Notes to the Preliminary Final Report

ABN 66 005 585 811
Results for Announcement to the Market
Financial Year Ended ('current period') – 30 June 2015
('previous corresponding period' – 30 June 2014)

				$AUD'000
Revenue	Up	9.5%	to	2,046,516
Statutory net profit after tax attributable to members	Down	137.7%	to	(16,685)
Impairment of goodwill arising due to the fair value derived from the Scheme proposal[1]				60,000
Other reconciling items[1]				10,844
Underlying net profit after tax attributable to members[1]	Down	2.0%	to	54,159

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)	9.5¢ 9.5¢	9.5¢ 9.5¢
Record date for determining entitlements to the Dividend	7 October 2015	
Date for payment of Final Dividend	15 October 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)	2015 Current period	2014 Previous corresponding period
Basic EPS	(7.08¢)	18.86¢
Diluted EPS	(7.08¢)	18.51¢
Underlying basic EPS[1]	22.98¢	23.60¢
Underlying diluted EPS[1]	22.62¢	23.15¢

[1] Statutory net profit after tax from continuing operations reconciles to underlying net profit after tax from continuing operations as follows:

	June 2015 $'000	June 2014 $'000
Statutory net profit after tax	(16,685)	44,200
Reconciling items as per financial statement Note 30 – Segment Reporting:		
Impairment of goodwill arising due to the fair value derived from the Scheme proposal	60,000	-
Other reconciling items:		
Redundancy and branch closure costs	2,875	2,951
Acquisition and integration costs	1,659	4,031
SKILLED CEO transition costs	980	-
Strategic initiative costs	1,702	-
Amortisation of acquired intangibles	10,162	6,211
Notional interest on deferred acquisition payments	845	1,338
Reversal of acquisition tax provision	(2,291)	-
Income tax on reconciling items	(5,088)	(3,445)
Other reconciling items	10,844	11,086
Underlying net profit after tax	54,159	55,286

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

Notes to the Preliminary Final Report

Net tangible asset backing	2015 Current period	2014 Previous corresponding period
Net tangible asset backing per ordinary security	0.48¢	2.89¢

Net asset backing	2015 Current period	2014 Previous corresponding period
Net asset backing per ordinary security	180.69¢	203.52¢

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, OMSA's contribution to the Consolidated Entity's result was $160,620,000 of revenue and an incremental $8,181,000 of profit before tax, being 50% of OMSA's profit before tax from the date of acquisition, including profit from operations and amortisation of acquired intangibles.

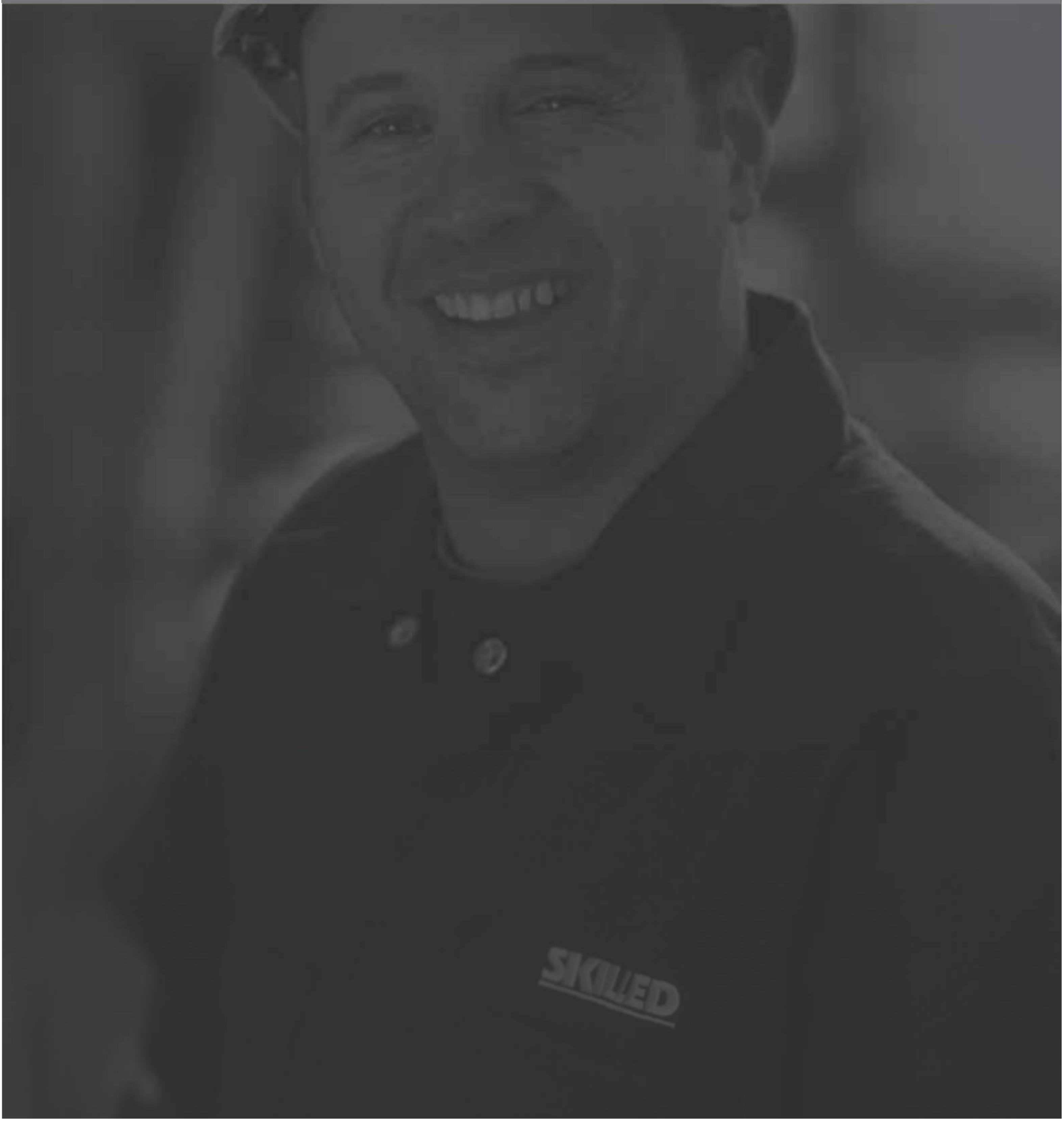
Details of joint venture entities	Percentage of ownership interest held at end of period		Contribution to net profit of the Consolidated Entity[3]	
	Current period	Previous corresponding period	Current period $'000	Previous corresponding period $'000
GSS Broadsword Marine JV Pty Ltd	50.0%	50.0%	64	(279)

The Appendix 4E is based on audited accounts.	
Extraordinary General Meeting – Scheme Meeting	
Place: Arthur Streeton Auditorium, Sofitel Melbourne	
Date: 25 September 2015	
Time: 1:00 pm	
Annual Report available (approximate date):	To be confirmed
For the profit commentary and other significant information needed by an investor to make an informed assessment of SKILLED's results please refer to the accompanying SKILLED Group Limited media release.	

[2] Prior to the acquisition, OMSA was a joint venture entity subject to joint control by the Consolidated Entity and PB Sea-Tow
[3] Includes amortisation of acquired intangibles

SKILLED Group Limited 2015 Statutory Accounts

Contents:



Operating and Financial Review

1. Overview

SKILLED Group (also referred to as 'SKILLED' or 'the Group') is the largest provider of workforce solutions in Australia. It is a well-established and trusted brand whose reach extends across the Australian economy, into all states and territories as well as all major sectors of the economy. SKILLED's core strength lies in partnering closely with clients over the long-term to improve workforce utilisation and increase productivity levels through the provision of skilled and semi-skilled people.

The range of services offered by the Group reflects its size and scope. These include both onshore and offshore total workforce management, flexible labour solutions and project-based workforce solutions, including shut downs, installations and relocations, enabling our clients to focus on their core business operations. It has a branch network of over 80 local and regional offices across Australia, New Zealand, United Kingdom, the United States of America, Singapore, Malta and the United Arab Emirates.

An integral part of the Group's offering to clients is its safety leadership and excellent safety record. Our commitment to the health, safety and wellbeing of our employees is our first and most important value. To meet the broader needs of our clients, SKILLED Group has broad-based expertise in industrial relations, information and reporting systems, and employee management, creating total solutions for clients seeking improved flexibility and productivity and a reduction in associated workforce costs.

In addition, SKILLED has a strong commitment to meeting Australia's future skills needs. It is one of the largest employers of apprentices and trainees in the country, employing approximately 1,000 young trainees. The Group is committed to improving employment opportunities for Indigenous people and is employing approximately 600 Indigenous Australians.

2. Business Segments

ENGINEERING AND MARINE SERVICES

Engineering and Marine Services provides contract maintenance and engineering services; and offshore marine staffing and vessel chartering and management services, through two business units being ATIVO/Thomas & Coffey and SKILLED Offshore (formerly Offshore Marine Services (OMS)).

For the 2015 financial year, Engineering and Marine Services accounted for approximately 45% of SKILLED Group's total revenue.

ATIVO and Thomas & Coffey (acquired in February 2014) works closely with SKILLED Workforce Services to deliver projects and capital works, whole of life maintenance services (installations, commissioning, operations and production), decommissioning and infrastructure maintenance and shutdowns, outages, relines and turnarounds.

ATIVO and Thomas & Coffey are leading providers of specialist maintenance and project services to the mining, manufacturing, maritime, industrial and energy resource sectors.

SKILLED Offshore is a leading provider of offshore drilling and marine personnel and professional personnel (blue collar and white collar roles) to the oil & gas industry, across all stages of the asset life cycle. SKILLED Offshore specialises in offshore vessel and rig manning and associated support services including recruitment, training, visa administration, travel management, catering and logistics, and also has experience with supplying personnel to jack-up rigs, semi-submersible rigs, drill ships and for other ancillary services. With offices in Australia, Malta, New Zealand, Singapore, United Arab Emirates, United Kingdom and the United States of America, SKILLED Offshore provides a global solution to the oil & gas industry's marine vessel and manning requirements.

SKILLED Offshore comprises the SKILLED Offshore Australia, SKILLED International and SKILLED Marine businesses.

In November 2014 SKILLED acquired the remaining 50% of the voting shares in OMSA to bring SKILLED's ownership to 100%. OMSA, part of the SKILLED Marine business, operates vessels including ocean going tugs, barges, shallow draught tugs, harbour tugs, crew boats and landing craft tank vessels, principally to the Gorgon project.

WORKFORCE SERVICES

SKILLED Workforce Services is the industry leader in specialised workforce solutions through the delivery of flexible labour and project based workforce solutions.

Workforce Services is a people business specialising in blue collar trades. For the 2015 financial year, Workforce Services accounted for approximately 40% of SKILLED Group's total revenue servicing a broad range of industries including mining & resources, primary manufacturing, food & pharmaceuticals, automotive & machinery, transport & logistics, primary services, telecommunications, government and defence and utilities & infrastructure.

TECHNICAL PROFESSIONALS

Technical Professionals operates and provides IT&T, executive, professional services, technical professional and medically trained casual, contract and permanent staffing solutions. For the 2015 financial year, the Technical Professionals segment accounted for approximately 15% of SKILLED Group's total revenue.

The main brands within this segment include:

SWAN Contract Personnel is well known for its long-standing presence in the professional, technical and engineering recruitment industry. SWAN's speciality is in the Oil & Gas and Mining industries. It has built a strong track record in providing project management, engineering and project support labour into onshore and offshore oil and gas, petrochemicals, mineral and infrastructure projects.

Damstra Technology Solutions specialises in workforce management, compliance, and safety management with a unique web-based Total Workforce Management System (TWMS) designed and developed to help businesses manage their site-based workforce, contractors, and visitors.

Mosaic specialises in sourcing, carefully assessing and placing skilled professional, IT, Government and business support staff at all levels.

3. Our Strategy

In January 2015, SKILLED announced it would undertake a strategic review. This review has now been completed. The review identified opportunities for SKILLED Group to better deliver productivity solutions for customers. However, implementation of any initiatives arising from the strategic review is on hold pending the proposed acquisition of SKILLED by Programmed Maintenance Services.

PROPOSED ACQUISITION BY PROGRAMMED MAINTENANCE SERVICES

On 24 June 2015, SKILLED and Programmed Maintenance Services entered into the Scheme Implementation Agreement, which provided for Scheme consideration of:

- 0.55 new Programmed shares and
- $0.25 cash, less the amount of any SKILLED FY15 final dividend and SKILLED special dividend,

per SKILLED Share.

An Explanatory Memorandum in relation to the proposed Scheme is expected to be distributed to SKILLED shareholders in late August 2015 and a Scheme meeting for SKILLED shareholders is expected to be held on 25 September 2015.

4. SKILLED Group Financial Performance

For the year 30 June ($000's)	2015	2014
Revenue and equity accounted income	2,047,426	1,873,318
EBITDA[1]	102,367	95,356
Depreciation and amortisation[1]	(15,949)	(12,477)
EBIT[1]	86,418	82,879
Net interest expense[1]	(10,834)	(7,781)
Profit before reconciling items and income tax expense[1]	75,584	75,098
Impairment of goodwill arising due to fair value derived from Scheme proposal[1]	(60,000)	-
Other reconciling items (net)[1]	(18,223)	(14,531)
Income Tax Expense	(14,046)	(16,367)
Reported profit after income tax expense	(16,685)	44,200

[1] As per Segment reporting in Full Year Financial Report

Reconciliation of result for the year 30 June ($'000s)	2015	2014
Reported profit after income tax expense	(16,685)	44,200
Impairment of goodwill arising due to fair value derived from Scheme proposal[1]	60,000	-
Other reconciling items (net)[1]	18,223	14,531
Tax on net reconciling items & other items	(7,379)	(3,445)
Underlying profit after income tax expense	54,159	55,286

[1] As per Segment reporting in Full Year Financial Report

Operating and Financial Review (cont.)

REVENUE AND EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)

In FY15 SKILLED Group's revenue increased 9.3% to $2,047.7 million and EBITDA grew 7.4% to $102.4 million (EBITDA margin of 5.0%). This growth was led by Engineering & Marine Services, in particular the contributions from work relating to the Saipem and Gorgon projects and the full year impact of the acquisition of Thomas & Coffey in February 2014 and the acquisition of the remaining 50% interest in OMSA in November 2014. However, revenue and EBITDA contributions from Workforce Services and Technical Professionals declined overall as a result of weak economic conditions, with margin decline across the mining sector in Workforce Services relative to FY14. SKILLED Group delivered $15 million of cost savings in FY15.

EBITDA excludes impairment of goodwill and other reconciling items in relation to restructuring, acquisition, integration, strategic review costs and other costs recognised within net reconciling items in Segment reporting in the Full Year Financial Report.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation for the year was $15.9 million (pcp $12.5 million), reflecting higher depreciation associated with the Thomas & Coffey acquisition and vessels acquired by Broadsword during the 2014 financial year.

In addition, amortisation of acquired intangibles of $10.2 million was incurred (pcp $6.2 million) in respect of customer contracts and other intangibles assets acquired from Thomas & Coffey, OMSA and Broadsword. This amortisation is recognised within net reconciling items in Segment reporting in the Full Year Financial Report.

NET INTEREST EXPENSE

Net interest expense (finance costs less interest revenue) for the year was $10.8m, an increase of $3.1 million on the pcp. The increase was principally due to higher levels of average debt in the current year from the acquisition of businesses and working capital associated with projects within the SKILLED Offshore business.

In addition, notional (non-cash) interest on deferred consideration of $0.8 million (pcp $1.3m) was incurred from recognising this consideration at its net present value on acquisition. This notional interest is recognised within net reconciling items in Segment reporting in the Full Year Financial Report.

INCOME TAX EXPENSE

Excluding the impact of the impairment of goodwill and other reconciling items, including the reversal of an acquisition tax provision of $2.3 million, SKILLED's effective tax rate was 28.3%. The effective tax rate is impacted by lower income tax rates in foreign jurisdictions and equity accounted income from joint ventures which is recognised on a net of tax basis.

IMPAIRMENT OF GOODWILL

On 24 June 2015 SKILLED Group Limited and Programmed Maintenance Services Limited (Programmed) announced that they had entered into a Scheme Implementation Agreement under which, subject to shareholder and court approval, Programmed will acquire all outstanding SKILLED shares by way of a scheme of arrangement (Scheme).

As a result of the proposed Scheme, goodwill and intangibles with an infinite life are tested for impairment on a "fair value" basis whereby the net assets of SKILLED must not exceed the fair value of Scheme consideration less costs of disposal.

Based on an assessment of fair value and costs of disposal as at 30 June 2015, an impairment loss of $60.0m has been recognised.

PROFIT AFTER INCOME TAX EXPENSE

As a result of the items described above, the reported loss after income tax expense was $(16.7) million (pcp $44.2 million profit) while underlying profit after income tax expense was $54.2 million (pcp $55.3 million).

DIVIDENDS

A fully franked dividend of 9.5 cents per share was declared taking the full year dividend to 17 cents per share, in line with the pcp.

5. Segment Financial Performance

ENGINEERING & MARINE SERVICES

For the year 30 June ($'000s)	2015	2014	Change
Revenue $m	941,459	617,841	323,618
EBITDA $m	80,009	58,278	21,731
EBITDA margin	8.5%	9.4%	(93bps)

Revenue was $941.5 million, a 52.4% increase on the prior year, while EBITDA was $80.0 million a 37.3% increase.

Engineering & Marine Services delivered strong revenue and EBITDA growth in FY15. The Saipem and Gorgon project work has produced strong results and underlying manning activity remains robust.

Engineering experienced EBITDA margin growth in FY15, led by Thomas & Coffey. The combination of Thomas & Coffey (from February 2014) with ATIVO has exceeded expectations. With a national footprint and broad capabilities across a range of industries the business is well positioned to continue its growth. Recent contract wins include clients in the mining, manufacturing and utilities sectors.

Customer activity for SKILLED Offshore continues across the seismic, drilling, construction and production segments of the oil & gas life cycle. In the second half, work on the Saipem project increased following mobilisation of the larger Castorone vessel, and this work is continuing in the first half of FY16.

In the second half, OMSA continued with Gorgon project work under its existing contract and won its first non-Gorgon contract, with work currently underway on the Wheatstone project. Consistent with the Gorgon project plan, vessels continue to de-mobilise as the construction phase moves towards its conclusion, and work on this phase is expected to complete during FY16.

The combination of Broadsword with OMSA to form SKILLED Marine has created a comprehensive vessel offering for clients and facilitated the use of Broadsword vessels on the Gorgon project. However, overall, Broadsword experienced a difficult second half, with low levels of vessel utilisation persisting.

