statements are included on pages 12 to 21.

**Half Year Report
Skilled Group Limited**

Condensed consolidated statement of cash flows			
For the half year ended 31 December 2014			
	Note	31 December 2014 \$'000	31 December 2013 \$'000
Cash flows from operating activities			
Profit before taxation		28,825	28,685
Depreciation and amortisation	2	10,495	7,102
Interest revenue		(55)	(114)
Finance costs		5,984	4,141
Earnings before interest, tax, depreciation and amortisation		45,249	39,814
Shared based payments		800	657
Amortisation of vessel make good asset		120	390
Net gain on disposal of property, plant & equipment		(9)	(121)
Non-cash share of profit from associates		(946)	(2,317)
		45,214	38,423
Increase/decrease in assets and liabilities excluding effects of acquisitions and divestments			
(Increase)/decrease in receivables		(23,168)	(9,995)
(Increase)/decrease in inventories		(191)	(78)
Increase/(decrease) in other assets		6,465	10,641
Increase/(decrease) in payables		(21,031)	(22,802)
Increase/(decrease) in provisions		(2,055)	(3,069)
Cash generated from operations		5,234	13,120
Income taxes paid		(9,695)	(11,759)
Net cash provided by/(used in) operating activities		(4,461)	1,361
Cash flows from investing activities			
Payments for property, plant and equipment		(6,227)	(7,400)
Payments for intangibles		(2,191)	(1,225)
Payments for purchase of businesses, net of cash acquired	13	(8,900)	(44,185)
Proceeds from sale of property, plant and equipment		9	509
Net cash used in investing activities		(17,309)	(52,301)
Cash flows from financing activities			
Proceeds from borrowings		405,847	307,779
Repayment of borrowings		(349,962)	(222,583)
Interest received		55	114
Interest paid		(5,456)	(3,064)
Payment for purchase of own shares		-	(1,204)
Proceeds from issues of equity		40	87
Dividends paid		(22,349)	(21,018)
Net cash provided by financing activities		28,175	60,111
Net increase/(decrease) in cash and cash equivalents			
		6,405	9,171
Cash and cash equivalents at the beginning of the financial period		7,390	12,261
Effects of exchange rates on cash held in foreign currencies		347	(92)
Cash and cash equivalents at the end of the financial period		14,142	21,340
Represented by:			
Cash at bank		14,885	21,542
Bank overdrafts		(743)	(202)
		14,142	21,340

Notes to the condensed financial statements are included on pages 12 to 21.

**Half Year Report
Skilled Group Limited**

Notes to the Condensed financial statements
For the half year ended 31 December 2014

1. Significant accounting policies

The half year financial report of Skilled Group Limited and its controlled entities was authorised for issue in accordance with a resolution of directors on 11 February 2015.

Statement of compliance

The half year financial report is an interim condensed consolidated financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. The half year financial report does not include notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Consolidated Entity as the full financial report. It is recommended that the half year financial report be read in conjunction with the 2014 annual financial report and ASX announcements issued by the Consolidated Entity from 1 July 2014 to 11 February 2015. The presentation currency for this half year report is Australian dollars.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

New standards, interpretations and amendments thereof, adopted by the Consolidated Entity

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Consolidated Entity's annual financial statements for the year ended 30 June 2014, except for the adoption of the following new and amended Australian Accounting Standards and AASB Interpretations whose application became mandatory from 1 July 2014:

- *AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*
- *Interpretation 21 Levies*
- *AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]*
- *AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (December 2013) – Part B - Materiality*

The adoption of these standards did not result in a change in the financial position or performance of the Consolidated Entity.

**Half Year Report
Skilled Group Limited**

Notes to the Condensed financial statements
For the half year ended 31 December 2014

2. Depreciation and amortisation

	December 2014 \$'000	December 2013 \$'000
Depreciation:		
Plant and equipment	4,215	2,484
Leasehold improvements	915	563
Equipment under finance lease	63	155
	5,193	3,202
Amortisation:		
Software and licences	2,183	2,336
Customer contracts acquired	3,019	1,564
Brand names	100	–
	5,302	3,900
	10,495	7,102

3. Finance costs

	December 2014 \$'000	December 2013 \$'000
Interest paid	5,264	2,940
Early repayment fees on acquired lease liabilities	–	315
Notional interest on deferred acquisition payments	461	666
Finance lease charges	19	49
Amortisation of loan establishment fees	240	171
	5,984	4,141

4. Segment reporting

Segment descriptions

The Consolidated Entity has identified the following three segments: Workforce Services, Technical Professionals and Engineering and Marine Services.

