

Appendix 4D ASX Listing Rule 4.2A.3
31 December 2010
Half Year Report
Skilled Group Limited
ABN 66 005 585 811

**Appendix 4D ASX Listing Rule 4.2A.3
Half Year Report
Skilled Group Limited**

**Results for announcement to the market
Half year ended ('current period') – 31 December 2010
(‘previous corresponding period’ – 31 December 2009)**

| | Percentage change | \$AUD'000 |
|---|-------------------|-----------|
| Revenues from ordinary activities | Up 10.6% to | 934,257 |
| Revenues from continuing operations | Up 10.6% to | 934,257 |
| Net loss after tax from continuing operations | Down 151.1% to | (2,301) |
| Loss from ordinary activities after tax attributable to members | Down 151.1% to | (2,301) |
| Net loss for the period attributable to members | Down 151.1% to | (2,301) |

| Dividends (distributions) | Amount per security | Franked amount per security |
|-------------------------------------|---------------------|-----------------------------|
| Interim Dividend (Previous Year) | 0.0¢ 0.0¢ | 0.0¢ 0.0¢ |
| Final Dividend (Previous Year) | 0.0¢ 1.5¢ | 0.0¢ 1.5¢ |

| Earnings Per Ordinary Fully Paid Share (EPS) | Current period | Previous corresponding period |
|---|----------------|-------------------------------|
| Basic EPS | (1.21)¢ | 2.83¢ |
| Diluted EPS | (1.20)¢ | 2.83¢ |

| NTA backing | Current period | Previous corresponding period |
|--|----------------|-------------------------------|
| Net tangible asset backing per ordinary security | (28.7)¢ | (48.7)¢ |

| Net asset backing | Current period | Previous corresponding period |
|---|----------------|-------------------------------|
| Net asset backing per ordinary security | 178.0¢ | 172.9¢ |

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Half Year Report
Skilled Group Limited
Directors' report

The Directors of Skilled Group Limited (the "Company") present the financial report for the half year ended 31 December 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

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

| | |
|--|---|
| T.B. Janes | V.A McFadden |
| G.M. Hargrave | P.A. Gregg (resigned 10 February 2011) |
| M.P. McMahon (appointed 8 November 2010) | K.V. Loughnan AO (resigned 25 October 2010) |
| R.N. Herbert AM | K.W. Hughes (resigned 25 October 2010) |
| M.J. Findlay | T.A. Horton (appointed 10 February 2011) |

Review of operations

A detailed review of the operations of the consolidated entity is contained in the interim results announcement to the Australian Stock Exchange.

Subsequent events

On 23 February 2011, the Company announced an equity capital raising of approximately \$51,600,000 (net of costs) through a fully underwritten 1 for 6 accelerated non renounceable entitlement offer, at an offer price of \$1.68 per share. The net proceeds will be used to pay down debt.

Subsequent to the half year end the Company commenced discussions with parties regarding the possible sale of Excelior, the customer contact solution business. The Board will consider the sale of the business if acceptable terms are agreed that reflect the full value of the business.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 3.

Rounding of amounts

The Company is of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the Directors' report and the financial report have been rounded off to the nearest thousand dollars unless otherwise stated.

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

On behalf of the Directors



M.P. McMahon
Director



T.B. Janes
Director

Sydney, 23 February 2011

The Board of Directors
Skilled Group Limited
Level 15
380 St Kilda Road
Melbourne Victoria 3004

23 February 2011

Dear Board Members

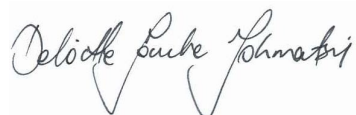
Skilled Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Skilled Group Limited.

As lead audit partner for the review of the financial statements of Skilled Group Limited for the half year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely,



DELOITTE TOUCHE TOHMATSU



Tom Imbesi
Partner
Chartered Accountants

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Directors' declaration
For the Half Year Ended 31 December 2010