WORKFORCE SERVICES

For the year 30 June ($'000s)	2015	2014	Change
Revenue $m	799,405	884,253	(84,848)
EBITDA $m	22,834	35,200	(12,366)
EBITDA margin	2.9%	4.0%	(112bps)

Revenue was $799.4 million, a 9.6% decrease on the prior year, while EBITDA was $22.8 million a 35.1% decrease.

Weak market conditions including margin pressure in the mining sector and the impact of client insourcing (partly offset through supplier consolidation by clients) affected Workforce Services' revenue and earnings in FY15. Activity levels were lower overall than in FY14 as broader economic conditions remained subdued. However, mining and FMCG activity was above FY14 levels across both halves.

Overall, margins have been stable since Q2 and margins in mining were higher in the second half than the first half, reversing a negative trend. Across Workforce Services, there was an improved revenue trend in Q4.

In response to market conditions, Workforce Services accelerated its cost reduction program in the first half, and the benefits of that program were realised in the second half. The Transformation program is continuing to centralise and automate previously manual activities.

Workforce Services continues to retain key clients and is maintaining discipline in pricing, cost and working capital management.

TECHNICAL PROFESSIONALS

For the year 30 June ($'000s)	2015	2014	Change
Revenue $m	312,556	375,032	(62,476)
EBITDA $m	14,652	16,574	(1,922)
EBITDA margin	4.7%	4.4%	(27bps)

Revenue was $312.6 million, a 16.7% decrease on the prior year, while EBITDA was $14.7 million, an 11.6% decrease.

Overall, Technical Professionals' revenue and EBITDA declined in FY15, although EBITDA margin improved, with the decline in Swan more than offsetting growth in the white-collar and training businesses. Collectively, the non-Swan businesses in Technical Professionals grew revenue, EBITDA and EBITDA margin during FY15.

6. SKILLED Group Financial Position

	30 June 2015 $'000	30 June 2014 $'000
Total Assets	845,992	873,099
Total Liabilities	419,754	394,302
Total Equity	426,238	478,797

TOTAL ASSETS

Total assets decreased by $27.1 million from $873.1 million to $846.0 million. Current receivables were $305.5 million, an increase of $50.6 million from the pcp in part due to the acquisition of businesses during the period.

Property, plant and equipment was $84.6 million, a decrease of $3.5 million.

Equity accounted investments decreased by $22.4 million to $0.5 million reflecting the acquisition of 50% of the voting shares in OMSA to bring SKILLED's ownership to 100%, resulting in OMSA being consolidated and no longer equity accounted.

Intangibles were $425.1 million, a decrease of $46.9m predominantly due to an impairment of goodwill of $60.0 million and an increase of $13.9 million associated with the acquisition and consolidation of OMSA.

TOTAL LIABILITIES

Total liabilities were $419.8 million, an increase of $25.5 million from the pcp in part due to the acquisition of businesses during the period.

Operating and Financial Review (cont.)

TOTAL EQUITY

Equity decreased by $52.6 million from $478.8 million to $426.2 million. Of this, retained earnings decreased by $56.7 million reflecting the loss for the year of $16.7 million and dividends paid of $40.0 million.

7. Funding and capital management

Financing facilities of $443.8 million were available as at 30 June 2015 of which $160.2 million were used (excluding finance lease liabilities and unamortised loan establishment costs), leaving $283.6 million unused.

Net Debt (borrowings less cash) decreased by $24.0 million from $170.1 million to $146.1 million. The decrease in debt reflected the following key items:

- operating cash flow of $108.2 million;
- net interest paid of $10.1 million;
- capital expenditure of $16.9 million;
- payments for acquisitions of $17.1 million;
- dividends paid of $40.0 million.

SKILLED Group's key capital structure financial metrics as at 30 June 2015 were:

	2015	2014
Leverage		
(Net debt/EBITDA(i))	*1.4x*	*1.8x*
Interest cover		
(EBITDA(i)/Net interest expense(i))	*9.4x*	*12.3x*
Gearing		
(Net debt/Net debt + equity)	*26%*	*26%*

(i) EBITDA and net interest expense is as disclosed in note 30 Segment Reporting

At 30 June 2015, the syndicated bank debt facility comprised four tranches, being $90 million (maturing in August 2015 which will not be replaced), $130 million (maturing in February 2018), $130 million (maturing in February 2019) and $60 million (maturing in February 2020) with a total funding facility of $410 million.

Future Commitments

As at 30 June 2015, SKILLED Group's future operating lease commitments of $79.0 million (pcp $49.8 million) related to leases of office premises, computer equipment and bareboat charter arrangements.

8. Outlook

In Marine Services, activity on the construction phases of the Saipem and Gorgon projects is expected to conclude during FY16. Both the Engineering and Marine Services businesses have positioned themselves for the work that will arise as the resources industry continues to shift from construction to production phase.

In Workforce Services, there was an improved revenue trend in the fourth quarter of FY15. Also, SKILLED will continue to work with its customers to improve productivity outcomes and therefore position itself to benefit from any panel consolidation. The process to shift administrative functions away from branches to centralised offices is expected to continue.

In Technical Professionals there was improved performance in the white collar and training services businesses during FY15. Swan's performance is likely to remain at low levels as a result of the challenges continuing to face the resources sector.

The strategic review announced by SKILLED in January 2015 has been completed. The review identified opportunities for SKILLED Group to better deliver productivity solutions for customers. However, implementation of any initiatives arising from the strategic review is on hold pending the proposed acquisition of SKILLED by Programmed Maintenance Services.

9. Risk management

The risk management process at SKILLED Group analyses and manages business risks, as well as identifies business process improvement opportunities. The risk assessment process includes an estimation of the likelihood of risk occurrence, potential impact on the financial results and an assessment of the effectiveness of existing internal controls. When existing controls need further improvements, action plans are established and implemented to mitigate the risk to an acceptable level. All business units perform risk assessments on a regular basis and a summary of results is reported to the Audit & Risk Committee.

Set out below are summaries of key risks which may materially impact the execution and achievement of the business strategies and prospects for the Group in future financial years. These key risks should not be taken to be a complete or exhaustive list of the risks and uncertainties associated with the Group. Many of the risks are outside the control of the Group or its officers. There can be no guarantee that SKILLED will achieve its stated objectives, that it will meet trading performance expectations, or that any forward looking statements contained in this report will be realised or otherwise eventuate.

KEY RISKS IN RELATION TO SKILLED GROUP

Downturn in the industries in which we work

SKILLED's revenue and growth is susceptible to any downturn in the industries and geographies we service. In turn, the labour related services we supply are susceptible to any economic or political changes that lead to a decreased demand for workers. SKILLED's financial performance could be affected by downward movements in the economic and labour market conditions.

SKILLED has developed a diversified portfolio of businesses with exposures across industries and geographies and across a broad range of service offerings. While general economic conditions are outside the Group's control this diversification mitigates the risk of a downturn in any one area.

Key contracts and business relations

Services which we provide are generally subject to contracts that are terminable on short notice. SKILLED has fixed term contracts with the majority of its significant customers. However, these contracts can be terminated on notice prior to the expiry of the fixed term. The financial performance of SKILLED is therefore susceptible to the loss of one or more major contracts or clients.

SKILLED is proactively engaged in maximising customer retention and seeking new customers and opportunities to mitigate the risk of loss of one or more major contracts.

Competition

SKILLED's business is susceptible to competition for the provision of labour related services in the markets in which we operate. Additionally, competitive pricing strategies and demands from high value clients seeking preferred supplier agreements, may impact on SKILLED's profit margins and market share.

This risk is mitigated by a large diversified client base reducing the impact of pricing strategies and demands from any one customer.

Safety

While SKILLED's objective is to achieve zero harm, there remains the risk of serious injuries or fatalities to our employees. This risk is mitigated by progressively improving on already high safety performance standards across the business. Central to this is SKILLED's Safety Golden Rules which are well embedded and embraced across our business. We also work with clients to enhance their approach to managing their safety risks.

Reliance on key personnel

There can be no assurance that SKILLED will be able to retain key personnel and the departure of such personnel may affect adversely the business until suitable replacements are recruited. SKILLED endeavours to ensure that it remains competitive in terms of remuneration and other incentives, and reviews employee incentive arrangements from time to time with a view to aligning management's and employees' interests with those of SKILLED and its shareholders.

Industrial relations, employee disputes and labour regulation

Some of SKILLED's employees are members of unions. SKILLED and the unions representing its employees periodically engage with each other during disputes or periods of enterprise bargaining. SKILLED appoints external industrial relations consultants and has an internal industrial relations team which works with the unions. However, if the parties are unable to reach agreement, it may potentially lead to periods of industrial action. Sustained periods of industrial action may have an adverse impact on the operations and financial performance of SKILLED. Further, disputes with employees, whether they are members of a union or not, have the potential to have an adverse impact on the operations and financial performance of SKILLED.

Government regulation of employers and employees has a substantial impact on the operation of SKILLED's businesses. Future changes to labour regulations have the potential to have an adverse impact on the operational and financial performance of SKILLED.

Other risks

Other areas of risk faced by SKILLED Group include:

- operational risk, which arises from inadequate or failed internal processes, people and systems, or from external events;
- risks associated with the integration of acquired businesses;
- risks associated with the potential business distraction from the proposed Scheme with Programmed;
- contractual risk, being the nature of the performance and indemnity requirements in contracts with customers and;
- financial risks arising from fraud, regulatory breaches and bad debts.

Appropriate policies and procedures are continually being developed and updated to help manage these risks.

Directors' Report

The Directors of SKILLED Group Limited (the "Company") present the annual financial report for the consolidated entity comprising the Company and its controlled entities (collectively referred to as "SKILLED Group") for the financial year ended 30 June 2015.

Directors'

The Directors of the Company during the financial year were:

Directors	Qualifications & experience	Directorships and Offices
Vickki McFadden • Independent Non-executive Chairman • Chairman of the Nomination Committee • Member of the Audit & Risk Committee • Member of Remuneration Committee	BComm, LLB Appointed Chairman in October 2010 and a Director in September 2005. Vickki has broad experience in finance and law with considerable experience in corporate finance transactions. Previously, a Director/Principal of Centaurus Corporate Finance and Managing Director, Investment Banking, at Merrill Lynch in Australia.	**Listed** Non-Executive Director, Leighton Holdings Limited (from June 2013 to May 2014) **Other** President of the Takeovers Panel (appointed March 2013). Member since March 2008 Non-Executive Director, The Myer Family Investments Pty Ltd, Sidney Myer Custodian Pty Ltd and The Myer Family Asset Management Pty Ltd (since August 2011) Member, Advisory Board and Executive Committee of Australian School of Business, The University of New South Wales (since August 2000)
Angus McKay (appointed 5 January 2015) • Chief Executive Officer and Managing Director	BEc Managing Director and CEO from January 2015. Angus has broad experience in both financial and commercial roles for a number of global companies in the FMCG, industrials and infrastructure sectors. Prior to joining SKILLED Group, Angus was Managing Director, Pacific National Rail from 2012 to 2014, and Chief Financial Officer of Asciano Limited from 2010 to 2013. Angus was previously with Foster's Group Limited for more than six years where he held various senior finance positions, including Chief Financial Officer from 2008 to 2010. Prior to joining Foster's Group Limited, he held a range of senior finance positions, including with Diageo plc.	**Listed** Nil **Other** Director, Melbourne Rebels Rugby Union Limited (until June 2015)
Tony Cipa • Independent Non-Executive Director • Chairman of the Audit & Risk Committee	BBus, Grad Dip Accounting Appointed Director in April 2011. Tony spent 20 years with CSL Limited in various senior finance roles. Tony was Chief Financial Officer, CSL from 1994 to 2000 and was appointed to the Board of CSL Limited as Finance Director in 2000 until his retirement in 2010.	**Listed** Non-Executive Director, Navitas Limited (since May 2014) Non-Executive Director, Healthscope Limited (since June 2014) **Other** Non-Executive Director, Mansfield District Hospital (since July 2011)
Max Findlay • Independent Non-Executive Director • Member of the Audit & Risk Committee • Member of the Remuneration Committee • Member of the Nomination Committee	BEc Appointed Director in March 2010. Max has broad experience in services and manufacturing. Max spent 20 years at Programmed Maintenance Services and was Managing Director for 18 years until his retirement in 2008. Prior to that he was its Business Development Manager. He previously spent 11 years with Australian Consolidated Industries, three years with Vinyl Clad (a Division of Smith & Nephew) and five years with James Sephton Plastics.	**Listed** Chairman, EVZ Limited (since April 2008) Chairman, Redflex Holdings Limited (from November 2009 to February 2013) **Other** Deputy Chairman, the Royal Children's Hospital, Melbourne (since December 2012). Director since 2009 Deputy Chairman, SMEC Holdings Limited (trading as Snowy Mountain Engineering Corporation) (since December 2014). Director since April 2010 Non-Executive Director, Exact Mining Group Pty Ltd (from August 2008 to March 2014

Directors	Qualifications & experience	Directorships and Offices
Bob Herbert AM • Independent Non-Executive Director • Chairman of the Remuneration Committee	BComm Director since November 2003. Bob is the former CEO of Australian Industry Group. Considerable and has considerable industry experience. Bob was involved with Australian Industry Group and its predecessor organisation, Metal Trades Industry Association of Australia, since 1961, including 30 years as a director in numerous roles.	**Listed** Nil **Other** Deputy Chairman, Industry Capability Network Limited (since May 2003) Chairman, Melbourne Cricket Ground Trust (appointed 2014). Trustee since November 2003 Chairman, trackSAFE Foundation (since November 2012) Water Supplier Advocate (from April 2010 to June 2014), appointed by Commonwealth Department of Innovation, Industry, Science & Research Trustee, Emergency Services Superannuation Board (from June 2010 to 30 June 2013) Interim Chairman, Australasian Railway Association (since March 2015)
Tracey Horton • Independent Non-Executive Director • Member of the Audit & Risk Committee • Member of the Remuneration Committee • Member of the Nomination Committee	BEc(Hons), MBA, FAICD, FGIA Appointed Director in February 2011. Tracey previously worked as an economist, business analyst and management consultant and has experience in developing strategy, performance improvement and business turnaround, having worked in the public and private sectors in Australia and overseas. Tracey was the Dean of The University of Western Australia Business School (February 2005 - August 2011) and worked at the Reserve Bank of Australia (based in Sydney) and Bain & Company (based in San Francisco).	**Listed** Non-Executive Director, AHG Limited (since May 2012) Non-Executive Director, Navitas Limited (since June 2012) **Other** Chairman, Council of Presbyterian Ladies College (since September 2012) President, Chamber of Commerce and Industry of WA (Inc) (since 2013), Vice-President (from October 2012) Chair, Fashion Council – WA (since February 2013) Member, Bain & Co Advisory Board (since January 2014) Member, Takeovers Panel (since April 2015)
Jim Walker Independent Non-Executive Director	GAICD Appointed Director November 2013. 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.	**Listed** Chairman, Macmahon Holdings Limited (since March 2014). Non-Executive Director since October 2013 Non-Executive Director, Seeing Machines Limited (since May 2014) (Listed on London Stock Exchange) **Other** Trustee, WA Motor Museum (since 2001) Councillor, Wesley College, Perth (since 2006) Non-Executive Director, RAC Holdings, WA (since October 2013) Chairman, WA State Training Board (since January 2015). Director since March 2014

Directors' Report (cont.)

Directors	Qualifications & experience	Directorships and Offices
Mick McMahon (retired 5 January 2015) • Chief Executive Officer and Managing Director	BEc, Harvard Business School Advanced Management Program (2009) Managing Director and CEO from November 2010 to January 2015. Mick has previous experience in national marketing, supply chain, IT and strategy. Mick previously spent 19 years with Shell in Australia and overseas. His roles included Vice President Retail Marketing for Shell's global retail business, Director of Shell's UK & Ireland downstream businesses, GM Strategy & Marketing, Shell Europe and running its Australian retail business. Mick was previously Chief Operating Officer Coles from 2007 to 2009 and Managing Director of Coles Express 2005 to 2009. Prior to joining SKILLED Group, he was Senior Advisor with TPG Capital engaging in investments in the energy, retail and industrial sectors in Australia and overseas.	**Listed** Non-Executive Director, Metcash Ltd (from November 2013 to June 2015) **Other** Chairman, Red Rock Leisure Pty Ltd (since December 2009) Member of Business Council of Australia Victorian and National Councillor of the Australian Industry Group Co-Chair, Victorian Industry Skills Consultative Committee (since March 2013) Australian Industry Skills Committee (May 2015) Executive Chairman, Inghams Enterprises Pty Ltd (January 2015)

There have been no changes to the directors since the end of the financial year.

As at the date of this report, the interests of the directors in the shares and options/rights of SKILLED Group Limited were:

Directors	Fully paid ordinary shares	Shares under option/rights
VA McFadden	126,885	-
A McKay	-	-
AM Cipa	15,544	-
MJ Findlay	35,000	-
RN Herbert AM	13,054	-
TA Horton	6,000	-
JA Walker	7,000	-

The Remuneration Report set out at pages 13 to 24 of this Report forms part of this Directors' Report.

Company Secretary

SHARYN PAGE, BALLB, ACIS

Appointed Company Secretary and Group General Counsel of SKILLED Group on 1 December 2012. Previously Company Secretary, Spotless Group Limited (2010 – 2012), Deputy Company Secretary, ANZ (2009), Company Secretary, Arrium Limited (formerly OneSteel Limited) (2008 – 2009), Board Executive and Company Secretary, AMP (2005 – 2008) and Assistant Company Secretary, AMP (2003 – 2005). Previously held a number of legal and compliance roles within the financial services industry.

Dividends

For the financial year ended 30 June 2015, a final dividend of 9.5 cents per share franked to 100% (at a corporate income tax rate of 30%) will be paid on 15 October 2015 to holders of fully paid ordinary shares. An interim dividend of 7.5 cents per share franked to 100% (at a corporate income tax rate of 30%) was paid on 10 April 2015.

As the dividends are fully franked, the conduit foreign income impact is nil per share.

Principal activities

The principal activities of SKILLED Group were the provision of staffing and related solutions to the public and private sectors. This included the provision of supplementary trades and professional labour, maintenance services, project management, healthcare professionals, offshore marine vessel and staffing services, customer contact solutions and trainee and apprenticeship management.

Results

The net loss of SKILLED Group for the financial year after income tax expense was $16,685,000 (2014: profit of $44,200,000).

Review of operations

Information on the operations and financial position of SKILLED Group and its business strategies and prospects is set out in the Operating and Financial Review.

Changes in state of affairs

There has been no significant change in the state of affairs of the Consolidated Entity during the year, except for the proposed acquisition of SKILLED Group Limited by Programmed Maintenance Services Limited. Further details of the proposed acquisition are set out in the Operating and Financial Review.

Subsequent events

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

Future developments

In the opinion of the directors, the disclosure of any information in addition to that provided in the Operating and Financial Review relating to the likely developments in the operations of SKILLED Group and the expected results of those operations could be prejudicial to the interests of SKILLED Group. Accordingly, this information has not been included in this report.