Workforce Services

Provision of supplementary labour hire. Revenue from this segment is earned predominantly from the provision of blue collar labour hire to clients in the industrial, mining and resources sectors. Brands in this segment include SKILLED and TESA.

Technical Professionals

Provision of engineering and technical professional, white collar, and nursing staff. Brands in this segment include Swan, Skilled Technical Professionals, Mosaic, PeopleCo, Damstra Mining Services and Skilled Healthcare.

Engineering and Marine Services

Provision of contract maintenance and engineering services and offshore marine staffing and vessel chartering and management services. Brands in this segment include ATIVO, Thomas & Coffey, Skilled Offshore, Offshore Marine Services Alliance (OMSA) and Broadsword Marine Contractors.

Other disclosures

The Consolidated Entity predominantly operates in one geographical segment, being Australia. Inter-segment pricing is on a normal commercial basis.

**Half Year Report
Skilled Group Limited**

Notes to the Condensed financial statements
For the half year ended 31 December 2014

4. Segment reporting (continued)

Segment revenues and results	Workforce Services	Technical Professional s	Engineering & Marine Services	Un-allocated & eliminations	Total
Half year ended December 2014	\$'000	\$'000	\$'000	\$'000	\$'000
Segment result					
Revenue	405,311	168,737	430,738	(3,810)	1,000,976
Other income	–	–	946	64	1,010
EBITDA	12,294	8,130	36,438	(7,612)	49,250
Depreciation and amortisation	(2,609)	(1,161)	(3,516)	(90)	(7,376)
Earnings before interest and tax	9,685	6,969	32,922	(7,702)	41,874
Net interest expense					(5,467)
Profit before tax before reconciling items					36,407
<u>Reconciliation of profit</u>					
Redundancy and branch closure costs					(2,266)
Acquisition and integration costs					(1,316)
Amortisation of acquired intangibles ¹					(3,539)
Notional interest on deferred acquisition payments					(461)
Profit before tax					28,825
Income tax expense					(7,673)
Profit for the period					21,152
Segment assets and liabilities					
Assets	253,394	98,523	566,775	22,668	941,360
Liabilities	54,502	11,673	158,069	235,534	459,778
Other segment information					
Share of profit of jointly controlled entities	–	–	946	–	946
Carrying value of investments accounted for using the equity method	–	–	680	–	680
Acquisition of segment assets	1,647	100	19,375	–	21,122

¹ Includes amortisation of acquired intangibles recognised within share of profit from associates.

**Half Year Report
Skilled Group Limited**

Notes to the Condensed financial statements
For the half year ended 31 December 2014

4. Segment reporting (continued)

Segment revenues and results	Workforce Services	Technical Professional s	Engineering & Marine Services	Un-allocated & eliminations	Total
Half year ended December 2013	\$'000	\$'000	\$'000	\$'000	\$'000
Segment result					
Revenue	452,578	202,754	249,936	(1,331)	903,937
Other income	–	–	2,317	235	2,552
EBITDA	19,431	9,337	22,657	(7,559)	43,866
Depreciation and amortisation	(2,535)	(1,125)	(1,810)	(91)	(5,561)
Earnings before interest and tax	16,896	8,212	20,847	(7,650)	38,305
Net interest expense					(3,049)
Profit before tax before reconciling items					35,256
<u>Reconciliation of profit</u>					
Redundancy and branch closure costs					(2,253)
Acquisition and integration costs					(1,234)
Amortisation of acquired intangibles ¹					(2,418)
Notional interest on deferred acquisition payments					(666)
Profit before tax					28,685
Income tax expense					(7,703)
Profit for the period					20,982
Segment assets and liabilities					
Assets	262,350	105,986	377,593	38,465	784,394
Liabilities	57,777	17,609	80,587	155,586	311,559
Other segment information					
Share of profit of jointly controlled entities	–	–	2,317	–	2,317
Carrying value of investments accounted for using the equity method	–	–	26,451	–	26,451
Acquisition of segment assets	2,014	578	82,810	–	85,402

¹ Includes amortisation of acquired intangibles recognised within share of profit from associates.