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



M.P. McMahon
Director



T.B. Janes
Director

Sydney, 23 February 2011

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Half Year Report
Skilled Group Limited
Condensed consolidated statement of comprehensive income
For the half year ended 31 December 2010

| | Note | Half year ended 31 December 2010 \$ '000 | Half year ended 31 December 2009 \$ '000 |
|--|------|--|--|
| Revenue | | 934,257 | 844,526 |
| Equity-accounted income from joint venture | | 1,687 | 2,240 |
| Interest income | | 342 | 223 |
| Employee and sub-contractor related costs | | (819,835) | (730,309) |
| Raw materials and consumables used | | (5,105) | (2,044) |
| Office occupancy related costs | | (7,711) | (8,594) |
| Depreciation and amortisation expenses | 3 | (13,166) | (10,423) |
| Impairment of goodwill | 2 | (12,449) | - |
| Finance costs | 4 | (13,713) | (14,448) |
| (Loss)/gain from sale of assets | | (39) | 13 |
| Marine vessel charter costs | | (16,529) | (23,069) |
| Other expenses | | (46,643) | (52,086) |
| Profit before income tax expense | | 1,096 | 6,029 |
| Income tax expense | | (3,397) | (1,523) |
| (Loss)/profit for the period | 9 | (2,301) | 4,506 |
| Other comprehensive income | | | |
| Gain on cash flow hedges taken to equity | | 3,250 | 4,662 |
| Income tax on items taken directly to equity | | (981) | (1,399) |
| Change in foreign currency translation reserve arising on translation of foreign operations and net investment in foreign subsidiaries | | (456) | (876) |
| Other comprehensive income for the year, net of tax | | 1,813 | 2,387 |
| Total comprehensive income for the year | | (488) | 6,893 |
| (Loss)/profit attributable to members of the parent entity | 9 | (2,301) | 4,506 |
| Total comprehensive income attributable to members of the parent entity | | (488) | 6,893 |
| Earnings per share | | | |
| Basic (cents per share) | | (1.21)¢ | 2.83¢ |
| Diluted (cents per share) | | (1.20)¢ | 2.83¢ |

Notes to the condensed financial statements are included on pages 9 to 14.

Appendix 4D ASX Listing Rule 4.2A.3
Half Year Report
Skilled Group Limited
Condensed consolidated statement of financial position
As at 31 December 2010

| | Note | 31 December 2010 \$'000 | 30 June 2010 \$'000 |
|--------------------------------------|------|----------------------------|------------------------|
| Current assets | | | |
| Cash and cash equivalents | | 2,180 | 2,577 |
| Trade and other receivables | | 242,398 | 253,326 |
| Other financial assets | | 2,304 | 503 |
| Current tax assets | | - | 3,829 |
| Inventories | | 892 | 911 |
| Other | | 5,627 | 8,754 |
| Total current assets | | 253,401 | 269,900 |
| Non-current assets | | | |
| Receivables | | 1,516 | 1,687 |
| Other financial assets | | 142 | 64 |
| Property, plant and equipment | | 16,757 | 18,117 |
| Equity accounted investments | | 3,625 | 1,938 |
| Goodwill | | 330,597 | 343,851 |
| Other intangibles | | 63,495 | 70,873 |
| Deferred tax assets | | 14,625 | 12,930 |
| Total non-current assets | | 430,757 | 449,460 |
| Total assets | | 684,158 | 719,360 |
| Current liabilities | | | |
| Payables | 6 | 97,830 | 133,292 |
| Borrowings | 11 | 50,329 | 17,861 |
| Current tax liabilities | | 3,562 | - |
| Other financial liabilities | | 2,854 | 3,441 |
| Provisions | | 36,826 | 31,593 |
| Total current liabilities | | 191,401 | 186,187 |
| Non-current liabilities | | | |
| Payables | 6 | 6,125 | 11,946 |
| Borrowings | 11 | 135,168 | 169,088 |
| Other financial liabilities | | 1,148 | 2,600 |
| Provisions | | 10,871 | 9,889 |
| Total non-current liabilities | | 153,312 | 193,523 |
| Total liabilities | | 344,713 | 379,710 |
| Net assets | | 339,445 | 339,650 |
| Equity | | | |
| Issued capital | 7 | 279,129 | 279,129 |
| Reserves | | (1,381) | (3,477) |
| Retained earnings | 9 | 61,697 | 63,998 |
| Total equity | | 339,445 | 339,650 |

Notes to the condensed financial statements are included on pages 9 to 14.