Directors' Report (cont.)

Environmental regulation and performance

The Company's operations are subject to various environmental regulations under both Commonwealth and State legislation.

The Company has established procedures to monitor and manage compliance with existing environmental regulations and new regulations as they come into force. The Company has not been fined or prosecuted for, or convicted of, any significant breaches of environmental regulation during the financial year.

Indemnification of officers and auditors

During the financial year, the Company paid a premium for a contract insuring the directors of the Company (as named above), the company secretary and all executive officers of the Company and of any related body corporate against a liability incurred as such by a director, company secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

SKILLED Group has entered into a Deed of Indemnity, Insurance and Access with each director of the Company and its officers against a liability incurred to the extent permitted by the *Corporations Act 2001* and to provide funding during legal proceedings against them, where the legal proceedings arise from acting in their capacity as a director or officer of SKILLED Group or a subsidiary.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Board and committee meetings

The table below sets out the Board and committee meetings held during the financial year and, where applicable, the number attended by each director. Directors have a standing invitation to all Committee meetings and often attend meetings where they are not Committee members.

	Board		Audit & Risk Committee		Remuneration Committee		Nomination Committee		Other Committees (sub Committees)	
Director	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
VA McFadden	20	20	5	5	7	7	0	0	4	4
AR McKay(i)	12	12	-	-	-	-	-	-	2	2
AM Cipa	20	20	5	5	-	-	-	-	6	6
MJ Findlay	20	14(iii)	5	5	7	7	0	0	-	-
RN Herbert AM	20	20	-	-	7	7	-	-	-	-
TA Horton	20	20	5	5	7	7	0	0	-	-
JA Walker	20	19	-	-	-	-	-	-	-	-
MP McMahon(ii)	8	7	-	-	-	-	-	-	4	4

(i) Appointed as a director on 5 January 2015. All Board and Sub-Committee meetings attended since appointment.
(ii) Retired as a director on 5 January 2015.
(iii) Abstained from attending five meetings due to a material personal interest regarding the proposed transaction with Programmed Maintenance Services Limited ("Programmed") as he holds a significant shareholding in Programmed.

Rounding of amounts

The Company is of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and, in accordance with that Class Order, amounts in the Directors' Report and the Financial Report has been rounded off to the nearest thousand dollars.

Non-audit services

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Details of the amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 26 to the financial statements.

Auditor's independence declaration

The auditor's independence declaration is included on page 25.

Remuneration Report

Contents of the Remuneration Report

1. Introduction

This Remuneration Report details remuneration information as it applies to SKILLED Group KMP for the year ended 30 June 2015 in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 208(3C) of the Act. Our remuneration disclosures aim to maintain a high standard of clarity and transparency in communications with all stakeholders.

The KMP referenced throughout this report are listed below.

Non-Executive Directors	Position
Vickki McFadden	Chairman, Chairman - Nomination Committee
Tony Cipa	Non-Executive Director, Chairman - Audit & Risk Committee
Max Findlay	Non-Executive Director
Bob Herbert AM	Non-Executive Director, Chairman - Remuneration Committee
Tracey Horton	Non-Executive Director
Jim Walker	Non-Executive Director

Executive Director and KMP	Position
Angus McKay(i)	Chief Executive Officer, Executive Director
Gary Kent	Chief Financial Officer
David Timmel	Chief Operating Officer, Workforce Services
Johannes Risseeuw	Chief Operating Officer, Engineering & Offshore
Jennifer Boulding	Chief Operating Officer, Technical Professionals
Sharyn Page	Company Secretary & Group General Counsel

(i) Angus McKay was appointed to the role of Managing Director and Chief Executive Officer effective 5 January 2015 (Mick McMahon ceased as a KMP on 5 January 2015)

Remuneration Report (cont.)

2. Remuneration Governance

2.1 Remuneration Committee composition, role and responsibility

The Remuneration Committee (Committee) is delegated responsibility by the Board for reviewing and making recommendations on remuneration policies for the Group, including in particular, the policies governing the remuneration of Executives.

Activities of the Committee are governed by its Terms of Reference, which are available on the Company's website at www.skilled.com.au. Amongst other responsibilities, the Committee assists the Board in its oversight of:

- remuneration policy for senior executives;
- determination of levels of reward and the remuneration structure for senior executives, including at-risk remuneration plans;
- the Company's compliance with applicable legal and regulatory requirements in respect of remuneration matters;
- approval of the allocation of shares and awards under the Long Term Incentive Plan

In financial year 2015, the Committee was comprised of Vickki McFadden, Max Findlay and Tracey Horton and was chaired by Bob Herbert.

2.2 Use of Remuneration Consultants

In carrying out its duties, the Remuneration Committee from time to time, draws on the services of independent remuneration consultants. In the 2015 financial year the Committee obtained remuneration general market data from remuneration consultants. The Remuneration Committee forms its own independent decisions on executive remuneration. As such, no remuneration recommendations were received from Remuneration Consultants as defined under the Corporations Act 2001.

3. Remuneration principles and policy

SKILLED Group's approach to executive remuneration is to have a remuneration framework in place that enables the Company to attract, retain, motivate and reward high performing executives in the Company's best interests and to deliver long term value to shareholders. The executive remuneration principles are set by the Board and managed by the Remuneration Committee.

The key principles which govern the Company's remuneration framework are to:

- ensure remuneration outcomes are aligned to the drivers of the Company's success and the achievement of overall company and business unit objectives.
- provide specific and measurable objectives under a balanced scorecard approach with targets set for the five pillars of safety, our people, financials, customers and operations.
- ensure the total remuneration package is market competitive and provides the appropriate balance of fixed and variable remuneration.

Components of the senior executives' total remuneration include:

	FIXED ANNUAL REMUNERATION	SHORT-TERM INCENTIVE (STI)	LONG-TERM INCENTIVE (LTI)
Covers	• Executive Director and KMP	• Executive Director and KMP do not participate in the SKILLED Group Executive Short-Term Incentive Plan ("STI Plan"). Refer Key developments/Outcomes for FY15 below.	• Executive Director and KMP
Consists of:	• Fixed cash salary • Superannuation • Salary sacrificed benefits		• Grants of performance rights or options over a 3 year performance period
Performance Measures			• Performance hurdles are linked to EPS and relative TSR
Rewards for:	• Performance, skills and capability		• Growth in the Company's EPS • Relative TSR performance against peer group
Key Developments/ Outcomes for FY15	• Small market and structural adjustments were passed on to each KMP member.	• Eligible KMPs could elect the "at risk" component of their total remuneration package to include both an STI and LTI or just an LTI (with the value of the STI award converting to an increased LTI award). Eligible KMPs have elected to receive no STI as part of their at-risk component for FY15 and onwards. Senior executives other than KMP remain participants in the STI Plan.	• Performance against each metric within the LTI was not sufficient to deliver any LTI benefit to KMPs for this financial year.

Remuneration components used to reward the CEO and senior executives' in the 2015 financial year includes fixed remuneration and LTI. For the CEO fixed remuneration makes up 67% of the total package at target, with LTI the remaining 33%. For other KMP, fixed remuneration makes up 57% of the total package at target, with LTI the remaining 43%. The Board has discretion to provide other forms of incentive remuneration in appropriate circumstances.

4. Executive remuneration components

The remuneration components for senior executives are outlined in this section. External benchmarking is undertaken annually, with information provided by independent remuneration consultants:

- against executive remuneration practices within companies listed on the ASX with market capitalisation and revenues similar to that of the Company and/or within an industry sector in which it has operations;
- with consideration for the market for organisations and positions of comparable size and complexity, sustained individual performance and competency levels, and importance to the business; and
- within the Company to manage internal relativities.

4.1 Fixed remuneration

The fixed remuneration consists of cash salary, any salary sacrifice items and employer superannuation. Fixed remuneration is targeted at the market median for executive roles having similar scope, accountability and complexity to those being reviewed.

Fixed remuneration is reviewed annually against the benchmarks with any adjustment taking into consideration the individual performance, competency levels, and importance to the business. For particular cases, high performance, value and critical skills may result in fixed remuneration above the market median.

4.2 Short-term incentive

The Board has discretion to modify the structure of how KMP are incentivised in appropriate circumstances. In the 2015 financial year, KMP (other than the CEO) could elect the "at risk" component of their total remuneration package to include both an STI and LTI component or just an LTI component, with the value of the STI award converting to an LTI award. This election was provided to better align the interests of KMP's with the longer term interests of the Company and shareholders. For the 2015 financial year and onwards, all KMP have elected to receive an LTI component, with no STI component.

The broader senior executive group however, continues to operate under the STI Plan. Under the STI Plan, a balanced scorecard is established for each eligible senior executive at the start of the performance year with clear objectives set to reflect each executive's potential impact on the business. To provide consistent evaluation, individual performance and business performance are assessed against the same five key areas of measurement being safety, our people, financials, customers, and operations. Under each of these five areas key performance indicators are established for each eligible executive at the start of the year, at each of the threshold, target and stretch levels. Through variable remuneration senior executives have the opportunity to earn more than target remuneration, should they achieve the stretch levels set out in the balanced scorecard.

The threshold, target and stretch measures are based on the following performance levels.

Measure	Performance level
Threshold	Represents the minimum acceptable level of performance that needs to be achieved before any incentive payment is generated on the performance objective.
Target	Represents strong performance outcomes relative to past and otherwise expected achievements.
Stretch	Represents a clearly outstanding level of performance.

4.3 Long-term incentive

The Long-Term Incentive Plan ("LTI Plan") provides flexibility in delivering long-term incentive awards to executives in the form of performance rights or options. The LTI Plan is designed to retain executives with key skills and to align the interests of participants with the interests of the Company and shareholders.

LTI Plan Participants	The LTI Plan is open to senior executives and other key individuals who make a significant contribution to the success of the Company. Participation in the plan, which is approved by the Board, is based on sustained individual performance and value to the Company.
Type of Awards	Under the LTI Plan it is possible for the Board to grant performance rights or options over SKILLED Group ordinary shares. The performance rights and options do not confer a right to vote. The vesting of awards is subject to performance hurdles which are outlined in Section 5.
Performance Measures	Under the LTI Plan the awards are granted subject to performance conditions based on Earnings Per Share ("EPS") and relative Total Shareholder Return ("TSR"). These two performance measures operate independently under a 50/50 split on grant. Under the Plan, EPS is defined as Earnings per Share excluding profit or loss on divestment of businesses and any non-cash items associated with the acquisition, divestment or restructure of any business. For the calculation of TSR, the peer group is the ASX200 excluding financial institutions and including key competitors. Prior to 2011, the grants awarded under the LTI Plan were subject only to EPS performance hurdles.
Performance Period	The performance period is generally three years, determined at the time of grant by the Board and if the performance hurdles are satisfied the awards will vest. In the case of performance rights, upon vesting the participant will be entitled to one SKILLED Group ordinary share for each performance right. For grants made to the CEO in the 2014 financial year and onwards, 50% of any grant that vests is required to be retained by the CEO for two years.
Cessation of Employment	The LTI Plan Rules provide the Board with discretion in relation to the treatment of performance rights or options held by employees who cease employment. Subject to the exercise of that discretion in any particular case, the following principles apply: If the employee ceases to be employed as the result of total & permanent disability, retirement, redundancy or such other circumstances where the Board determines the employee to be a “good leaver”, the employee will be eligible to retain unvested performance rights and options on a pro-rata basis, in line with their period of service during the performance period for those performance rights or options (rounded up or down to the nearest whole year). The remaining performance rights or options lapse. If an employee resigns, any unvested performance rights or options will, subject to Board discretion, lapse. If an employee is dismissed with cause, any unvested options or performance rights will lapse. Any employee who ceases employment and retains options which subsequently vest has 6 months from the date of vesting to exercise the options, otherwise they will lapse.
Hedging Policy	SKILLED Group has a policy which prohibits any portion of a grant that has not vested to be hedged using financial products designed to eliminate risk of price movement in the underlying share. Any breach of this policy can result in the Board taking disciplinary action which may result in immediate forfeiture of any portion of any grant that has not yet vested or been exercised, or other disciplinary action.
Forfeiture / Claw back	The LTI Plan provides the Board absolute discretion to forfeit, claw back or withhold a grant where the Board becomes aware a participant has acted fraudulently, dishonestly and/or made a material misstatement on behalf of SKILLED. The Board does not apply a purely formulaic approach to vesting outcomes which ensures any benefit a participant receives, as a current or former participant, reflects the participant’s contribution to SKILLED’s long term performance.
Change of Control	In the event of a change of control, participant's unvested awards are subject to a pro rata adjustment by reference to the time elapsed in each performance period and are tested early against performance criteria. Where EPS cannot be readily calculated (eg outside of a financial year end), the TSR measure may be used instead of the EPS measure. Any performance rights or options that are tested and do not vest will lapse.

Decisions to grant performance rights and options are made by the Board based on recommendations of the Remuneration Committee.

In relation to LTI grants awarded in 2014 with a performance period from 1 July 2014 – 30 June 2017 (other than for the CEO as per footnote (ii) below), the performance hurdles for the performance rights and options are set out below. This grant consists of two performance measures, EPS and TSR, which operate independently under a 50/50 split.

	CEO – A McKay(i)	Other KMP
	Performance Rights(ii)	Performance Rights(iii)
EPS 3 year performance period 1 July 2014 – 30 June 2017	% to vest	% to vest
Less than 3% Compound Annual Growth (CAGR)	0%	0%
3% CAGR	25%	50%
Between 3% and 5% CAGR	Pro rata	Pro rata
5% CAGR	50%	100%
Between 5% and 7% CAGR	Pro rata	Pro rata
7% CAGR	100% of grant assessed under EPS performance measure	200% of grant assessed under EPS performance measure

(i) The CEO is entitled to a grant of performance rights, which were subject to shareholder approval at the 2015 AGM. In light of the proposed transaction with Programmed Maintenance Services Limited which, if approved by shareholders and the Court will mean that the Company will not hold a listed company AGM in 2015, the ASX has waived the requirement for shareholder approval of this grant of performance rights if this transaction proceeds.

(ii) The CEO grant has a performance period of 1 January 2015 to 31 December 2017 and is allocated based on 'stretch' with forfeiture of Performance Rights occurring on a pro-rata basis if below stretch performance is delivered.

(iii) KMP other than the CEO have grants awarded on the basis of 'target'. They have a performance-based opportunity for additional Performance Rights to be granted up to an additional 100% of their original grant. M. McMahon as the former CEO operated under a combination Performance Rights and Option instrument that operated under the structure of the CEO table shown.

	CEO – A McKay(i)(iv)	Other KMP
	Performance Rights(ii)	Performance Rights(iii)
Relative TSR 3 year performance period 1 July 2014 – 30 June 2017	% to vest	% to vest
Below 50th Percentile	0%	0%
50th Percentile	50%	100%
Between 50th and 75th Percentile	Pro rata	Pro rata
75th Percentile	100% of grant assessed under Relative TSR measure	200% of grant assessed under Relative TSR measure

(i) The CEO is entitled to a grant of performance rights, which were subject to shareholder approval at the 2015 AGM. In light of the proposed transaction with Programmed Maintenance Services Limited which, if approved by shareholders and the Court will mean that the Company will not hold a listed company AGM in 2015, the ASX has waived the requirement for shareholder approval of this grant of performance rights if this transaction proceeds.

(ii) The CEO grant has a performance period of 1 January 2015 to 31 December 2017 and is allocated based on 'stretch' with forfeiture of Performance Rights occurring on a pro-rata basis if below stretch performance is delivered

(iii) KMP other than the CEO have grants awarded on the basis of 'target'. They have a performance-based opportunity for additional Performance Rights to be granted up to an additional 100% of their original grant.

(iv) M. McMahon as the former CEO operated under a combination Performance Rights and Option instrument that operated under the structure of the CEO table shown.

5. Executive remuneration outcomes

The remuneration for senior executives for the year ended 30 June 2015 is set out below. Please refer to section 6 for further details regarding the remuneration structure for senior executives including the Chief Executive Officer.

5.1 Fixed remuneration

The remuneration of senior executives is reviewed annually and any increase to fixed remuneration, as a result of the review, is applied effective 1 October. Consideration is given to pay market movements for organisations and positions of comparable size and complexity, sustained individual performance and competence levels, and importance to the business.

5.2 Short-term incentive

With all KMP electing to convert the value of their STI awards to LTI, there were no STI payments made to KMP for the 2015 financial year.

Remuneration Report (cont.)

5.3 Long-term incentive

During the year, 1,256,500 performance rights and 674,000 options over SKILLED Group shares have been granted under the LTI plan to a number of executives. Performance rights granted with a performance period from 1 July 2014 through to 30 June 2017 were calculated based on the volume weighted average share price of SKILLED Group ordinary shares for the five days commencing on 15 August 2014 (being one day after the announcement of the 2014 financial year full year results).

Options and performance rights granted during the year were valued using Black-Scholes option pricing methodology. The following table lists the inputs to the models used for grants of options and performance rights under the LTIP Plan.

	Options(i)	Performance Rights(i)	Performance Rights(ii)
Grant date share price ($)	2.10	2.10	1.28
Exercise price ($)	2.73	N/A	N/A
Expected volatility (%)	35.0	35.0	35.0
Life (years)	6	3	3
Dividend yield (%)	6.0	6.0	6.0
Risk free interest rate (%)	2.60	2.49	2.24
Fair value TSR/EPS ($)(iii)	0.24 / 0.26	1.02 / 1.78	0.46 / 1.09

(i) Issued 25 November 2014 to former CEO M. McMahon

(ii) Issued 22 December 2014 to other participants

(iii) Fair value is subject to whether the options or performance rights are measured against relative total shareholder return or earnings per share

In relation to LTI grants awarded in 2012 with a performance period from 1 July 2012 – 30 June 2015, the performance hurdles and the vesting outcome are as follows:

EPS Performance Measure

Performance level	3 year cumulative EPS 1 July 2012 – 30 June 2015	% to vest
Below threshold	Less than 10% Compound Annual Growth Rate (CAGR)	0%
Threshold	10% CAGR	25%
Between threshold & target	Between 10% and 12% CAGR	Pro rata
Target	12% CAGR	50%
Between target & stretch	Between 12% and 14% CAGR	Pro rata
Stretch	14% CAGR	100% of grant assessed under EPS performance measure
Actual performance		
Below threshold	Below 10% CAGR	Nil

TSR Performance Measure

Performance level	3 year relative total shareholder returns (TSR) 1 July 2012 – 30 June 2015	% to vest
Below threshold	Below 50th Percentile	0%
Threshold	50th Percentile	50%
Between threshold & target	Between 50th and 75th Percentile	Pro rata
Target	75th Percentile	100% of grant assessed under Relative TSR measure
Actual performance		
Below threshold	Below 50th Percentile	Nil

The following table is a summary of key performance and shareholder wealth statistics for the consolidated entity over the past five years; this includes the reported net profit after tax (“NPAT”) and the reported earnings per share (“EPS”).