**Half Year Report
Skilled Group Limited**

Notes to the Condensed financial statements
For the half year ended 31 December 2014

5. Payables

	Note	December 2014 \$'000	June 2014 \$'000
<u>Current</u>			
Trade and other payables		113,788	98,507
Deferred purchase consideration	13	18,708	8,900
Goods and services tax payable		15,028	16,164
		147,524	123,571
<u>Non-current</u>			
Deferred and contingent purchase consideration	13	8,319	20,107

6. Fair values of financial assets and liabilities

The following table provides the fair value measurement hierarchy of the Consolidated Entity's assets and liabilities recorded at fair value.

	Date of valuation	Total \$'000	Fair value measurement using		
			Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
31 December 2014					
Contingent consideration	31 December 2014	–	–	–	–
Derivative financial assets and liabilities	31 December 2014	1,479	–	1,479	–
30 June 2014					
Contingent consideration	30 June 2014	3,252	–	–	3,252
Derivative financial assets and liabilities	30 June 2014	–	–	–	–

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair values.

The fair value of financial assets and financial liabilities referred to in this disclosure note has been derived as follows:

- contingent consideration payable is determined using a discounted cash flow valuation technique. The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate. The expected payments are determined by considering the possible scenarios of forecast EBITDA growth, the amount to be paid under each scenario and the probability of each scenario. Significant unobservable inputs include:
 - Forecast three-year EBITDA growth; and
 - Risk adjusted discount rate.
- foreign currency forward contracts are derived using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
- all other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on either quoted prices in active markets or discounted cash flow analysis using inputs from observable current market transactions.

**Half Year Report
Skilled Group Limited**

Notes to the Condensed financial statements
For the half year ended 31 December 2014

7. Issued capital

	December 2014 \$'000	June 2014 \$'000
235,753,791 fully paid ordinary shares (June 2014: 235,254,496)	352,707	352,986

	6 months ended December 2014 No. '000	6 months ended December 2014 \$'000	12 months ended June 2014 No. '000	12 months ended June 2014 \$'000
Fully paid ordinary shares				
Balance at beginning of reporting period	235,254	352,986	233,533	349,661
Share based payments	500	(279)	1,721	3,325
Balance at end of reporting period	235,754	352,707	235,254	352,986

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

8. Executive long term incentive plan

The Consolidated Entity has an ownership based remuneration scheme for executive directors and executives under which share options and performance rights are issued to executive directors and executives at the discretion of the Board and are expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. The underlying number of shares is shown in the table below.

Share options	6 months ended December 2014 No.	12 months ended June 2014 No.
Balance at beginning of the reporting period	1,750,000	3,672,593
Granted during the reporting period	674,000	1,750,000
Exercised during the reporting period	–	(1,679,938)
Lapsed during the reporting period	–	(1,992,655)
Balance at end of the reporting period	2,424,000	1,750,000

Performance rights	6 months ended December 2014 No.	12 months ended June 2014 No.
Balance at beginning of the reporting period	5,611,032	4,793,963
Granted during the reporting period	1,264,500	2,088,000
Vested during the reporting period	(1,299,296)	(542,815)
Lapsed during the reporting period	(837,240)	(728,116)
Balance at end of the reporting period	4,738,996	5,611,032

9. Retained earnings

	6 months ended December 2014 \$'000	12 months ended June 2014 \$'000
Balance at beginning of the reporting period	125,645	120,107
Net profit attributable to members of parent entity	21,152	44,200
Dividends provided for or paid	(22,349)	(38,662)
Balance at end of reporting period	124,448	125,645

**Half Year Report
Skilled Group Limited**

Notes to the Condensed financial statements
For the half year ended 31 December 2014

10. Dividends

	6 months ended December 2014 \$'000		12 months ended June 2014 \$'000	
	Cents per share	Total \$'000	Cents per share	Total \$'000
(a) Recognised amounts				
Final dividend relating to year ended June 2013, 100% franked			9.0	21,018
Interim dividend relating to year ended June 2014, 100% franked			7.5	17,644
Final dividend relating to year ended June 2014, 100% franked	9.5	22,349		
	9.5	22,349	16.5	38,662
(b) Unrecognised amounts				
Final dividend relating to year ended June 2014, 100% franked			9.5	22,349
Interim dividend for the year ending June 2015, 100% franked	7.5	17,682		

11. Borrowings

	December 2014 \$'000	June 2014 \$'000
Current		
Bank overdraft	743	468
Bank debt facilities	5,000	4,000
Finance lease liabilities	381	538
	6,124	5,006
Non-current		
Bank debt facilities	229,191	172,600
Finance lease liabilities	219	324
	229,410	172,924

On 11 December 2014, the Consolidated Entity refinanced its Syndicated Revolving Credit Facility. The new \$320 million facility is on improved terms and expires in 3 tranches of \$130 million in February 2018, \$130 million in February 2019 and \$60 million in February 2020. A fourth tranche of \$90 million (drawn to \$85 million at 31 December 2014) is due to mature in August 2015 and will be subsumed into the remaining tranches of the Syndicated Revolving Credit Facility. As at 31 December 2014, the total unused amount of the Syndicated Revolving Credit Facility was \$179.1 million.