Appendix 4D ASX Listing Rule 4.2A.3
Half Year Report
Skilled Group Limited
Condensed consolidated statement of changes in equity
For the half year ended 31 December 2010

| | Issued capital | Foreign currency translation reserve | Hedging reserve | Employee equity-settled benefits reserve | Retained earnings | Total |
|---|-----------------------|---|------------------------|---|--------------------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2010 | 279,129 | (1,116) | (3,811) | 1,450 | 63,998 | 339,650 |
| Loss for the period | - | - | - | - | (2,301) | (2,301) |
| Exchange differences arising on translation of foreign operations | - | (456) | - | - | - | (456) |
| Gain/(loss) on cash flow hedges | - | - | 3,250 | - | - | 3,250 |
| Income tax relating to components of other comprehensive income | - | - | (981) | - | - | (981) |
| Total comprehensive income for the period | - | (456) | 2,269 | - | (2,301) | (488) |
| Issue of shares | - | - | - | - | - | - |
| Amortisation of executive options and performance rights | - | - | - | 283 | - | 283 |
| Payment of dividends | - | - | - | - | - | - |
| Balance at 31 December 2010 | 279,129 | (1,572) | (1,542) | 1,733 | 61,697 | 339,445 |

| | | | | | | |
|---|----------------|--------------|----------------|--------------|---------------|----------------|
| Balance at 1 July 2009 | 180,170 | 107 | (8,183) | 1,284 | 54,153 | 227,531 |
| Profit for the period | - | - | - | - | 4,506 | 4,506 |
| Exchange differences arising on translation of foreign operations | - | (876) | - | - | - | (876) |
| Gain/(loss) on cash flow hedges | - | - | 4,662 | - | - | 4,662 |
| Income tax relating to components of other comprehensive | - | - | (1,399) | - | - | (1,399) |
| Total comprehensive income for the period | - | (876) | 3,263 | - | 4,506 | 6,893 |
| Issue of shares | 98,133 | - | - | - | - | 98,133 |
| Amortisation of executive options and performance rights | - | - | - | 166 | - | 166 |
| Payment of dividends | - | - | - | - | (2,856) | (2,856) |
| Balance at 31 December 2009 | 278,303 | (769) | (4,920) | 1,450 | 55,803 | 329,867 |

Notes to the condensed financial statements are included on pages 9 to 14.

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Half Year Report
Skilled Group Limited**

| Condensed Consolidated Statement of Cash Flows | | | |
|--|-------------|--|--|
| For the half year ended 31 December 2010 | | | |
| | Note | 31 December 2010 \$'000 | 31 December 2009 \$'000 |
| Cash flows from operating activities | | | |
| Profit before taxation | | 1,096 | 6,029 |
| Adjustments for: | | | |
| Depreciation and amortisation of non current assets | | 13,166 | 10,423 |
| Interest revenue | | (342) | (223) |
| Interest expense | | 13,713 | 14,448 |
| Earnings before interest, tax, depreciation and amortisation | | 27,633 | 30,677 |
| Amortisation of executive share options and performance rights | | 283 | 166 |
| Impairment of goodwill | | 12,449 | - |
| Net loss/(gain) on disposal of property, plant & equipment | | 39 | (13) |
| Non-cash joint venture income | | (1,687) | (2,240) |
| | | 38,717 | 28,590 |
| Increase/decrease in assets and liabilities excluding effects of acquisitions and investments | | | |
| Decrease/(increase) in receivables | | 10,908 | (21,659) |
| Decrease/(increase) in inventories | | 19 | (249) |
| Decrease/(increase) in other assets | | 3,127 | 4,567 |
| (Decrease)increase in payables* | | (23,069) | 2,524 |
| Increase/(decrease) in provisions | | 6,208 | (1,319) |
| Cash generated from operations | | 35,910 | 12,454 |
| Income taxes refunded | | 1,323 | 2,440 |
| Net Cash Provided by Operating Activities | | 37,233 | 14,894 |
| Cash Flows From Investing Activities | | | |
| Payments for property, plant and equipment | | (2,344) | (1,616) |
| Payments for intangibles | | (1,710) | (3,947) |
| Payments for purchase of businesses | 13 | (19,813) | (10,974) |
| Proceeds from sale of property, plant and equipment | | 84 | 13 |
| Net Cash Used in Investing Activities | | (23,783) | (16,524) |
| Cash Flows From Financing Activities | | | |
| Proceeds from borrowings | | 279,827 | 242,252 |
| Repayment of borrowings | | (280,139) | (312,814) |
| Interest received | | 342 | 223 |
| Interest paid | | (11,495) | (11,787) |
| Proceeds from issues of equity | | 192 | 92,908 |
| Dividends paid | | - | (2,570) |
| Net Cash Provided by Financing Activities | | (11,273) | 8,212 |
| Net Increase in Cash and Cash Equivalents | | | |
| Cash and cash equivalents at the beginning of the financial period | | (2,470) | 4,202 |
| Effects of foreign exchange rates on the balance of cash held in foreign currencies* | | 1,089 | (326) |
| Cash and cash Equivalents at the end of the financial period | | 796 | 10,458 |
| Represented by: | | | |
| Cash at bank | | 2,180 | 14,917 |
| Bank overdrafts | | (1,384) | (4,459) |
| | | 796 | 10,458 |
| * Prior period comparatives have been adjusted to be consistent with current period disclosure | | | |

Notes to the condensed financial statements are included on pages 9 to 14.