Financial year	NPAT$ million	Earnings per share (cents)	Total dividends per share (cents)	Share price @ 30 June ($)
2015	(16.7)	(7.1)	17.0	1.70
2014	44.2	18.9	17.0	2.30
2013	56.2	24.1	16.0	2.57
2012	49.3	21.1	13.0	2.37
2011	3.1	1.6	3.0	2.24

6. Senior executive contracts of employment

The general details of the contracts for senior executives are outlined below. The individual contracts may differ on occasions to suit particular needs.

Contract Item	Terms
Length of contract	Open ended.
Fixed Remuneration	The fixed remuneration comprises cash salary, any salary sacrifice items and employer superannuation. Any fringe benefit tax liability with respect to benefits is borne by the employee and included as part of the fixed remuneration.
Executive Short-Term Incentive Plan (STI Plan)	Eligible to participate. Incentive criteria and award opportunities vary for each executive.
Long-Term Incentive Plan (LTI Plan)	Eligible to participate. Award opportunities may vary for each executive. Refer to Section 4 and 5 for further details on the Long-Term Incentive Plan.
Notice period	The Chief Executive Officer and Chief Financial Officer have a notice period up to twelve months, while key management personnel have a notice period up to six months.
Resignation	Employment may be terminated by giving notice consistent with the notice period.
Retirement	There are no financial entitlements due from the Company on the retirement of an executive. The Board does have discretion to make ex-gratia payments.
Termination on notice by the Company	SKILLED may terminate the employment agreement by providing notice consistent with the notice period or payment in lieu of the notice period.
Redundancy	Payments for redundancy are discretionary and determined having regard to the particular circumstances. While there are no contractual commitments to pay redundancy, the Remuneration Committee has adopted guidelines to ensure consistent and equitable practices are applied.
Death or total and permanent disablement	Same principles as for retirement. In addition, the Company currently has salary continuance insurance cover for senior executives. Any benefits paid under this policy will be provided to the executive or his/her estate.
Termination for serious misconduct	The Company may terminate the employment agreement at any time without notice, and the executive will be entitled to payment of fixed remuneration only up to the date of termination.

Remuneration Report (cont.)

7. Remuneration tables

The tables below are provided as per the disclosure requirements under the *Corporations Act*, Section 300A and the requirement of the accounting standards AASB 124. The remuneration tables below disclose the remuneration for the executive directors and key management personnel for the 2014 and 2015 financial years.

Current key management personnel

			Short-term employee benefits									
Name	Title	Year	Fixed[i]	Short-term incentive	Non-monetary[ii]	Other short-term benefit	Super-annuation	Long-term employee benefits	Equity settled share-based payment	Termi-nation benefits	Total	Proportion of total that is perform-ance related
Angus McKay[iii]	Chief Executive Officer (Executive Director)	**2015**	632,523	–	2,934	–	37,877	–	47,075	–	720,409	7%
		2014	–	–	–	–	–	–	–	–	–	–
Gary Kent	Chief Financial Officer	**2015**	548,045	–	5,888	50,000	33,933	–	159,440	–	797,306	20%
		2014	578,080	–	5,425	–	25,109	–	107,906	–	716,520	15%
David Timmel	Chief Operating Officer, Workforce Services	**2015**	361,218	–	3,266	104,168	22,369	–	106,000	–	597,021	18%
		2014	400,689	–	2,911	60,848	21,360	–	90,249	–	576,057	16%
Johannes Risseeuw[iv]	Chief Operating Officer, Engineering & Offshore	**2015**	560,802	–	5,888	50,000	18,783	–	115,550	–	751,023	15%
		2014	210,261	–	4,708	–	8,887	–	33,585	–	257,441	13%
Jennifer Boulding[v]	Chief Operating Officer, Technical Professionals	**2015**	321,450	–	5,888	35,000	18,783	–	61,850	–	442,971	14%
		2014	277,654	–	5,859	–	13,331	–	28,267	–	325,111	9%
Sharyn Page[vi]	Company Secretary & Group General Counsel	**2015**	355,070	–	5,888	35,000	29,583	–	31,800	–	457,341	7%
		2014	343,340	–	4,776	–	25,875	–	17,520	–	391,511	4%
Total		**2015**	2,779,108	–	29,752	274,168	161,328	–	521,715	–	3,766,071	
		2014	1,810,024	–	23,679	60,848	94,562	–	277,527	–	2,266,640	

(i) Fixed includes fixed cash, and annual and long service leave accruals.

(ii) Non-monetary items include benefits provided under a salary sacrifice arrangement.

(iii) Angus McKay was appointed to the role of Managing Director and Chief Executive Officer effective 5 January 2015. Mr McKay's annual fixed short term employee benefit, including superannuation, is $1,250,000. While Mr McKay's entitlement to a grant of performance rights is pending, an equity settled share based payment expense has been recognised in the year ended 30 June 2015 representing the performance period that has elapsed.

(iv) Johannes Risseeuw was appointed to the role of Chief Operating Officer, Engineering effective 1 January 2014 and subsequently to the role of Chief Operating Officer, Engineering & Offshore.

(v) Jennifer Boulding was appointed to the role of Chief Operating Officer, Technical Professionals effective 1 October 2013.

(vi) Sharyn Page became a KMP effective 1 July 2013.

Former key management personnel

Name	Title	Year	Short-term employee benefits: Fixed[(i)]	Short-term employee benefits: Short-term incentive	Short-term employee benefits: Non-monetary[(ii)]	Short-term employee benefits: Other short-term benefit	Super-annuation	Long-term employee benefits	Equity settled share-based payment	Termi-nation benefits	Total	Proportion of total that is performance related
Mick McMahon [(iii)]	Chief Executive Officer (Executive Director)	**2015**	979,916	–	13,514	–	20,155	–	437,687	–	1,451,272	30%
		2014	1,487,586	–	16,338	–	17,775	–	581,209	–	2,102,908	28%
John Watkinson [(iv)]	Executive General Manager, Technical Professionals	**2015**	–	–	–	–	–	–	–	–	–	–
		2014	88,178	–	–	–	4,444	–	2,393	99,998	195,013	1%
Total		**2015**	979,916	–	13,514	–	20,155	–	437,687	–	1,451,272	
		2014	1,575,764	–	16,338	–	22,219	–	583,602	99,998	2,297,921	

(i) Fixed includes fixed cash and annual and long service leave accruals.

(ii) Non-monetary items include benefits provided under a salary sacrifice arrangement.

(iii) Mick McMahon ceased being a KMP on 5 January 2015. Remuneration includes all amounts payable to Mr McMahon as a KMP and after 5 January 2015.

(iv) John Watkinson ceased employment with SKILLED Group effective on 30 September 2013.

8. Non-Executive Directors' remuneration

Non-executive directors' fees are reviewed annually and are determined by the Board based on recommendations from the Remuneration Committee. In making its recommendations the Remuneration Committee considers the level of remuneration required to attract and retain non-executive directors to the SKILLED Group Board and seeks market information from independent consultants. The fees are set at levels that fairly represent the responsibilities of, and the time spent by, the non-executive directors on SKILLED Group matters.

In the 2014 financial year the Board increased the non-executive directors' fees with effect from 1 September 2013 as outlined in the table below. These fees were last increased in July 2011 and before that in October 2006. In establishing the non-executive director's fees the Board reviewed data on companies listed on the ASX with market capitalisation and revenues similar to that of SKILLED and/or within industries in which SKILLED has operations. Non-executive directors' fees are within the maximum aggregate limit of $900,000 per annum agreed to by shareholders at the Annual General Meeting held on 13 October 2007.

The fees paid to non-executive directors are:

Role	2015	2014: September 2013 – June 2014	2014: July – August 2013
Chairman	$240,000	$240,000	$200,000
Chairman of Audit and Risk Committee	$135,000	$135,000	$120,000
Chairman of Remuneration Committee	$125,000	$125,000	$100,000
Non-Executive Director	$110,000	$110,000	$100,000

Remuneration Report (cont.)

Directors may elect to take all or part of their fees in cash or nominated benefits. Benefits that can be packaged by non-executive directors include novated car leases and additional superannuation contributions. The Company does not operate any equity plans for, or pay any performance based incentives to, non-executive directors. Non-executive directors are entitled to statutory superannuation. Amounts paid for statutory superannuation are included as part of the directors' fees. There are no other schemes for retirement benefits for non-executive directors. This is consistent with Principle 9.3 of the Australian Stock Exchange (ASX) Corporate Governance Guidelines.

Please see the Non-Executive Directors' Remuneration tables below which disclose the remuneration for the Non-Executive Directors for the financial years 2014 and 2015.

Name	Title	Year	Non-Executive director fees	Superannuation	Total
Non-Executive Directors					
Vickki McFadden	Chairman of the Board	**2015**	221,217	18,783	240,000
		2014	215,699	17,634	233,333
Bob Herbert AM	Non-Executive Director, Chairman Remuneration Committee	**2015**	125,000	–	125,000
		2014	120,833	–	120,833
Max Findlay	Non-Executive Director	**2015**	100,457	9,543	110,000
		2014	99,158	9,175	108,333
Tony Cipa	Non-Executive Director, Chairman Audit and Risk Committee	**2015**	123,288	11,712	135,000
		2014	121,281	11,219	132,500
Tracey Horton	Non-Executive Director	**2015**	100,457	9,543	110,000
		2014	99,158	9,175	108,333
Jim Walker (i)	Non-Executive Director	**2015**	100,457	9,543	110,000
		2014	67,124	6,209	73,333
Total		**2015**	770,876	59,124	830,000
		2014	723,253	53,412	776,665

(i) Jim Walker joined SKILLED Group as a Non-Executive Director on 1 November 2013

9. Directors' and other Key Management Personnel equity holdings

(i) Fully paid ordinary shares issued by SKILLED Group Limited held by directors and other key management personnel including their personally related parties are outline in the table below.

2015	Balance 1/7/2014 No.	Granted as compen-sation No.	Received on exercise of options/rights No.	Net other change [iii] No.	Balance at 30/6/2015 No.	Balance held nominally No.
Directors						
Angus McKay[i]	–	–	–	–	–	–
Vickki McFadden	126,885	–	–	–	126,885	–
Bob Herbert AM	13,054	–	–	–	13,054	–
Max Findlay	35,000	–	–	–	35,000	–
Tony Cipa	15,544	–	–	–	15,544	–
Tracey Horton	–	–	–	6,000	6,000	–
Jim Walker	–	–	–	7,000	7,000	–
Other key management personnel						
Gary Kent	40,000	–	–	60,000	100,000	–
David Timmel	–	–	48,311	–	48,311	–
Johannes Risseeuw	26,600	–	–	23,400	50,000	–
Jennifer Boulding	–	–	–	–	–	–
Sharyn Page	–	–	–	–	–	–
Former key management personnel						
Mick McMahon[ii]	1,005,339	–	696,906	(1,702,245)	–	–
Total	1,262,422	–	745,217	(1,605,845)	401,794	–

[i] Angus McKay was appointed to the role of Managing Director and Chief Executive Officer effective 5 January 2015.

[ii] Mick McMahon ceased being a KMP on 5 January 2015.

[iii] Other changes include the net effect of purchases and sales during the year, and closing balances reducing to nil for disclosure purposes where no longer a KMP.

Remuneration Report (cont.)

(ii) Equity-settled share-based payments issued to, exercised by and lapsed for executive directors and key management personnel during the year ended 30 June 2015 are outlined in the table below.

2015	Balance at 1/7/2014 No.	Granted as compensation No.	Vested No.	Lapsed No.	Other Change (iii) No.	Balance at 30/6/2015 No.	Balance vested at 30/6/2015 No.	Balance exercisable at 30/6/2015 No.	Options vested during year No.
Directors									
Angus McKay(i)	-	-	-	-	-	-	-	-	-
Key management personnel									
Gary Kent	432,000	176,000	-	-	-	608,000	-	-	-
David Timmel	336,684	118,000	(48,311)	(28,373)	-	378,000	-	-	-
Johannes Risseeuw	308,000	169,000	-	-	-	477,000	-	-	-
Jennifer Boulding	142,000	106,000	-	-	-	248,000	-	-	-
Sharyn Page	48,000	84,000	-	-	-	132,000	-	-	-
Former key management personnel									
Mick McMahon(ii)	3,248,946	796,000	(696,906)	(210,880)	(3,137,160)	-	-	-	-
Total	4,515,630	1,449,000	(745,217)	(239,253)	(3,137,160)	1,843,000	-	-	-

(i) Angus McKay was appointed to the role of Managing Director and Chief Executive Officer effective 5 January 2015. He is entitled to a grant of performance rights, which were subject to shareholder approval at the 2015 AGM. In light of the proposed transaction with Programmed Maintenance Services Limited which, if approved by shareholders and the Court will mean that the Company will not hold a listed company AGM in 2015, the ASX has waived the requirement for shareholder approval of this grant of performance rights if the transaction proceeds.

(ii) Mick McMahon ceased being a KMP on 5 January 2015.

(iii) Other changes reflect closing balances reducing to nil for disclosure purposes where no longer a KMP.

For a table of changes in share based arrangements during the financial year please refer to Note 19 of the financial statements.

(iii) Transactions with related parties

Max Findlay is a director of Royal Children's Hospital, Melbourne. Royal Children's Hospital, Melbourne is a SKILLED Group customer and transacts on normal commercial terms and conditions.

Signed in accordance with a resolution of the directors made pursuant to Section 298(2) of the *Corporations Act 2001*.

On behalf of the directors,

VA McFadden
Chairman

A. McKay
Chief Executive Officer
and Managing Director

5 August 2015

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
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Auditor's Independence Declaration to the Directors of Skilled Group Limited

In relation to our audit of the financial report of Skilled Group Limited for the financial year ended 30 June 2015, 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

5 August 2015

Ernst & Young
8 Exhibition Street
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Independent auditor's report to the members of Skilled Group Limited

Report on the financial report

We have audited the accompanying financial report of Skilled Group Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit 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.

Opinion

In our opinion:

a. the financial report of Skilled Group Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Skilled Group Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Ashley Butler
Partner
Melbourne

5 August 2015

Directors' Declaration

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

In accordance with a resolution of the directors of SKILLED Group Limited ('the Company'), we state that:

1. In the opinion of the directors:

   a) the financial statements and notes of SKILLED Group Limited for the financial year ended 30 June 2015 are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of its financial position as at 30 June 2015 and its performance for the year ended on that date, and
      (ii) complying with Accounting Standards and Corporations Regulations 2001;

   b) the financial statements and notes are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements; and

   c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with s.295A of the *Corporations Act 2001*.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418 and has entered into a deed of cross guarantee as contemplated in that class order. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in note 24 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become subject, by virtue of the deed of cross guarantee.

On behalf of the directors,

VA McFadden
Chairman

AR McKay
Chief Executive Officer
and Managing Director

5 August 2015

Financial Statements

Contents:

Consolidated statement of comprehensive income

For the financial year ended 30 June 2015	Note	2015 $'000	2014 $'000
Revenue	4(a)	2,046,516	1,869,569
Equity-accounted income from associates	4(b)	910	3,749
Other income	4(c)	283	212
Employee and sub-contractor related costs		(1,690,605)	(1,667,450)
Raw materials and consumables used		(46,023)	(19,054)
Office occupancy related costs		(18,311)	(15,501)
(Loss)/Profit from sale of assets	5	(1)	195
Marine vessel charter and related costs		(116,353)	(14,382)
Other expenses		(81,402)	(70,145)
Depreciation and amortisation expenses	4(d)	(25,691)	(16,980)
Impairment of goodwill	11	(60,000)	–
Finance costs	4(d)	(11,962)	(9,646)
Profit/(Loss) before income tax expense		(2,639)	60,567
Income tax expense	6	(14,046)	(16,367)
Profit/(Loss) for the year		(16,685)	44,200
Other comprehensive income			
Items that may be reclassified subsequently to profit/(loss):			
Net movement on cash flow hedges	20(b)	1,484	93
Change in foreign currency translation reserve arising on translation of foreign operations and net investment in foreign subsidiaries	20(c)	1,187	571
Income tax on items that may be reclassified subsequently to profit/(loss)	20(b)	(445)	(28)
Other comprehensive income for the year, net of tax		2,226	636
Total comprehensive income/(loss) for the year		(14,459)	44,836
Profit/(Loss) attributable to members of the parent entity		(16,685)	44,200
Total comprehensive income/(loss) attributable to members of the parent entity		(14,459)	44,836

Earnings per share			
Basic earnings per share (cents)	29	(7.08)	18.86
Diluted earnings per share (cents)	29	(7.08)	18.51

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 30 June 2015	Note	2015 $'000	2014 $'000
Current assets			
Cash and short-term deposits	27	13,263	7,858
Receivables	8	305,522	254,907
Inventories		1,451	821
Other financial assets		1,484	–
Current tax assets		774	–
Other assets	9	3,792	6,264
Total current assets		326,286	269,850
Non-current assets			
Receivables	8	1,224	2,627
Property, plant and equipment	10	84,613	88,131
Equity accounted investments	12	474	22,882
Intangibles	11	425,113	472,007
Deferred tax assets	13	8,282	17,602
Total non-current assets		519,706	603,249
Total assets		845,992	873,099
Current liabilities			
Payables	14	181,908	123,571
Borrowings	15	3,775	5,006
Current tax liabilities		–	3,577
Provisions	16	56,528	49,432
Total current liabilities		242,211	181,586
Non-current liabilities			
Payables	14	8,507	20,107
Borrowings	15	155,578	172,924
Provisions	16	13,458	19,685
Total non-current liabilities		177,543	212,716
Total liabilities		419,754	394,302
Net assets		426,238	478,797
Equity			
Issued capital	18	353,875	352,986
Reserves	20	3,434	166
Retained earnings		68,929	125,645
Total equity		426,238	478,797