12. Contingent liabilities

	December 2014 \$'000	June 2014 \$'000
Bank guarantees for various contracts	65,555	57,284

Other contingent liabilities

A number of legal claims exist where the outcome is uncertain. Where practicable, provision has been made in the financial statements to recognise the estimated cost to settle the claims based on best estimate assumptions and legal advice where relevant. The actual amounts settled in relation to the outstanding matters may differ to those estimated.

Contractual obligations exist in relation to permanent field employees in the event certain customer labour and maintenance services contracts end, such as termination payments in the event employees cannot be re-deployed. No provision is recognised in the financial statements until such time as there is a present obligation to make a termination payment to the employee.

An unlimited performance guarantee has been provided by Skilled Group Limited to third parties in respect of the operations of OMSA. No provision is recognised in the financial statements until there is a present obligation to make a payment pursuant to the guarantee.

**Half Year Report
Skilled Group Limited**

Notes to the Condensed financial statements
For the half year ended 31 December 2014

13. Business combinations

Acquisition in the period ended 31 December 2014

Offshore Marine Services Alliance Pty Ltd

The Consolidated Entity acquired 50% of the voting shares of Offshore Marine Services Alliance Pty Ltd (OMSA) from PB Sea-Tow Holdings (BVI) Limited (PB Sea-Tow) with effect from 1 November 2014, increasing the Consolidated Entity's ownership interest from 50% to 100%. OMSA is a marine logistics business, currently providing tugs, barges and small vessel marine support services on the Gorgon Project, under a contract that runs until December 2015. The Consolidated Entity intends to combine OMSA and its existing Broadsword Marine operations to create a single marine services business with broad operational and project capability.

Assets acquired and liabilities assumed

The provisionally determined fair values of the identifiable assets and liabilities of OMSA as at the date of acquisition were:

	Fair value recognised on acquisition \$'000
Assets	
Cash and cash equivalents	3,718
Trade and other receivables	46,275
Inventories	985
Prepayments and other assets	5,525
Property, plant and equipment	1,771
Intangibles - customer contracts	7,069
Deferred tax assets	7,572
	72,915
Liabilities	
Trade payables	21,869
Provisions and accruals	13,836
Deferred tax liability	16,556
	52,261
Total identifiable net assets at fair value	20,654
Goodwill arising on acquisition	10,086
Total net assets	30,740
Pre-existing interest in OMSA at fair value	(17,018)
Purchase consideration paid	13,722

The fair values are provisional pending completion of the valuation process. The finalisation of the fair value of the assets acquired and liabilities assumed will be completed within 12 months of the acquisition.

The trade and other receivables comprise gross contractual amounts due of \$47,009,000 of which \$734,000 was expected to be uncollectible at the acquisition date.

The goodwill is attributable mainly to the skills and technical talent of OMSA's work force and the growth potential of the business working in conjunction with SKILLED's existing Broadsword Marine business. None of the goodwill is expected to be deductible for tax purposes.

**Half Year Report
Skilled Group Limited**

Notes to the Condensed financial statements
For the half year ended 31 December 2014

13. Business acquisitions (continued)

Offshore Marine Services Alliance Pty Ltd (continued)

From the date of acquisition, OMSA has contributed \$24,413,000 of revenue and \$2,261,000 of profit before tax to the Consolidated Entity's result. This represents OMSA's incremental contribution to the Consolidated Entity and is equal to 50% of OMSA's revenue and profit before tax from the date of acquisition, including profit from operations and amortisation of acquired intangibles. If the acquisition had occurred on 1 July 2014, the Consolidated Entity's revenue would have been \$1,071,188,000 and the profit before tax would have been \$28,832,000. In determining these amounts, it has been assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2014.