Appendix 4D ASX Listing Rule 4.2A.3
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Skilled Group Limited
Notes to the condensed financial statements
For the half year ended 31 December 2010

1. Significant accounting policies

Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the 2010 annual financial report. The presentation currency for this half year report is Australian dollars.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2010 annual financial report for the financial year ended 30 June 2010.

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

2. Significant items

| | December 2010 \$'000 | December 2009 \$'000 |
|---|---------------------------------------|---------------------------------------|
| Redundancy and branch closure costs | 1,652 | 2,894 |
| Impairment of goodwill | 12,449 | - |
| Costs associated with the discontinued sale process of the Swan Contract Personnel business * | 939 | - |
| | 15,040 | 2,894 |

*Includes incremental internal expenses of \$345,000, inclusive of staff retention payments.

Impairment losses recognised in the period

Due to downgrades in their respective cash flow forecasts during the period, the consolidated entity assessed the recoverable amount of goodwill and determined that goodwill associated with the Longhill, Skilled NZ and Extraman businesses was impaired by \$2,733,000, \$1,722,000 and \$7,994,000 respectively. The recoverable amount of each business was assessed by reference to each cash generating units' value-in-use. All impairments related to the Workforce Services segment. A pre-tax discount rate of 12.76% (2009:12.43%) was applied in the value-in-use model.

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Half Year Report
Skilled Group Limited**

Notes to the Condensed Financial Statements
For the half year ended 31 December 2010

3. Depreciation and amortisation

| | December 2010 \$'000 | December 2009 \$'000 |
|-------------------------------|---------------------------------|---------------------------------|
| Depreciation: | | |
| Plant and equipment | 2,474 | 2,282 |
| Leasehold improvements | 1,277 | 2,013 |
| Equipment under finance lease | 340 | 544 |
| | 4,091 | 4,839 |
| Amortisation: | | |
| Software and licences | 3,794 | 2,921 |
| Databases | 4,002 | 1,063 |
| Brand names | 361 | 588 |
| Other acquired intangibles | 918 | 1,012 |
| | 9,075 | 5,584 |
| | 13,166 | 10,423 |

4. Finance costs

| | December 2010 \$'000 | December 2009 \$'000 |
|--|---------------------------------|---------------------------------|
| Interest paid to other entities | 11,328 | 12,468 |
| Finance lease charges | 177 | 154 |
| Notional interest on deferred acquisition payments | 646 | 1,368 |
| Amortisation of loan establishment fees | 1,562 | 458 |
| | 13,713 | 14,448 |

5. Segment Reporting

| | |
|---------------------------------|--|
| Segment descriptions | The consolidated entity has identified the following four segments: Workforce Services, Other Staffing Services, Engineering and Marine services and Business Services. |
| Workforce Services | Provision of supplementary labour hire. Revenue from this segment is earned predominantly from the provision of blue-collar labour hire to clients in the industrial, mining and resources sectors. Brands in this segment include SKILLED, TESA, Extraman and Longhill Group. |
| Other Staffing Services | Provision of nursing, white collar, engineering and technical professional staff. Brands in this segment include Origin Healthcare and its subsidiaries, PeopleCo, Mosaic, Swan, Skilled Technical Professionals and Damstra Mining Services. |
| 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 and Offshore Marine Services. |
| Business Services | Provision of customer contact solutions for third-party clients provided through our Excelior brand. |
| Other disclosures | The consolidated entity predominantly operates in one geographical segment, being Australia. Inter-segment pricing is on a normal commercial basis. |