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of cash flow

For the financial year ended 30 June 2015	Note	2015 $'000	2014 $'000
Cash flows from operating activities			
Profit/(loss) before taxation		(2,639)	60,567
Depreciation and amortisation		25,691	16,980
Interest revenue	4(c)	(283)	(212)
Interest expense	4(d)	11,962	9,646
Earnings before interest, tax, depreciation and amortisation (EBITDA)		34,731	86,981
Non-cash items			
Impairment of goodwill	11	60,000	–
Share based payments		1,528	1,701
Gain on disposal of property, plant and equipment	5	1	(195)
Non-cash equity accounted income from associates	4(b)	(910)	(3,749)
Amortisation of vessel make good asset		240	–
EBITDA adjusted for non-cash items		95,590	84,738
Increase/Decrease in assets and liabilities excluding effects of acquisitions and divestments:			
(Increase)/Decrease in receivables		(4,317)	(15,503)
(Increase)/Decrease in inventories		355	455
(Increase)/Decrease in other assets		14,298	15,126
Increase/(Decrease) in payables		26,901	1,913
Increase/(Decrease) in provisions		(6,210)	(5,814)
Cash generated from operations		126,617	80,915
Income taxes paid		(18,425)	(20,235)
Net cash provided by operating activities		108,192	60,680
Cash flows from investing activities			
Payments for property, plant and equipment		(9,907)	(46,530)
Payments for intangibles		(6,979)	(4,459)
Payments for purchase of businesses (net of cash acquired)		(17,110)	(77,993)
Proceeds from sale of property, plant and equipment		234	1,309
Net cash used in investing activities		(33,762)	(127,673)
Cash flows from financing activities			
Proceeds from borrowings		679,847	694,507
Repayment of borrowings		(699,317)	(585,038)
Interest received		283	212
Interest paid		(10,420)	(7,432)
Net (payments)/proceeds from issues of equity		69	(1,484)
Dividends paid	7	(40,031)	(38,662)
Net cash from/(used in) financing activities		(69,569)	62,103
Net increase/(decrease) in cash and cash equivalents		4,861	(4,890)
Cash and cash equivalents at the beginning of the financial year		7,390	12,261
Effects of exchange rate changes on cash held in foreign currencies		375	19
Cash and cash equivalents at the end of the financial year	27	12,626	7,390

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the financial year ended 30 June 2015

	Issued capital $'000	Foreign currency translation reserve $'000	Hedging reserve $'000	Employee equity-settled benefits reserve $'000	Retained earnings $'000	Total $'000
2015						
Balance at 1 July 2014	352,986	(725)	–	891	125,645	478,797
Profit/(Loss) for the year	–	–	–	–	(16,685)	(16,685)
Exchange differences arising on translation of foreign operations	–	1,187	–	–	–	1,187
Net gain on cash flow hedges	–	–	1,484	–	–	1,484
Income tax relating to components of other comprehensive income	–	–	(445)	–	–	(445)
Total comprehensive income/(loss) for the year	–	1,187	1,039	–	(16,685)	(14,459)
Own shares acquired to settle share based payments	–	–	–	–	–	–
Share based payments	889	–	–	1,042	–	1,931
Payment of dividends	–	–	–	–	(40,031)	(40,031)
Balance at 30 June 2015	353,875	462	1,039	1,933	68,929	426,238
2014						
Balance at 1 July 2013	349,661	(1,296)	(65)	3,499	120,107	471,906
Profit for the year	–	–	–	–	44,200	44,200
Exchange differences arising on translation of foreign operations	–	571	–	–	–	571
Net gain on cash flow hedges	–	–	93	–	–	93
Income tax relating to components of other comprehensive income	–	–	(28)	–	–	(28)
Total comprehensive income for the year	–	571	65	–	44,200	44,836
Own shares acquired to settle share based payments	(1,204)	–	–	(2,472)	–	(3,676)
Share based payments	4,529	–	–	(136)	–	4,393
Payment of dividends	–	–	–	–	(38,662)	(38,662)
Balance at 30 June 2014	352,986	(725)	–	891	125,645	478,797

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the financial year ended 30 June 2015

1. Corporate information

SKILLED Group Limited ("SKILLED" or "the Company") is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of SKILLED and its controlled entities ("the Consolidated Entity") are described in the directors' report.

The consolidated financial statements of the Consolidated Entity for the year ended 30 June 2015 were authorised for issue by the directors on 5 August 2015.

2. Significant accounting policies

2.1 Basis of preparation

The financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001*, Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report includes the consolidated financial statements of the Consolidated Entity. The financial report has been prepared on the basis of historical cost, except for derivative financial instruments that have been measured at fair value. The financial report is presented in Australian dollars, unless otherwise noted.

The accounting policies used have been consistently applied for the purposes of this financial report.

The Company is a company of the kind referred to in ASIC Class Order 98/100, and in accordance with that Class Order amounts in the financial report are rounded to the nearest thousand dollars, unless otherwise noted.

2.2 Statement of compliance

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

2.3 New accounting standards and interpretations

The Consolidated Entity has applied the following standards and amendments for the first time for the annual reporting period commencing 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 1031 *Materiality*
- AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*
- AASB 2014-1 *Amendments to Australian Accounting Standards (Part A –Annual Improvements 2010–2012 and 2011-2013 Cycles)*
- AASB 1053 – *Transition to and between Tiers, and related Tier 2 Disclosure Requirements [AASB 1053]*

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

2. Significant accounting policies (cont.)

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Consolidated Entity for the annual reporting period ended 30 June 2015 are outlined in the table below. These standards and amendments are not expected to have a material impact on the Consolidated Entity's financial position or performance; however, increased disclosure may be required.

Reference	Title	Effective / Application date of Standard for Group
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	1 July 2016
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	1 July 2016
AASB 15	Revenue from Contracts with Customers and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 July 2017*
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	1 July 2016
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 July 2016
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	1 July 2016
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 July 2016
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	1 July 2015
AASB 9	Financial Instruments	1 July 2018
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9	1 July 2018
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9	1 July 2018
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (December 2013) – Part C – Financial Instruments	1 July 2018
AASB 2014-1	Amendments to Australian Accounting Standards – Part E: Financial Instruments	1 July 2018

* The International Accounting Standards Board (IASB) in its July 2015 meeting decided to confirm its proposal to defer the effective date of IFRS 15 (the international equivalent of AASB 15) from 1 January 2017 to 1 January 2018. The amendment to give effect to the new effective date for IFRS 15 is expected to be issued in September 2015. At this time, it is expected that the AASB will make a corresponding amendment to AASB 15, which will mean that the application date of this standard for the Group will move from 1 July 2017 to 1 July 2018.

Notes to the financial statements (cont.)

2. Significant accounting policies (cont.)

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(A) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are all those entities over which the Consolidated Entity has power over the investee such that the Consolidated Entity is able to direct the relevant activities, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investor's returns. The results of subsidiaries acquired or disposed during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by other members of the Consolidated Entity. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

When the Consolidated Entity loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiaries are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

(B) BUSINESS COMBINATIONS

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Consolidated Entity in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration agreement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration are recorded in the consolidated statement of comprehensive income.

Where a business combination is achieved in stages, the Consolidated Entity's previously held interests in the acquired entity are remeasured at fair value at the acquisition date (i.e. the date the Consolidated Entity attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest was disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 are recognised at their fair value at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Consolidated Entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about the facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. The measurement period is the period from the date of acquisition to the date the Consolidated Entity obtains complete information about facts and circumstances that existed as of acquisition date – and is subject to a maximum of one year.

(C) JOINT ARRANGEMENTS

Joint arrangements are classified as either a joint venture or a joint operation, based on the rights and obligations arising from the contractual obligations between the parties to the arrangement.

Joint venture: When the Consolidated Entity has rights to the net assets of the arrangement, the investment is accounted for using the equity method.

Joint operation: When the Consolidated Entity has rights to the individual assets and obligations arising from the joint arrangements, the Consolidated Entity recognises its share of the assets, liabilities, revenues and expenses of the operation.

(D) BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. Significant accounting policies (cont.)

(E) CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

(F) ACQUISITION OF ASSETS

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition. In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value at the date of acquisition.

(G) REVENUE RECOGNITION

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. Revenue from time and material contracts is recognised at the contractual rate as labour hours are delivered and direct expenses are incurred. Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims, contract exit costs and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Sale of goods and disposal of assets

Revenue from the sale of goods and disposal of other assets is recognised when the Consolidated Entity has transferred the significant risks and rewards of ownership of the goods to the buyer.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(H) INCOME TAX

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Deferred tax liabilities are recognised in respect of relevant finite life intangible assets at acquisition.

This approach considers the future tax consequences of recovering the underlying asset through use and through ultimate disposal. The deferred tax liability is reduced as the assets are amortised. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the Consolidated Entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated Entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Consolidated Entity intends to settle its current tax assets and liabilities on a net basis.

Notes to the financial statements (cont.)

2. Significant accounting policies (cont.)

(H) INCOME TAX (CONT.)

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the consolidated statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess of purchase price over net asset(s) acquired.

(I) INVENTORIES

Inventories are valued at the lower of cost and net realisable value.

Consumables are recorded at cost and written off over the life of the contract to which they relate.

(J) FINANCIAL ASSETS

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market, are classified as 'loans and receivables'.

Financial assets are recognised initially at fair value, plus transaction costs. After initial measurement, financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised costs are calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate is included in other income in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the asset have expired.

The Consolidated Entity assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Consolidated Entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Consolidated Entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in other income in the consolidated statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Consolidated Entity. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the income statement.

(K) FINANCIAL LIABILITIES

Borrowings and other loans are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit or loss over the period of the borrowing using the effective interest rate method except where capitalised in accordance with note 2(D).

Bills of exchange are recorded at an amount equal to the net proceeds received, with the discount amortised over the period to maturity. Interest expense is recognised on an effective yield basis.

Financial guarantee contract liabilities are measured at their fair values and subsequently at the higher of the amount recognised as a provision and the amount initially recognised, less accumulated amortisation.

2. Significant accounting policies (cont.)

(K) FINANCIAL LIABILITIES (CONT.)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(L) FINANCIAL INSTRUMENTS ISSUED BY THE CONSOLIDATED ENTITY

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the consolidated statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

(M) DERIVATIVE FINANCIAL INSTRUMENTS

The Consolidated Entity enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk. Further details of derivative financial instruments are disclosed in note 28 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedge instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Consolidated Entity designates derivatives as hedges of highly probable forecast transactions (cash flow hedges).

Hedge accounting

The Consolidated Entity designates certain derivative instruments as cash flow hedges. At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Consolidated Entity documents whether the hedging instrument that is used in the hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item. Movements in the hedging reserve in equity are also disclosed in the consolidated statement of changes in equity.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Hedge accounting is discontinued when the Consolidated Entity revokes the hedging relationship, the hedging instrument is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

2. Significant accounting policies (cont.)

(N) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at their cost of acquisition less accumulated depreciation and any impairment write down.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight-line basis so as to write-off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life whichever is shorter, using the straight-line method.

The following estimated useful lives are used in the calculation of depreciation:

Leasehold improvements	1 – 10 years
Plant and equipment	4 – 5 years
Assets under finance lease	2 – 8 years
Marine vessels	20 – 25 years

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

(O) LEASED ASSETS

Leased assets classified as finance leases are recognised as assets. The amount initially brought to account is the fair value of the assets, or if lower, the present value of minimum lease payments, each determined at the inception of the lease.

A finance lease is one that effectively transfers from the lessor to the lessee substantially all the risks and rewards incidental to ownership of the leased asset. All other leases are classified as operating leases. Finance leased assets are amortised on a straight-line basis over the estimated useful life of the asset. Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis.

(P) GOODWILL

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(Q) OTHER INTANGIBLES

All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles, annually, either individually or at the cash-generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Trademarks and brand names

Trademarks and brand names have been acquired and are recorded at cost less any impairment write down. The Company is committed to continue to actively use and promote the SKILLED trademark and brand name in its business. The directors believe the SKILLED trademark and brand name has an indefinite life and no amortisation is therefore required.

2. Significant accounting policies (cont.)

(Q) OTHER INTANGIBLES (CONT.)

Other brand names are amortised on a straight-line basis over their estimated useful lives. The estimated useful lives are reviewed at the end of each annual reporting period, with any changes being recognised as a change in the accounting estimate. Other trademarks and brand names are recorded at cost less accumulated amortisation, and are amortised over periods ranging from one to five years.

Customer contracts

Customer contract intangible assets acquired are recorded at cost less accumulated amortisation and any impairment write down. The estimated useful lives are reviewed at the end of each annual reporting period, with any changes being recognised as a change in the accounting estimate. Customer contracts are amortised over a period of between one and five years on a straight-line basis.

Software and licences

Costs associated with the development of computer systems are acquired, capitalised and then expensed over the future periods to which the economic benefits of the expenditure are expected to be recoverable. Computer software is recorded at cost less accumulated amortisation, and amortised over periods ranging from three to twelve years on a straight-line basis.

(R) IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Consolidated Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

For assets excluding goodwill, where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(S) EMPLOYEE BENEFITS

Provision is made for benefits accruing to employees in respect of wages and salaries, rostered days off, annual leave, long-service leave, contracted severances and incentives when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made with respect to employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made with respect to employee benefits that are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Consolidated Entity with respect to services provided by employees up to the reporting date.

(T) FOREIGN CURRENCY

The individual financial statements of each entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of SKILLED Group Limited and the presentation currency of the financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that time.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Notes to the financial statements (cont.)

2. Significant accounting policies (cont.)

(T) FOREIGN CURRENCY (CONT.)

Exchange differences are recognised in profit or loss in the period in which they arise, except for:

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer note 2(M);
- exchange differences on monetary items receivable or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of foreign controlled entities are translated into Australian dollars at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rate for the period unless exchange rates fluctuate significantly. Exchange differences are taken directly to the foreign currency translation reserve and recognised in the income statement on disposal of the foreign operation.

(U) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

The amount of GST recoverable from the taxation authority is included as part of receivables and the amount of GST payable to the taxation authority is included as part of payables.

Cash flows are included in the consolidated statement of cash flow on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(V) PROVISIONS

Provisions are recognised when the Consolidated Entity has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Restoration provision

Present obligations arising from restoration are recognised and measured as a provision. A restoration provision is considered to exist where the Consolidated Entity has entered into a contract where future costs are expected to meet the obligations under the contract. Such contracts include property leaseholds and vessel charters.

(W) WORKERS COMPENSATION – SELF INSURANCE

Outstanding claims

A liability for outstanding claims for self-insurance in relation to workers compensation is provided for in respect of claims incurred but not yet paid, claims incurred but not yet reported and the anticipated direct and indirect costs associated with those claims. The liability for outstanding claims has been measured on the basis of an independently prepared actuarial assessment of the cost of claims, including the anticipated effects of inflation, discounted to a present value at reporting date.

The nature of the provision estimated and the data upon which the provision is based are such that it is likely the outcome will be different from the current estimate.

Claims recoveries

Claims recoveries are recorded on claims paid under self - insurance in relation to workers compensation. The recoveries are recognised in profit or loss and are based on actuarial assessment of the expected recovery, which includes claims paid and claims reported but not yet paid to the extent that the nature of the costs incurred are recoverable, in a manner similar to the measurement of the outstanding claim liability and discounted to a present value at reporting date.

(X) SHARE-BASED PAYMENTS

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense. No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition.

2. Significant accounting policies (cont.)

(X) SHARE-BASED PAYMENTS (CONT.)

These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options and performance rights is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in note 29).

(Y) FAIR VALUE MEASUREMENT

The Consolidated Entity measures financial instruments, such as derivatives, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Consolidated Entity.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Consolidated Entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(Z) CURRENT VERSUS NON-CURRENT CLASSIFICATION

The group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the Consolidated Entity’s normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the Consolidated Entity’s normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Notes to the financial statements (cont.)

3. Critical accounting judgments and key sources of uncertainty

(A) JUDGMENTS AND ESTIMATES

In the application of the Consolidated Entity's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of the Consolidated Entity's accounting policies that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner that ensures the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

(B) KEY SOURCES OF ESTIMATION UNCERTAINTY

Below are the key assumptions concerning the future, and other key sources of estimation uncertainty at reporting date, that have significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year:

Employee Benefits

The provision recognised for long service leave includes estimates of employees' length of tenure, the timing of future leave payments and the anticipated effects of salary and wage increases, which are discounted to a present value at reporting date. The carrying amount of the provision for long service leave at the reporting date was $17,135,000 (2014: $17,486,000).

Goodwill and intangibles impairment

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

On 24 June 2015 SKILLED Group Limited and Programmed Maintenance Services Limited (Programmed) announced that they had entered into a Scheme Implementation Agreement under which, subject to shareholder and court approval, Programmed will acquire all outstanding SKILLED shares by way of a scheme of arrangement (Scheme).

As a result of the proposed Scheme, goodwill and intangibles with an infinite life are tested for impairment on a "fair value" basis whereby the net assets of SKILLED must not exceed the fair value of Scheme consideration less costs of disposal.

The recoverable amount of the cash generating units is determined based on a discounted cash flow calculation, which requires the Consolidated Entity to estimate the future cash flows expected to arise from cash-generating units and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the reporting date was $361,450,000 (2014: $411,118,000).

Further details of the impairment testing are provided in note 11.

Restoration costs

A provision has been made for the present value of anticipated costs of the future restoration of leased property and marine vessels. These calculations include estimates of the future cost estimates associated with replacing office fit outs, dry docking and hand back costs. This uncertainty may result in the future actual expenditure differing from the amounts currently provided. The provisions recognised are assessed based on the condition and actual costs incurred for similar works carried out in the past. Changes to the estimated future costs are recognised in the statement of financial position by adjusting both the asset and provision. The carrying amount of the provision for restoration costs at reporting date was $8,904,000 (2014: $9,296,000).

Workers compensation self-insurance

A provision has been made for the anticipated costs to settle workplace injury claims in regions where the Consolidated Entity self-insures. The provision for workers compensation is based on a third party actuarial valuation, except for components of seafarers insurance, which is based on historical results in settling claims and open cases at reporting date. The carrying amount of the provision for workers compensation self-insurance at reporting date was $5,103,000 (2014: $6,104,000).

4. Profit

The profit before income tax, includes the following items of revenue and expense:

	2015 $'000	2014 $'000
(A) REVENUE		
Sales revenue:		
Rendering of services	2,046,516	1,869,569
(B) EQUITY-ACCOUNTED INCOME FROM ASSOCIATES		
Income from OMS Alliance joint venture[1]	846	4,028
Income/(expense) from GSS joint venture	64	(279)
Total	910	3,749
(C) OTHER INCOME		
Interest income	283	212
(D) EXPENSES		
Depreciation and amortisation:		
Depreciation:		
Plant and equipment	5,434	3,961
Leasehold improvements	2,058	1,459
Assets under finance lease	149	70
Marine Vessels	3,476	2,238
	11,117	7,728
Amortisation:		
Software and licences	4,832	4,695
Trademarks and brand names	200	137
Customer contracts	9,542	4,420
	14,574	9,252
Total depreciation and amortisation expense	25,691	16,980
Impairment of goodwill	60,000	–
Finance costs:		
Interest and other costs paid to other entities	11,088	8,226
Finance lease charges	29	83
Notional interest on deferred acquisition payments	845	1,337
	11,962	9,646
Net bad and doubtful debts expense	4,784	462
Operating lease rental expenses:		
Properties	13,248	11,950
Computer equipment	1,939	2,104
Marine vessels under bareboat charter	116,353	14,382
	131,540	28,436

[1] The Consolidated Entity acquired the remaining 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%. Consequently, the Consolidated Entity ceased accounting for OMSA as an equity accounted investment on 1 November 2014 and commenced consolidation as a subsidiary. Refer to Note 22 for further details.