Consideration transferred

The following summarises the major classes of consideration transferred:

	\$'000
Cash	3,718
Deferred consideration (i)	10,004
Total consideration	13,722

(i) Deferred consideration

The purchase consideration includes deferred consideration payable of \$10,004,000, of which \$6,904,000 was paid on 5 January 2015, \$839,500 is payable on 1 April 2015 and the remaining balance is payable on 1 August 2015.

The deferred consideration payable is the best estimate of the amounts payable in relation to a small number of contingent items including vessel demobilisations and outstanding contractual matters that will be shared equally by SKILLED and PB Sea Tow.

Analysis of cash flows on acquisition

	\$'000
Cash price paid as purchase consideration (included in cash flows from investing activities)	3,718
Net cash acquired with subsidiary (included in cash flows from investing activities)	(3,718)
Net cash flow on acquisition	–

Acquisitions in the year ended 30 June 2014

T&C Services Pty Ltd (Thomas & Coffey)

On 11 February 2014, the Consolidated Entity acquired 100% of the voting rights of T&C Services Pty Limited ("T&C Services"), a subsidiary of Thomas & Coffey Limited for cash consideration of \$33,964,000. Details of the business combination were disclosed in Note 22 of the Consolidated Entity's annual financial statements for the year ended 30 June 2014.

**Half Year Report
Skilled Group Limited**

Notes to the Condensed financial statements
For the half year ended 31 December 2014

13. Business acquisitions (continued)

T&C Services Pty Ltd (Thomas & Coffey) (continued)

The fair value of the identifiable assets and liabilities of T&C Services as at the date of acquisition were:

	Fair value recognised on acquisition \$'000
Assets	
Cash and cash equivalents	156
Trade receivables	22,397
Inventories	858
Prepayments and other assets	110
Property, plant and equipment	3,209
Intangibles – customer contracts and brandname	16,300
Deferred tax assets	3,111
	46,141
Liabilities	
Trade and other payables	(7,196)
Interest-bearing liabilities	(337)
Provisions and accruals	(20,821)
Contingent liability	(1,000)
Deferred tax liability	(4,981)
	(34,335)
Total identifiable net assets at fair value	11,806
Goodwill arising on acquisition	22,158
Net cash flow on acquisition	33,964

The fair value of identifiable assets and liabilities included in the Consolidated Entity's annual financial statements for the year ended 30 June 2014 was based on provisional values. The valuation is complete at 31 December 2014 and the acquisition date fair value of provisions was \$20,821,000, an increase of \$604,000 over the provisional value. This and other adjustments resulted in a corresponding increase in goodwill on acquisition of \$283,000 over the provision value, with the final value totalling \$22,158,000.

Broadsword Marine Contractors Pty Ltd

On 3 July 2013, the Consolidated Entity acquired 100% of the voting shares of Broadsword Marine Contractors Pty Ltd ("Broadsword"), an unlisted company based in Darwin, Australia. Details of the business combination were disclosed in Note 22 of the Consolidated Entity's annual financial statements for the year ended 30 June 2014. During the period, deferred consideration payments were made in respect of the acquisition of Broadsword totalling \$8,900,000.

14. Subsequent events

There has been no matter or circumstance that has arisen since the end of the half year that has significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

To the members of Skilled Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Skilled Group Limited, which comprises the condensed statement of financial position as at 31 December 2014, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Skilled Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

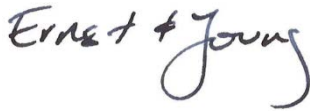
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Skilled Group Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Ashley Butler
Partner
Melbourne

11 February 2015

**Half Year Report
Skilled Group Limited**

Corporate directory

Directors

VA McFadden (Independent Non-Executive Chairman)
AR McKay (CEO and Managing Director)
AM Cipa (Independent Non-Executive Director)
MJ Findlay (Independent Non-Executive Director)
RN Herbert AM (Independent Non-Executive Director)
TA Horton (Independent Non-Executive Director)
JA Walker (Independent Non-Executive Director)

Secretary
SA Page

Registered office
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Share registry
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Shareholder enquiries: 1300 850 505

Auditors

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8 Exhibition Street
Melbourne Victoria 3000

Bankers

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530 Collins Street
Melbourne VIC 3000

National Australia Bank Limited
500 Bourke Street
Melbourne VIC 3000

Westpac Banking Corporation
360 Collins Street
Melbourne VIC 3000

Commonwealth Bank of Australia
385 Bourke Street
Melbourne VIC 3000

Sumitomo Mitsui Banking Corporation
2 Chifley Square
Sydney NSW 2000