5. Sale of assets

	2015 $'000	2014 $'000
Sale of assets in the ordinary course of business have given rise to the following:		
Net (loss)/profit on disposal of property, plant and equipment	(1)	195

Notes to the financial statements (cont.)

6. Income tax

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

	2015 $'000	2014 $'000
The income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit/(Loss) from operations	(2,639)	60,567
Income tax expense calculated at 30%	(792)	18,170
Non-deductible items:		
Impairment of goodwill	18,000	–
Other	507	504
Foreign income tax rate differential	(988)	(1,141)
Equity-accounted income from joint venture	(273)	(1,125)
Reversal of acquisition tax provision	(2,291)	–
Other	(389)	89
Under/(over) provision of income tax in previous year	272	(130)
Income tax expense	14,046	16,367
Income tax expense comprises:		
Current tax expense	14,666	18,218
Adjustments recognised in the current year in relation to the current tax of prior years	392	861
Deferred tax credit relating to the origination and reversal of temporary differences	(1,012)	(2,712)
Total tax expense	14,046	16,367

Tax-consolidation system

The Company and all its wholly owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. SKILLED Group Limited is the head entity in the tax-consolidated group. Offshore Marine Services Alliance Pty Ltd joined the tax consolidated group on 17 November 2014.

Nature of tax-funding arrangements and tax-sharing agreements

Entities within the tax-consolidated group have entered into a tax-funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax-funding arrangement, SKILLED Group Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to, or from, the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from, or payable to, other entities in the tax-consolidated group.

The tax-sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement, as payment of any amounts under the tax-sharing agreement is considered remote.

7. Dividends

	2015 Cents per share	2015 Total $'000	2014 Cents per share	2014 Total $'000
(A) RECOGNISED AMOUNTS				
Final fully franked dividend	9.5	22,349	9.0	21,018
Interim fully franked dividend	7.5	17,682	7.5	17,644
	17.0	40,031	16.5	38,662
(B) UNRECOGNISED AMOUNTS				
Final 2015 dividend fully franked at a tax rate of 30%	9.5	22,410	–	–
Final 2014 dividend fully franked at a tax rate of 30%	–	–	9.5	22,349
	9.5	22,410	9.5	22,349

	2015 $'000	2014 $'000
Franking account balance	81,171	80,221

The impact on the franking account of a dividend not yet recognised as a liability at year end will be a reduction in the franking account of $9,604,000 (2014: $9,578,000).

8. Receivables

	2015 $'000	2014 $'000
Current		
Trade receivables(i)	300,460	249,312
Allowance for doubtful debts	(648)	(837)
	299,812	248,475
Goods and services tax receivable	1,497	3,973
Other receivables(ii)	4,213	2,459
	305,522	254,907
Non- Current		
Claims recoveries	1,191	2,578
Other receivables	33	49
	1,224	2,627

(i) Trade receivables are non-interest bearing and are on a generally on trading terms of 7 to 45 days from the date of billing.

(ii) Other receivables do not contain any individually significant balances and there are no significant concentrations of credit risk. At 30 June 2015 no amounts are considered past due or impaired (2014: $nil).

Movement in the allowance for doubtful debts:

	2015 $'000	2014 $'000
Balance at the beginning of the year	(837)	(332)
Acquisition of subsidiaries	-	(207)
Amounts written off during the year	4,448	49
Decrease/(Increase) in allowance recognised in profit or loss	(4,259)	(347)
Balance at end of the year	(648)	(837)

Notes to the financial statements (cont.)

8. Receivables (cont.)

Ageing of trade receivables:

	2015 $'000 Gross	2015 $'000 Allowance	2014 $'000 Gross	2014 $'000 Allowance
Not past due	266,976	–	217,778	–
Past due 1 – 30 days	17,048	–	12,985	–
Past due 31 – 60 days	9,218	–	14,604	–
Past due 61 – 90 days	2,257	–	3,132	(24)
Past due 91 days	4,961	(648)	813	(813)
Total	300,460	(648)	249,312	(837)

In determining the recoverability of a trade receivable, the Consolidated Entity considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the large and unrelated customer base. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts. All of the trade receivables included in the allowance for doubtful debts have been individually reviewed for impairment. These trade receivables are considered impaired as the balances are either subject to liquidation, administration, legal or other dispute. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected recoveries. The Consolidated Entity does not hold any collateral over these balances.

9. Other assets

	2015 '000	2014 $'000
Prepayments and other assets	3,792	6,264

10. Property, plant and equipment

	Land & buildings $'000	Leasehold improvements $'000	Plant & equipment $'000	Marine Vessels $'000	Assets under finance lease $'000	Total $'000
Gross carrying amount						
Balance as at 30 June 2014	–	19,418	36,455	65,040	1,106	122,019
Acquisition of subsidiaries	–	293	984	381	–	1,658
Additions	–	2,382	3,879	695	–	6,956
Disposals	–	(106)	(741)	–	(720)	(1,567)
Other(i)	–	(989)	(1,027)	164	312	(1,540)
Balance as at 30 June 2015	–	20,998	39,550	66,280	698	127,526
Accumulated depreciation and impairment						
Balance as at 30 June 2014	–	(9,905)	(21,707)	(1,840)	(436)	(33,888)
Disposals	–	74	687	–	326	1,087
Depreciation expense	–	(2,058)	(5,434)	(3,476)	(149)	(11,117)
Other(i)	–	785	636	(294)	(122)	1,005
Balance as at 30 June 2015	–	(11,104)	(25,818)	(5,610)	(381)	(42,913)
Net book value						
As at 30 June 2014	–	9,513	14,748	63,200	670	88,131
As at 30 June 2015	–	9,894	13,732	60,670	317	84,613
Gross carrying amount						
Balance as at 30 June 2013	4	14,976	28,288	–	1,847	45,115
Acquisition of subsidiaries	–	275	3,426	25,391	69	29,161
Additions	–	4,260	5,007	40,906	–	50,173
Disposals	(4)	(114)	(1,086)	(1,257)	–	(2,461)
Other(i)	–	21	820	–	(810)	31
Balance as at 30 June 2014	–	19,418	36,455	65,040	1,106	122,019
Accumulated depreciation and impairment						
Balance as at 30 June 2013	(4)	(8,047)	(18,604)	–	(375)	(27,030)
Disposals	4	111	858	397	373	1,743
Depreciation expense	–	(1,459)	(3,961)	(2,238)	(70)	(7,728)
Other(i)	–	(510)	–	1	(364)	(873)
Balance as at 30 June 2014	–	(9,905)	(21,707)	(1,840)	(436)	(33,888)
Net book value						
As at 30 June 2013	–	6,929	9,989	–	1,167	18,085
As at 30 June 2014	–	9,513	14,748	63,200	670	88,131

(i) Other represents the impact of foreign exchange translation and transfers between asset classes.

Notes to the financial statements (cont.)

11. Intangibles

	Goodwill $'000	Databases $'000	Software and licences $'000	Trademarks and brand names $'000	Customer contracts $'000	Total $'000
Gross carrying amount						
Balance as at 30 June 2014	421,845	17,850	84,623	24,474	19,160	567,952
Acquisition of subsidiaries	10,635	–	–	–	9,642	20,277
Additions	–	–	7,620	–	–	7,620
Disposals	–	–	–	–	–	–
Other(i)	(303)	–	29	107	–	(167)
Balance as at 30 June 2015	432,177	17,850	92,272	24,581	28,802	595,682
Accumulated amortisation						
Balance as at 30 June 2014	(10,727)	(17,850)	(52,930)	(10,018)	(4,420)	(95,945)
Disposals	–	–	–	–	–	–
Amortisation expense	–	–	(4,832)	(200)	(9,542)	(14,574)
Impairment	(60,000)	–	–	–	–	(60,000)
Other(i)	–	–	–	(50)	–	(50)
Balance as at 30 June 2015	(70,727)	(17,850)	(57,762)	(10,268)	(13,962)	(170,569)
Net book value						
As at 30 June 2014	411,118	–	31,693	14,456	14,740	472,007
As at 30 June 2015	361,450	–	34,510	14,313	14,840	425,113
Gross carrying amount						
Balance as at 30 June 2013	351,277	17,850	80,042	23,874	–	473,043
Acquisition of subsidiaries	67,985	–	–	600	19,160	87,745
Additions	–	–	4,480	–	–	4,480
Disposals	–	–	(23)	–	–	(23)
Other(i)	2,583	–	124	–	–	2,707
Balance as at 30 June 2014	421,845	17,850	84,623	24,474	19,160	567,952
Accumulated amortisation						
Balance as at 30 June 2013	(10,727)	(17,850)	(48,250)	(9,881)	–	(86,708)
Disposals	–	–	–	–	–	–
Amortisation expense	–	–	(4,695)	(137)	(4,420)	(9,252)
Other(i)	–	–	15	–	–	15
Balance as at 30 June 2014	(10,727)	(17,850)	(52,930)	(10,018)	(4,420)	(95,945)
Net book value						
As at 30 June 2013	340,550	–	31,792	13,993	–	386,335
As at 30 June 2014	411,118	–	31,693	14,456	14,740	472,007

(i) Other represents the impact of foreign exchange translation and transfers between asset classes.

11. Intangibles (cont.)

Allocation of goodwill to cash-generating units

The cash-generating units are aligned to the Chief Operating decision makers reporting structure, the structure for which budgets and strategic plans are prepared, the day-to-day management of the business and the level at which goodwill is monitored. The carrying amount of goodwill allocated to cash-generating units that are significant individually or in aggregate is set out below.

Cash Generating Units	2015 $'000	2014 $'000
Workforce Services	97,749	102,549
Technical Professionals	24,302	24,302
Swan Contract Personnel	15,620	36,820
Ativo/Thomas & Coffey	30,624	30,341
Skilled Offshore	193,155	217,106
Total Goodwill	361,450	411,118

Allocation of other intangibles to cash-generating units

The carrying amount of indefinite life 'Other Intangibles' allocated to cash-generating units that are significant individually, or in aggregate, are as follows:

	2015 $'000	2014 $'000
SKILLED Group trademark and brand name	14,000	14,000

Indefinite life intangibles of $14,000,000 (2014: $14,000,000) consist of the SKILLED trademark and brand name. The trademark and brand name were acquired externally and are protected by legal rights that are renewable at an insignificant cost.

Impairment of goodwill in cash-generating units

On 24 June 2015 SKILLED Group Limited and Programmed Maintenance Services Limited (Programmed) announced that they had entered into a Scheme Implementation Agreement under which, subject to shareholder and court approval, Programmed will acquire all outstanding SKILLED shares by way of a scheme of arrangement (Scheme).

As a result of the proposed Scheme, goodwill and intangibles with an infinite life are tested for impairment on a "fair value" basis whereby the net assets of SKILLED must not exceed the fair value of Scheme consideration less costs of disposal.

Based on an assessment of fair value and costs of disposal as at 30 June 2015, an impairment loss of $60,000,000 has been recognised such that the net assets of the consolidated group equal their recoverable amount.

The impairment charge has been allocated to cash generating units as follows:

Cash Generating Units	2015 $'000	2014 $'000
Workforce Services	(4,800)	–
Technical Professionals	–	–
Swan Contract Personnel	(21,200)	–
Ativo/Thomas & Coffey	–	–
Skilled Offshore	(34,000)	–
Total Goodwill impairment	(60,000)	–

The recoverable amount of each CGU has been determined using fair value, which is categorised as Level 3 within the fair value hierarchy.

Notes to the financial statements (cont.)

11. Intangibles (cont.)

Key Assumptions

The recoverable amount of the cash generating units (CGU's) is determined based on a discounted cash flow calculation. The cash flow projections are based on financial forecasts approved by management covering a three year period, then a constant growth rate of 2.5% thereafter into perpetuity. Cash flows for each CGU have been discounted to present value using a pre-tax discount rate of 15.3%. In the prior period the recoverable amount was determined using a value-in-use methodology and a discount rate of between 13.5% and 14.5%.

This discount rate has been determined such that the discounted cash flows by CGU result in a cumulative impairment that equals that determined for the Consolidated Entity as a whole, as described above.

Impact of possible changes in key assumptions

The calculation of the recoverable amount for the Consolidated Entity's cash generating units (CGU's) is most sensitive to the assumptions on revenue, gross margin, long term and terminal growth rates used to extrapolate cash flows beyond the 3 year forecast period and discount rates.

Revenue
Although the cash flow assumptions used to determine the recoverable amount take into account the cyclical nature of the industry, the extent and timing of each cycle may differ from the assumptions within the cash flows forecast. A sustained reduction in revenues may result in impairment, or further impairment.

Gross margin
A decreased demand for outsourced labour solutions may lead to increased competition and a decline in gross margins achieved. A sustained decrease in gross margin may result in impairment or further impairment.

Long term and terminal growth rates
Cash flows are extrapolated beyond the three year forecast period into perpetuity at 2.5%. A decrease in the long term and terminal growth rate assumptions will result in reduced valuations and may result in impairment, or further impairment.

Discount rate
A rise in pre-tax discount rate in the may result in impairment, or further impairment.

Sensitivity to changes in assumptions

After recognising the impairment loss for Workforce Services, Swan and Skilled Offshore which has been determined using fair value, the recoverable amount of these CGU's is estimated to be equal to their carrying amount at 30 June 2015. Any variation in the key assumptions used to determine the recoverable amount would result in changes to the recoverable amount as shown in the table below. An unfavourable movement would results in an additional impairment loss.

		Change to recoverable amounts (+/-) ($'000)		
Assumption	Change in assumption	Workforce Services	Swan	Skilled Offshore
Revenue	+/-1.00%	7,600	800	5,500
Gross margin	+/-0.50%	4,100	6,000	27,700
Long term and terminal growth rate	+/-0.50%	8,400	1,000	14,300
Discount rate (pre-tax)	+/-0.25%	3,400	400	5,800

In addition to the impairment testing performed at 30 June 2015, the Consolidated Entity also undertook a sensitivity analysis on the Technical Professionals and Ativo / Thomas & Coffey CGU's.

Both of these CGU's have recoverable amounts that significantly exceed their carrying amounts. None of the sensitivities in the table above applied in isolation or in combination (as improbable as this scenario may be) to the Technical Professionals and Ativo / Thomas & Coffey CGU's would cause an impairment in either CGU as at 30 June 2015.

Should the Scheme Implementation Agreement with Programmed Maintenance Services Limited proceed, the final fair value less costs to dispose assessment, and any related impairment charge (if necessary), will be made on implementation of the Scheme.

12. Equity accounted investments

Carrying amount of interest in joint ventures

	2015 $'000	2014 $'000
Offshore Marine Services Alliance Pty Ltd	-	22,303
GSS Broadsword Marine JV Pty Ltd	474	579
Total carrying amount of interests in joint ventures	474	22,882

Offshore Marine Services Alliance Pty Ltd

The Consolidated Entity acquired the remaining 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%. Consequently, the Consolidated Entity ceased accounting for OMSA as an equity accounted investment on 1 November 2014 and commenced consolidation as a subsidiary. Refer to Note 22 for further details.

GSS Broadsword Marine JV Pty Ltd

The Consolidated Entity has a 50% interest in an immaterial joint venture, namely, GSS Broadsword Marine JV Pty Ltd (the "GSS JV"). The GSS JV is an unlisted company based in Darwin Australia specialising in marine logistics services to the Oil and Gas industry. The following table analyses the carrying amount and share of loss and other comprehensive income of this joint venture:

	2015 $'000	2014 $'000
Carrying amount of interest in joint venture	474	579
Share of profit/(loss) and other comprehensive income[1]	64	(279)

1 Net of amortisation of acquired intangibles of nil (2014: $448,000).

Notes to the financial statements (cont.)

13. Deferred tax assets and liabilities

	2015 $'000	2014 $'000
RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES		
Deferred tax assets comprise:		
Temporary differences	25,117	21,772
The deferred tax asset has been reduced by deferred tax liabilities attributable to temporary differences	16,835	4,170

Taxable and temporary differences comprise the following:

2015	Opening balance $'000	Acquisition of subsidiaries $'000	Charged to income $'000	Charged to equity $'000	Closing balance $'000
Gross deferred tax liabilities					
Intangible and other assets	(2,468)	(2,816)	(747)	–	(6,031)
Property, plant and equipment	(1,702)	1,270	529	–	97
Accrued income	–	(8,976)	(1,925)		(10,901)
Gross deferred tax liabilities	(4,170)	(10,522)	(2,143)	–	(16,835)
Gross deferred tax assets					
Provisions and accruals	20,548	1,160	430	–	22,138
Doubtful debts	251	220	(52)	–	419
Other	973	(745)	2,777	(445)	2,560
Gross deferred tax assets	21,772	635	3,155	(445)	25,117
Net deferred tax assets	17,602	(9,887)	1,012	(445)	8,282

2014	Opening balance $'000	Acquisition of subsidiaries $'000	Charged to income $'000	Charged to equity $'000	Closing balance $'000
Gross deferred tax liabilities					
Intangible and other assets	(1,503)	(5,382)	4,417	–	(2,468)
Property, plant and equipment	(2,345)	(151)	794	–	(1,702)
Gross deferred tax liabilities	(3,848)	(5,533)	5,211	–	(4,170)
Gross deferred tax assets					
Provisions and accruals	18,783	2,720	(955)	–	20,548
Doubtful debts	124	62	65	–	251
Other	618	1,014	(1,609)	950	973
Gross deferred tax assets	19,525	3,796	(2,499)	950	21,772
Net deferred tax assets	15,677	(1,737)	2,712	950	17,602

Unrecognised deferred tax assets

Unused tax losses for which no deferred tax assets have been recognised are attributable to the following:

	2015 $'000	2014 $'000
Tax losses (capital in nature)	152	152

14. Payables

	2015 $'000	2014 $'000
Current		
Trade payables and accruals	153,921	98,507
Deferred purchase consideration	13,067	8,900
Goods and services tax payable	14,920	16,164
	181,908	123,571
Non-Current		
Deferred and contingent purchase consideration	8,507	20,107
	8,507	20,107

Terms and conditions of the above financial liabilities:

- Trade payables and accruals are non-interest bearing and are normally settled on 30-day terms.
- For terms and conditions relating to deferred purchase consideration, refer to Note 22.
- Goods and services tax payable is non-interest bearing and is settled monthly throughout the financial year.

Deferred and contingent consideration payable:

	2015 $'000	2014 $'000
Current		
Deferred consideration – Broadsword	8,900	8,900
Deferred consideration – Offshore Marine Services Alliance Pty Ltd	4,167	–
	13,067	8,900
Non-Current		
Deferred consideration – Broadsword	8,507	16,855
Contingent consideration – Broadsword	–	3,252
	8,507	20,107

15. Borrowings

	2015 $'000	2014 $'000
Current		
Bank overdraft[(i)]	637	468
Bank debt facilities[(ii)]	3,000	4,000
Finance lease liabilities[(iii)]	138	538
	3,775	5,006
Non-Current		
Bank debt facilities[(ii)]	155,392	172,600
Finance lease liabilities[(iii)]	186	324
	155,578	172,924

(i) Secured by fixed and floating charge over all the assets of the Consolidated Entity, or standby letter of credit.

(ii) Secured by fixed and floating charge over all the assets of the Consolidated Entity.

(iii) Secured over the assets leased, the current market value of which exceeds the value of the finance lease liability

Notes to the financial statements (cont.)

16. Provisions

	2015 $'000	2014 $'000
Current		
Employee benefits	46,604	42,623
Workers compensation self-insurance	2,565	308
Provision for restoration	3,674	2,860
Other	3,685	3,641
	56,528	49,432
Non- Current		
Employee benefits	4,392	6,044
Workers compensation self-insurance	2,538	5,796
Provision for restoration	5,230	6,436
Other	1,298	1,409
	13,458	19,685

	Workers Compensation $'000	Provision for restoration $'000	Other $'000	Total $'000
Balance as at 30 June 2014	6,104	9,296	5,050	20,450
Acquired from new business	–	–	2,858	2,858
Additional provisions recognised	756	–	2,603	3,359
Reductions arising from payments/ other sacrifices of future economic benefits	(1,409)	(392)	(4,746)	(6,547)
Changes resulting from the re-measurement of the estimated future sacrifice of the settlement of the provision without cost to the Consolidated Entity	(348)	–	(782)	(1,130)
Balance as at 30 June 2015	5,103	8,904	4,983	18,990
Included in the financial statements as:				
Current	2,565	3,674	3,685	9,924
Non-current	2,538	5,230	1,298	9,066
	5,103	8,904	4,983	18,990

17. Leases

	2015 $'000	2014 $'000
(A) FINANCE LEASES		
Finance lease commitments:		
Not later than 1 year	142	586
Later than 1 year and not later than 5 years	203	345
Minimum finance lease payments	345	931
Deduct future finance charges	(21)	(69)
Present value of finance lease liabilities	324	862
Disclosed in the financial statements as:		
Borrowings:		
Current (note 15)	138	538
Non-current (note 15)	186	324
	324	862

There are no other commitments for expenditure, at the end of the financial year, other than those disclosed in the financial statements.

The finance lease agreements are for periods between two and five years. The Consolidated Entity has options to purchase the equipment at its residual value at the conclusion of the lease agreements.

	2015 $'000	2014 $'000
(B) OPERATING LEASES		
Non-cancellable operating leases:		
Not later than 1 year	43,254	12,947
Later than 1 year but not later than 5 years	28,154	25,802
Later than 5 years	7,545	11,073
	78,953	49,822

The Consolidated Entity leases its office premises. The rental period of each individual lease agreement varies between one and 10 years with renewal options ranging from one to five years. The majority of lease agreements are subject to rental adjustments in line with movements in the Consumer Price Index or market rentals.

The Consolidated Entity leases the majority of its computer equipment from external suppliers over a lease period of three to five years with payments being quarterly in advance. At the end of the lease period the Consolidated Entity has a number of options available with respect to the equipment, none of which include penalty charges.

The Consolidated Entity enters into bareboat charter arrangements for marine vessels in relation to its SKILLED Offshore businesses in Australia. The vessels are chartered on individual lease agreements that vary between periods of up to five years with renewable options pursuant to the underlying contracts.

Notes to the financial statements (cont.)

18. Issued capital

	2015 $'000	2014 $'000
235,898,291 fully paid ordinary shares (2014: 235,254,496)	353,875	352,986

The Company does not have any authorised capital as part of its constitution.

(A) FULLY PAID ORDINARY SHARES

	2015 No. '000	2015 $'000	2014 No. '000	2014 $'000
Balance at the beginning of the financial year	235,254	352,986	233,533	349,661
Share based payments	644	889	1,721	3,325
Balance at the end of the financial year	235,898	353,875	235,254	352,986

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

(B) SHARES HELD BY SUBSIDIARIES

Allskills Pty Ltd, a wholly owned subsidiary, held 55,250 (2014: 418,500) shares in SKILLED Group Limited at 30 June 2015. These shares were held for the benefit of the SKILLED Group Limited Employee Share Acquisition Plan.

19. Share-based payments

A description and key terms of share-based payments is disclosed in the Remuneration Report.

SHARE OPTIONS

Grant date	Exercise price $	Expiry date	Balance at start of year Number	Granted during the year Number	Exercised during the year Number	Forfeited / Expired during the year Number	Balance at end of year Number	Fair value $
2015								
20/12/2013	3.08	19/12/2019	875,000	–	–	–	875,000	0.66
20/12/2013	3.08	19/12/2019	875,000	–	–	–	875,000	0.63(ii)
25/11/2014	2.73	24/11/2020	–	337,000	–	–	337,000	0.26
25/11/2014	2.73	24/11/2020	–	337,000	–	–	337,000	0.24(ii)
			1,750,000	674,000	–	–	2,424,000	
WAP(i)			3.08	2.73	–	–	2.98	
2014								
21/10/2008	2.52	20/10/2014	1,253,000	–	–	(1,253,000)	–	0.71
23/11/2010	1.47	23/11/2016	2,419,593	–	(1,679,938)	(739,655)	–	0.54
20/12/2013	3.08	19/12/2019	–	875,000	–	–	875,000	0.66
20/12/2013	3.08	19/12/2019	–	875,000	–	–	875,000	0.63(ii)
			3,672,593	1,750,000	(1,679,938)	(1,992,655)	1,750,000	
WAP(i)			1.83	3.08	1.47	2.13	3.08	

(i) Denotes weighted average price
(ii) Grants relate to share options measured against relative total shareholder return, which is a market based measure. All other grants are measured against earnings per share, a non-market based measure.

The share options outstanding at 30 June 2015 have a weighted average exercise price of $2.98 (2014: $3.08) and a weighted average contractual life of 6 years.

Notes to the financial statements (cont.)

19. Share-based payments (cont.)

PERFORMANCE RIGHTS

Grant date	Expiry date	Balance at start of year Number	Granted during the year Number	Exercised during the year Number	Forfeited / Expired during the year Number	Balance at end of year Number	Fair value $
2015							
20/10/2011	30/09/2014	337,838	–	(337,838)	–	–	1.47
20/10/2011	20/10/2014	39,378	–	(39,378)	–	–	1.60
22/12/2011	22/12/2014	860,994	–	(292,725)	(568,269)	–	1.54
22/12/2011	22/12/2014	860,994	–	(629,355)	(231,639)	–	0.89(i)
30/11/2012	29/11/2015	715,247	–	–	(58,333)	656,914	1.95
30/11/2012	29/11/2015	715,247	–	–	(58,332)	656,915	1.23(i)
20/12/2013	19/12/2016	926,167	–	–	(58,331)	867,836	2.75
20/12/2013	19/12/2016	926,167	–	–	(58,331)	867,836	2.19(i)
2/05/2014	1/05/2017	146,500	–	(144,500)	(2,000)	–	2.58
2/05/2014	1/05/2017	82,500	–	–	(10,000)	72,500	2.44
25/11/2014	24/11/2017	–	61,000	–	–	61,000	1.78
25/11/2014	24/11/2017	–	61,000	–	–	61,000	1.02(i)
22/12/2014	21/12/2017	–	567,250	–	(11,250)	556,000	1.09
22/12/2014	21/12/2017	–	567,250	–	(11,250)	556,000	0.46(i)
		5,611,032	1,256,500	(1,443,796)	(1,067,735)	4,356,001	
2014							
23/11/2010	23/11/2013	776,929	–	(204,977)	(571,952)	–	1.47
20/10/2011	30/09/2013	337,838	–	(337,838)	–	–	1.47
20/10/2011	30/09/2014	337,838	–	–	–	337,838	1.47
20/10/2011	20/10/2014	54,404	–	–	(15,026)	39,378	1.60
22/12/2011	22/12/2014	884,897	–	–	(23,903)	860,994	1.54
22/12/2011	22/12/2014	884,897	–	–	(23,903)	860,994	0.89(i)
30/11/2012	29/11/2015	758,580	–	–	(43,333)	715,247	1.95
30/11/2012	29/11/2015	758,580	–	–	(43,333)	715,247	1.23(i)
20/12/2013	19/12/2016	–	929,500	–	(3,333)	926,167	2.75
20/12/2013	19/12/2016	–	929,500	–	(3,333)	926,167	2.19(i)
2/05/2014	1/05/2017	–	146,500	–	–	146,500	2.58
2/05/2014	1/05/2017	–	82,500	–	–	82,500	2.44
		4,793,963	2,088,000	(542,815)	(728,116)	5,611,032	

(i) Grants relate to performance rights measured against relative total shareholder return, which is a market based measure. All other grants are measured against non-market based measures, either earnings per share or employee retention

The performance rights outstanding at 30 June 2015 have a weighted average contractual life of 3 years.

20. Reserves

	2015 $'000	2014 $'000
Employee equity-settled benefits reserve	1,933	891
Hedging reserve	1,039	–
Foreign currency translation reserve	462	(725)
Balance at the end of the financial year	3,434	166

(A) EMPLOYEE EQUITY-SETTLED BENEFITS RESERVE

	2015 $'000	2014 $'000
Balance at the beginning of the financial year	891	3,499
Share-based payments	1,042	(2,608)
Balance at the end of the financial year	1,933	891

The employee equity-settled benefits reserve is used to recognise the fair value of options and rights issued but not yet exercised.

(B) HEDGING RESERVE

	2015 $'000	2014 $'000
Balance at the beginning of the financial year	–	(65)
Foreign currency forward contracts	1,484	–
Interest rate swaps	–	93
Income tax related to gains/losses recognised in equity	(445)	(28)
Balance at the end of the financial year	1,039	–

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item. Refer note 2(M) to the financial statements.

(C) FOREIGN CURRENCY TRANSLATION RESERVE

	2015 $'000	2014 $'000
Balance at the beginning of the financial year	(725)	(1,296)
Translation of foreign operations	1,187	571
Balance at the end of the financial year	462	(725)

Exchange differences relating to foreign currency monetary items forming part of the net investment in foreign operations and the translation of foreign controlled entities are brought to account by entries made directly to the foreign currency translation reserve. Refer note 2(T) to the financial statements.

Notes to the financial statements (cont.)

21. Contingent liabilities

	2015 $'000	2014 $'000
Bank guarantees for various contracts	63,903	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.

22. Business combinations

ACQUISITION IN THE PERIOD ENDED 30 JUNE 2015

Acquisition of Offshore Marine Services Alliance Pty Ltd

The Consolidated Entity acquired the remaining 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 has combined OMSA and its existing Broadsword Marine operations to create a single marine services business with broad operational and project capability.

<u>Assets acquired and liabilities assumed</u>

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	44,963
Inventories	987
Prepayments and other assets	5,525
Property, plant and equipment	1,658
Intangibles - customer contracts	9,442
Deferred tax assets	7,347
Total assets	73,640
Liabilities	
Trade payables	21,869
Provisions and accruals	11,776
Deferred tax liability	17,234
Total liabilities	50,879
Total identifiable net assets at fair value	22,761
Goodwill arising on acquisition	10,352
Total net assets	33,113
Pre-existing interest in OMSA at fair value	(17,018)
Purchase consideration paid	16,095

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 $44,693,000 of which nil 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.

Notes to the financial statements (cont.)

22. Business combinations (cont.)

Acquisition of Offshore Marine Services Alliance Pty Ltd (continued)

From the date of acquisition, OMSA's contribution to the Consolidated Entity's result was $160,620,000 of revenue and an incremental $8,181,000 of profit before tax, being 50% of OMSA's 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 $2,099,552,000 and the loss before tax would have been $2,257,000. 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)	12,377
Total consideration	16,095

(i) Deferred consideration

The purchase consideration includes deferred consideration payable of $12,377,000, of which $6,904,000 was paid on 5 January 2015, $1,306,000 was paid on 1 April 2015. The remaining balance is expected to be paid during the financial year ending 30 June 2016.

The deferred consideration payable represents the amounts payable in relation to a small number of contingent items including vessel demobilisations and outstanding contractual matters 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	–

22. Business combinations (cont.)

ACQUISITION IN THE PERIOD ENDED 30 JUNE 2014

Acquisition of 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. 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 brand name	16,300
Deferred tax assets	3,111
Total assets	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)
Total liabilities	(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 30 June 2015 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 prior 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.

Notes to the financial statements (cont.)

23. Superannuation contributions

	2015 $'000	2014 $'000
Superannuation contributions provided for employees via the following superannuation funds:		
Complying superannuation funds[(i)]	101,679	104,231

(i) The Consolidated Entity makes contributions to superannuation plans in accordance with the greater of the Superannuation Guarantee Charge legislation, or the terms of applicable industrial awards. Each of the plans are structured using external superannuation fund managers, with the result that the Consolidated Entity is not liable to meet any additional liability in the event of termination of any fund member. The funds are of the accumulation type.

24. Subsidiaries

			Ownership interest	
Name of entity	Note	Country of incorporation	2015 %	2014 %
Parent entity				
SKILLED Group Limited	(a)	Australia		
Controlled entities				
Allskills Pty Ltd	(b)	Australia	100	100
Ativo Pty Ltd	(c)	Australia	100	100
ATIVO Coal Services Pty Ltd	(b)	Australia	100	100
T&C Services Pty Ltd	(c)	Australia	100	100
Thomas & Coffey (QLD) Pty Ltd	(c)	Australia	100	100
Catalyst Recruitment Systems Pty Ltd	(c)	Australia	100	100
Loganhill Pty Ltd	(b)	Australia	100	100
Catalyst Staff Pty Ltd	(b)	Australia	100	100
Jet Tasmania Pty Ltd	(b)	Australia	100	100
Mosaic Recruitment Pty Ltd	(c)	Australia	100	100
The Green & Green Group Pty Ltd	(b)	Australia	100	100
Extra Group Pty Ltd	(c)	Australia	100	100
Ativo Services Pty Ltd	(b)	Australia	100	100
Extraman (HR) Pty Ltd	(b)	Australia	100	100
Skilled Offshore (Australia) Pty Ltd	(e)	Australia	100	100
Offshore Marine Services Alliance Pty Ltd	(c)	Australia	100	50
Skilled International Pte Ltd	(a)	Singapore	100	100
Skilled Healthcare Holdings Pty Ltd	(c)	Australia	100	100
Nursing Australia Pty Ltd	(b)	Australia	100	100
HR Link No. 2 Pty Ltd	(b)	Australia	100	100
HR Link No. 1 Pty Ltd	(b)	Australia	100	100
Nursing (Australia) Holdings Pty Ltd	(b)	Australia	100	100
Locumitis Pty Ltd	(b)	Australia	100	100
Mantech Systems Pty Ltd	(c)	Australia	100	100
Medistaff Pty Ltd	(b)	Australia	100	100
Origin Education Services Pty Ltd	(b)	Australia	100	100
Origin Health Support Services Pty Ltd	(b)	Australia	100	100
Skilled Healthcare Pty Ltd	(c)	Australia	100	100
ProSafe Personnel Pty Ltd	(b)	Australia	100	100
PeopleCo. Pty Ltd	(c)	Australia	100	100
SKILLED Group International Pty Ltd	(c)	Australia	100	100

24. Subsidiaries (cont.)

			Ownership interest	
Name of entity	Note	Country of incorporation	2015 %	2014 %
Skilled International Limited	(e)	Malaysia	100	100
Skilled International FZ LLC	(e)	Dubai	100	100
Skilled International Holdings Ltd	(e)	Malta	100	100
Skilled International Services Ltd	(e)	Malta	100	100
Point 2 Point Travel Limited	(e)	Malta	100	100
Skilled International (Holdings) LLC	(f)	USA	100	100
Skilled International LLC	(f)	USA	100	100
SKILLED Group NZ Holdings Limited	(a)	New Zealand	100	100
Skilled Offshore (NZ) Limited	(a)	New Zealand	100	100
Skilled Marine (NZ) Limited	(a)	New Zealand	100	-
SKILLED International Sourcing Pty Ltd	(b)	Australia	100	100
Broadsword Marine Contractors Pty. Ltd	(c)	Australia	100	100
GSS Broadsword Marine JV Pty Ltd	(b)	Australia	50	50
SKILLED Group UK Ltd	(e)	United Kingdom	100	100
Skilled International (UK) Limited	(e)	United Kingdom	100	100
SKILLED Maritime Services Pty Ltd	(b)	Australia	100	100
SKILLED Operations (WA) Pty Ltd	(b)	Australia	100	100
SKILLED Rail Services Pty Ltd	(a)	Australia	100	100
SKILLED Resources Pty Ltd	(b)	Australia	100	100
SKILLED Offshore Pty Ltd	(a)	Australia	100	100
SKILLED Workforce Solutions (NSW) Pty Ltd	(c)	Australia	100	100
Swan Contract Personnel Pty Ltd	(c)	Australia	100	100
TESA Group Pty Ltd	(c)	Australia	100	100
TESA Mining (Aust) Pty Limited	(c)	Australia	100	100
TESA Mining (NSW) Pty Limited	(c)	Australia	100	100
TESA Mining (U/G) Pty Limited	(b)	Australia	100	100
Damstra Mining Services Pty Ltd	(b)	Australia	100	100
HVA (Qld) Pty Limited	(b)	Australia	100	100
HVA Support Services Pty Limited	(b)	Australia	100	100
HVA Technical Services Pty Limited	(b)	Australia	100	100
Waycon Services Pty Limited	(c)	Australia	100	100
Waycon Services (NSW) Pty Ltd	(b)	Australia	100	100

All controlled entities carry on business only in the country of formation or incorporation. Allskills Pty Ltd is the trustee of the SKILLED Group Limited Share Plan Trust.

Swan Contract Personnel Pty Ltd is the trustee of the Swan Drafting Unit Trust.

Legend:

(a) Audited by Ernst & Young

(b) These controlled entities are classified as small proprietary companies and in accordance with the Corporations Act 2001 are relieved from the requirement to prepare, audit and lodge financial reports.

(c) These wholly-owned controlled entities have entered into a deed of cross guarantee with SKILLED Group Limited, pursuant to ASIC Class Order 98/1418 and have been relieved from the requirement to prepare and lodge an audited financial report.

(d) Entity in liquidation

(e) Audited by Ernst & Young International

(f) These controlled entities are incorporated in the USA and are relieved from the requirement to prepare, audit and lodge financial reports.

Notes to the financial statements (cont.)

24. Subsidiaries (cont.)

The consolidated income statement and balance sheet of the entities, which are party to the deed of cross-guarantee and are part of the closed group are as follows:

	2015 $'000	2014 $'000
Income statement		
Revenue	1,525,348	1,409,054
Other revenue	266	(238)
Dividends Received	45,500	43,000
Gain/(loss) on sale of businesses and fixed assets	(4)	215
Employee and sub-contractor related costs	(1,234,198)	(1,280,973)
Raw materials and consumables used	(41,383)	(18,233)
Office occupancy related costs	(15,463)	(13,117)
Depreciation and amortisation expense	(24,562)	(15,929)
Impairment of goodwill arising due to fair value derived from Scheme proposal	(60,000)	–
Finance costs	(11,681)	(9,503)
Other expenses	(179,042)	(53,094)
Profit/(loss) before income tax expense	4,781	61,182
Income tax (expense)/benefit	(3,979)	2,128
Profit/(loss) attributable to members of the parent entity	802	63,310
Movements in other comprehensive income	1,039	–
Total comprehensive income	1,841	63,310

	2015 $'000	2014 $'000
Balance sheet		
Current assets		
Cash and cash equivalents	10,004	2,082
Receivables	287,322	348,625
Other financial assets	1,484	–
Inventories	1,283	677
Other	3,245	2,460
Total current assets	303,338	353,844
Non-current assets		
Receivables	1,224	2,627
Property, plant and equipment	81,944	85,906
Goodwill	185,177	234,334
Other intangibles	63,006	60,237
Other financial assets	138,394	171,721
Deferred tax assets	160	7,953
Total non-current assets	469,905	562,778
Total assets	773,243	916,622

24. Subsidiaries (cont.)

	2015 $'000	2014 $'000
Current liabilities		
Payables	122,255	272,817
Borrowings	3,138	4,538
Current tax liabilities	361	1,933
Provisions	41,791	38,917
Total current liabilities	167,545	318,205
Non-current liabilities		
Payables	80,875	20,108
Borrowings	138,057	155,413
Provisions	15,973	15,868
Total non-current liabilities	234,905	191,389
Total liabilities	402,450	509,594
Net assets	370,793	407,028
Equity		
Issued capital	353,875	352,986
Reserves	3,472	1,367
Retained earnings	13,446	52,675
Total equity	370,793	407,028
Retained earnings		
Balance at the beginning of the financial year	52,675	11,315
Adjustment to retained earnings in respect of changes to the deed	–	16,711
Net profit	802	63,311
Dividends provided for or paid	(40,031)	(38,662)
Balance at the end of the financial year	13,446	52,675

Notes to the financial statements (cont.)

25. Related party disclosures

(A) EQUITY INTERESTS IN SUBSIDIARIES

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 24 to the financial statements.

(B) KEY MANAGEMENT PERSONNEL COMPENSATION (INCLUDING DIRECTORS)

	2015 $	2014 $
Short-term employee benefits	4,847,334	4,209,906
Post-employment benefits	240,607	170,193
Share-based payments	959,402	861,129
Termination benefits	–	99,998
Other long-term employee benefits	–	–
	6,047,343	5,341,226

(C) TRANSACTIONS WITH OTHER RELATED PARTIES:

Related party	Type of transaction	2015	2014	Class of related party	2015[(i)] $	2014 $
Offshore Marine Services Alliance Pty Ltd	Offshore marine staffing	Normal commercial terms and conditions	Normal commercial terms and conditions	Joint Venture	15,796,000	79,378,000

(i) For the period 1 July 2014 to 31 October 2014, prior to the acquisition of the remaining 50% shareholding in Offshore Marine Services Alliance Pty Ltd after which time the entity was wholly owned.

VA McFadden was a director of Leighton Holdings Ltd from June 2013 to May 2014. Leighton Holdings Ltd is a SKILLED Group customer and transacts on normal commercial terms and conditions.

MJ Findlay is a director of Royal Children's Hospital, Melbourne. Royal Children's Hospital, Melbourne is a SKILLED Group customer and transacts on normal commercial terms and conditions.

26. Remuneration of auditors

	2015 $	2014 $
Amounts received or due and receivable by Ernst & Young (Australia)		
Audit and review of the financial report	547,300	639,400
Other assurance services	104,200	117,000
Tax related services	8,735	–
	660,235	756,400
Amounts received or due and receivable by Ernst & Young (International)		
Audit and review of the financial report	52,700	62,000
Other assurance services	–	–
	52,700	62,000

27. Notes to the consolidated statement of cash flow

(A) RECONCILIATION OF CASH

For the purposes of the consolidated statement of cash flow, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the consolidated statement of cash flow is reconciled to the related items in the consolidated statement of financial position as follows:

	2015 $'000	2014 $'000
Cash and short-term deposits	13,263	7,858
Bank overdraft	(637)	(468)
Cash assets	12,626	7,390

(B) NON-CASH FINANCING AND INVESTING ACTIVITIES

During the financial year, the Consolidated Entity acquired plant and equipment and leasehold improvements with an aggregate value of $276,000 (2014: $3,842,000) which did not generate a cash flow in the 2015 year and were included within current payables as at 30 June 2015.

(C) FINANCING FACILITIES

	2015 $'000	2014 $'000
Bank overdraft facility, payable at call:		
Amount used	637	468
Amount unused	10,620	10,761
	11,257	11,229
Syndicated bank debt facility and short-term debt facilities subject to periodic roll-over:		
Amount used	159,550	177,172
Amount unused	272,950	197,328
	432,500	374,500

The bank overdraft and syndicated bank debt facility are secured by a fixed and floating charge over the assets of the Consolidated Entity. The bank overdraft is subject to annual review. On 11 December 2014, the Consolidated Entity refinanced its Syndicated Revolving Credit Facility. The new $320 million syndicated bank debt facility is on improved terms and expires in three 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 $32 million at 30 June 2015) is due to mature in August 2015 and will be subsumed into the remaining tranches of the Syndicated Revolving Credit Facility. The short-term debt facilities are $22.5 million in total.

Notes to the financial statements (cont.)

28. Financial instruments

Capital risk management

The Consolidated Entity manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to stakeholders through an optimal balance of debt and equity.

The capital structure of the Consolidated Entity consists of debt, which includes the borrowings disclosed in note 15, the cash and cash equivalents disclosed in note 27, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity and notes 18 and 20.

The Board regularly reviews its capital structure and considers market conditions, industry peers and stakeholder expectations in setting its capital structure. The efficacy and suitability of the Consolidated Entity's capital structure is regularly measured and includes consideration of the (a) committed debt levels, (b) leverage (debt to EBITDA), (c) interest cover (EBITDA to interest expense) and (d) gearing (net debt to net debt plus equity).

The Consolidated Entity's key capital structure financial metrics as at reporting date were as follows:

	2015 $'000	2014 $'000
Leverage		
(Net debt/EBITDA[(i)])	1.4	1.8
Interest cover		
(EBITDA[(i)]/Net interest expense[(i)])	9.4	12.3
Gearing		
(Net debt/Net debt + equity)	26%	26%

(i) EBITDA and net interest expense are as disclosed in note 30 Segment Reporting.

In order to manage the optimal balance of debt and equity the Consolidated Entity may:

- raise, refinance or retire debt;
- issue or buy-back shares;
- adjust the level of dividend payout ratio and the level of dividends to be paid; and/or
- offer a Dividend Reinvestment Plan.

28. Financial instruments (cont.)

Financial risk management

The Consolidated Entity's financial risks include market risk (including interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Consolidated Entity's overall strategy relating to financial risk management remains unchanged from 2014.

The carrying amount of the Consolidated Entity's financial assets and financial liabilities at the reporting date are as follows:

	2015 $'000	2014 $'000
Financial assets		
Cash and cash equivalents	13,263	7,858
Current and non-current receivables	306,746	257,534
Derivatives in hedge relationships	1,484	–

	2015 $'000	2014 $'000
Financial liabilities		
Loans and payables	334,849	318,633

The Consolidated Entity manages these risks in accordance with specific Board-approved policies and directives. Each of these risks is discussed in further detail in the following notes.

Interest rate risk

Interest rate risk is the effect on either the financial performance or capital value of the Consolidated Entity arising from movements in interest rates. The Consolidated Entity is exposed to interest rate risk as entities within the Consolidated Entity borrow funds at both fixed and floating rates.

The Consolidated Entity manages its interest rate risk in accordance with Board approved policy. This policy is designed to mitigate the financial risk arising from movements in interest rates to:

- meet stakeholder expectations in respect of earnings and interest expense; and
- protect the financial undertakings under the Consolidated Entity's debt facilities.

The current interest rate risk management policy, unchanged since 2013, is as follows:

- no interest rate hedging to be entered into for the time being; and
- no minimum level of fixed rate debt is prescribed.

The Consolidated Entity's non-derivative exposure to interest rate risk as at 30 June 2015 is as follows:

- Cash (weighted average interest rate 1.5-2.1%). Refer consolidated statement of financial position.
- Bank overdraft (weighted average interest rate 2.0-8.5%). Refer note 15.
- Bank loans (weighted average interest rate 1.5-5.3%). Refer note 15.
- Lease liabilities (weighted average interest rate 10.0%). Refer note 15.

Notes to the financial statements (cont.)

28. Financial instruments (cont.)

Interest rate sensitivity

The Consolidated Entity's sensitivity to a 200 basis point increase or decrease in interest rates is approximately $2,200,000 after tax (2014: less than $2,500,000 after tax). This level represents management's assessment of the possible changes in interest rates.

Foreign exchange risk

Foreign exchange risk is the effect on either the financial performance or capital value of the Consolidated Entity arising from movements in foreign exchange rates. The Consolidated Entity manages its foreign exchange risk in accordance with Board-approved policy and its overall strategy relating to foreign exchange risk management remains unchanged from 2014.

The Consolidated Entity is principally exposed to US Dollars (USD), Euro (EUR), New Zealand Dollars (NZD) and Great British Pounds (GBP), through its overseas operations. From time-to-time the Consolidated Entity holds cash and may have overdraft balances in each of these currencies, and undertakes transactions denominated in these foreign currencies. As a consequence, exposures to exchange rate fluctuations arise.

The foreign currency exposure is not greater than A$100,000 (2014: A$100,000) for any one currency or $100,000 in aggregate (2014: $100,000).

Foreign currency derivatives

The Consolidated Entity enters into forward foreign exchange contracts to cover specific foreign currency payments and receipts. The foreign currency forward exchange contract balances will vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, no hedge ineffectiveness arises requiring recognition through profit or loss. As at 30 June 2015, a net unrealised gain of $1,484,000, with a deferred tax liability of $445,000 relating to the hedging instruments was recognised in the Statement of Other Comprehensive Income.

Liquidity risk management

Liquidity risk is the risk that the Consolidated Entity will not have sufficient funds available to meet its financial commitments as and when they fall due. The Consolidated Entity manages its liquidity risk in accordance with Board-approved policy and its overall strategy relating to liquidity risk management remains unchanged from 2014.

The Consolidated Entity manages its liquidity risk through frequent and periodic cash flow forecasting, reporting and analysis. Liquidity support is provided through maintaining a liquidity buffer in committed debt facilities and accessing other uncommitted facilities.

28. Financial instruments (cont.)

Liquidity risk management (cont.)

The following tables detail the Consolidated Entity's expected maturity at reporting date for non-derivative financial liabilities. The tables are based upon the undiscounted cash flows of financial liabilities based upon their assumed debt rollover patterns and interest payments.

	Weighted average interest rate %	0-1 year $'000	1-2 years $'000	3-5 years $'000	Total $'000
2015					
Bank loans – A$	3.8%	8,005	4,023	114,015	126,043
Bank loans – NZD (in A$)	5.3%	328	607	12,613	13,548
Bank loans – EUR (in A$)	1.5%	404	417	28,306	29,127
Bank loans – GBP (in A$)	2.3%	72	141	6,408	6,621
Finance lease liabilities	10.0%	150	57	138	345
Bank guarantees	–	55,795	536	7,572	63,903
2014					
Bank loans – A$	4.5%	8,994	85,262	46,310	140,566
Bank loans – NZD (in A$)	5.3%	587	640	12,284	13,511
Bank loans – EUR (in A$)	2.2%	505	606	28,394	29,505
Bank loans – GBP (in A$)	2.4%	133	133	5,474	5,740
Finance lease liabilities	10.0%	586	150	195	931
Bank guarantees	–	57,284	–	–	57,284

Credit risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity's overall credit risk management strategy of only dealing with creditworthy counter-parties, remains unchanged from 2014. The Consolidated Entity measures credit risk on a fair value basis. The Consolidated Entity limits credit risk on liquid funds and derivative instruments by only dealing with banks that have high credit-ratings assigned by international credit-rating agencies.

Trade accounts receivable consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the counter-parties and, in certain instances, trade credit insurance cover is purchased.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Consolidated Entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

The Consolidated Entity does not have any significant credit risk exposure to any single counter-party or any group of counter-parties having similar characteristics. During the financial year ended 30 June 2015, an outstanding customer receivable totalling $4,419,000 was assessed as unrecoverable by the Consolidated Entity and, accordingly, an impairment charge was recognised through profit or loss.

The ageing profile of trade receivables is disclosed in note 8.

Notes to the financial statements (cont.)

28. Financial instruments (cont.)

Fair value

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

			Fair value measurement using		
	Date of valuation	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
2015					
Derivative financial assets and liabilities	30 June 2015	1,484	–	1,484	–
2014					
Contingent consideration – refer to note 14	30 June 2014	3,252	–	–	3,252

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.

29. Earnings per share

	2015 Cents	2014 Cents
Basic earnings per share	(7.08)	18.86
Diluted earnings per share	(7.08)	18.51

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2015 $'000	2014 $'000
Earnings	(16,685)	44,200

	2015 No. '000	2014 No. '000
Weighted average number of shares	235,696	234,310

Diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows. In 2015, earnings are a net loss and as such diluted earnings per share is the same as basic earnings per share.

	2015 $'000	2014 $'000
Earnings	(16,685)	44,200

	2015 No. '000	2014 No. '000
Weighted average number of shares(i)	239,472	238,854
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:		
Weighted average number of shares used in the calculation of basic earnings per share	235,696	234,310
Shares deemed to be issued for no consideration in respect of:		
Executive share options and performance rights(ii)	3,776	4,544
	239,472	238,854

(i) Weighted average number of converted, lapsed or cancelled potential ordinary shares used in the calculation of diluted earnings per share.

(ii) Executive share options and performance rights are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share.

Notes to the financial statements (cont.)

30. Segment reporting

Segment descriptions

The Consolidated Entity has identified the following three segments organised based on services and products: Workforce Services, Technical Professionals and Engineering and Marine services. The operating results of these segments are monitored separately for the purpose of making decisions about resource allocation and performance assessment.

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 (formerly Offshore Marine Services) 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.

Segment revenues and results

2015 Segment result	Workforce Services $'000	Technical Professionals $'000	Engineering & Marine Services $'000	Un-allocated & eliminations $'000	Total $'000
Revenue	799,405	312,556	940,549	(5,995)	2,046,516
Other income	–	–	910	283	1,193
EBITDA	22,834	14,652	80,009	(15,128)	102,367
Depreciation and amortisation	(5,517)	(2,389)	(7,978)	(65)	(15,949)
Earnings before interest and tax	17,317	12,263	72,031	(15,193)	86,418
Net interest expense					(10,834)
Profit before tax before reconciling items					75,584
Reconciliation of profit					
Impairment of goodwill arising due to fair value derived from Scheme proposal					(60,000)
Redundancy and branch closure costs					(2,875)
Acquisition and integration costs					(1,659)
SKILLED CEO transition costs					(980)
Strategic initiatives costs					(1,702)
Amortisation of intangibles(i)					(10,162)
Notional interest on deferred acquisition payments					(845)
Profit/(Loss) before tax					(2,639)
Income tax expense					(14,046)
Profit/(Loss) for the period					(16,685)
Segment assets and liabilities					
Assets	247,987	73,557	503,944	20,504	845,992
Liabilities	73,046	16,695	169,933	160,080	419,754
Other segment information					
Share of profit of jointly controlled entities	–	–	910	–	910
Carrying value of investments accounted for using the equity method	–	–	474	–	474
Acquisition of segment assets	4,543	583	22,487	–	27,613

(i) Includes amortisation of acquired intangibles from wholly owned entities and amortisation recognised within equity accounted income from associates

30. Segment reporting (cont.)

Segment revenues and results

2014 Segment result	Workforce Services $'000	Technical Professionals $'000	Engineering & Marine Services $'000	Un-allocated & eliminations $'000	Total $'000
Revenue	884,253	375,032	614,092	(3,808)	1,869,569
Other income	–	–	3,749	212	3,961
EBITDA	35,200	16,574	58,278	(14,696)	95,356
Depreciation and amortisation	(5,176)	(2,210)	(4,909)	(182)	(12,477)
Earnings before interest and tax	30,024	14,364	53,369	(14,878)	82,879
Net interest expense					(7,781)
Profit before tax before reconciling items					75,098
Reconciliation of profit					
Redundancy and branch closure costs					(2,951)
Acquisition and integration costs					(4,031)
Amortisation of intangibles[(i)]					(6,211)
Notional interest on deferred acquisition payments					(1,338)
Profit before tax					60,567
Income tax expense					(16,367)
Profit for the period					44,200
Segment assets and liabilities					
Assets	256,136	99,281	493,531	24,151	873,099
Liabilities	71,399	21,127	120,269	181,507	394,302
Other segment information					
Share of profit of jointly controlled entities	–	–	3,749	–	3,749
Carrying value of investments accounted for using the equity method	–	–	22,882	–	22,882
Acquisition of segment assets	6,529	1,295	168,978	–	176,801

(i) Amortisation of acquired intangibles recognised within equity accounted income from associates

31. Parent company disclosures

	2015 $'000	2014 $'000
Current assets	340,204	268,568
Total assets	750,694	738,452
Current liabilities	164,868	201,084
Total liabilities	394,284	357,516
Net assets	356,410	380,936
Equity		
Issued capital	353,875	352,937
Employee equity-settled benefits reserve	1,943	748
Retained earnings[1]	592	27,251
Total equity	356,410	380,936
Profit for the year	13,384	56,047
Other comprehensive income	–	–
Total comprehensive income	13,384	56,047
Contingent liabilities		
Bank guarantees for various contracts	39,119	32,882
	39,119	32,882

As detailed in note 24, the Company has entered into a deed of cross guarantee with certain wholly owned controlled entities. The effect of the deed is that the Company has guaranteed to pay any deficiency in the event of winding up of any controlled entity or if they do not meet their obligations under the terms of loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that the Company is wound up or if it does not meet its obligations under the terms of loans, leases or other liabilities subject to the guarantee.

Subsequent to 30 June 2015, dividends totalling $77,021,000 have been received by the Company. Had these dividends been received on or before 30 June 2015, retained earnings would have been $77,613,000.

Commitments for expenditure

There are no other commitments for expenditure, at the end of the financial year, other than those disclosed in the financial statements.

32. Subsequent events

Other Matters

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