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Skilled Group Limited**

**Notes to the Condensed Financial Statements
For the half year ended 31 December 2010**

5. Segment Reporting (continued)

| Segment revenues and results | Workforce Services | Other Staffing Services | Engineering & Marine Services | Business Services | Eliminations | Un-allocated | Total |
|---|---------------------------|--------------------------------|--|--------------------------|---------------------|---------------------|---------------|
| Half year ended December 2010 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Segment Result | | | | | | | |
| Revenue* | 468,606 | 210,769 | 232,446 | 25,603 | (1,490) | 11 | 935,944 |
| EBITDA | 7,242 | 9,737 | 20,508 | 527 | | (10,381) | 27,633 |
| Depreciation and amortisation | (2,884) | (6,061) | (2,112) | (1,153) | | (956) | (13,166) |
| Earnings before interest and tax | 4,358 | 3,676 | 18,396 | (626) | | (11,337) | 14,467 |
| Net interest expense | | | | | | | (13,371) |
| Profit before tax | | | | | | | 1,096 |
| Income tax expense | | | | | | | (3,397) |
| Loss for the period | | | | | | | (2,301) |
| Segment Assets and Liabilities | | | | | | | |
| Assets | 269,065 | 121,439 | 264,432 | 11,579 | | 17,347 | 683,862 |
| Liabilities | 64,586 | 18,093 | 61,792 | 5,601 | | 194,345 | 344,417 |
| Other Segment Information | | | | | | | |
| Share of profit of jointly controlled entities | | | 1,687 | | | | 1,687 |
| Carrying value of investments accounted for using the equity method | | | 3,625 | | | | 3,625 |
| Acquisition of segment assets | 2,015 | 370 | 1,124 | 953 | | | 4,463 |

| Segment revenues and results | Workforce Services | Other Staffing Services | Engineering & Marine Services | Business Services | Eliminations | Un-allocated | Total |
|---|---------------------------|--------------------------------|--|--------------------------|---------------------|---------------------|---------------|
| Half year ended December 2009 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Segment Result | | | | | | | |
| Revenue* | 414,632 | 173,980 | 231,311 | 28,563 | (1,720) | - | 846,766 |
| EBITDA | 17,867 | 7,348 | 11,426 | 2,162 | | (8,126) | 30,677 |
| Depreciation and amortisation | (3,046) | (3,230) | (1,990) | (1,655) | | (502) | (10,423) |
| Earnings before interest and tax | 14,821 | 4,118 | 9,436 | 507 | | (8,628) | 20,254 |
| Net interest expense | | | | | | | (14,225) |
| Profit before tax | | | | | | | 6,029 |
| Income tax expense | | | | | | | (1,523) |
| Profit for the period | | | | | | | 4,506 |
| Segment Assets and Liabilities | | | | | | | |
| Assets | 270,503 | 119,177 | 284,407 | 15,542 | - | 30,162 | 719,791 |
| Liabilities | 66,467 | 18,325 | 95,215 | 6,765 | - | 203,152 | 389,924 |
| Other Segment Information | | | | | | | |
| Share of profit of jointly controlled entities | | | 2,240 | | | | 2,240 |
| Carrying value of investments accounted for using the equity method | | | 2,240 | | | | 2,240 |
| Acquisition of segment assets | 4,664 | 491 | 1,079 | 812 | | | 7,046 |

* Revenue includes equity accounted income in respect of joint ventures disclosed in the 'Condensed Consolidated Statement of Comprehensive Income'.

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**Notes to the Condensed Financial Statements
For the half year ended 31 December 2010**

6. Payables

| | December 2010 \$'000 | June 2010 \$'000 |
|---------------------------------|---------------------------------|-----------------------------|
| Current: | | |
| Trade payables and accruals | 75,450 | 94,386 |
| Deferred purchase consideration | 7,286 | 20,019 |
| Goods and services tax payable | 15,094 | 18,887 |
| | 97,830 | 133,292 |
| Non-current: | | |
| Deferred purchase consideration | 6,125 | 11,946 |

7. Issued capital

| | December 2010 \$'000 | June 2010 \$'000 |
|--|---------------------------------|-----------------------------|
| 190,738,408 fully paid ordinary shares (June 2010:190,738,408) | 279,129 | 279,129 |

| | 6 months ended December 2010 No. '000 | 6 months ended December 2010 \$'000 | 12 months ended June 2010 No. '000 | 12 months ended June 2010 \$'000 |
|---|--|--|---|---|
| Fully paid ordinary shares | | | | |
| Balance at beginning of reporting period | 190,738 | 279,129 | 123,592 | 180,170 |
| Issue of shares under employee share acquisition scheme | - | - | 168 | 357 |
| Issue of shares under the dividend reinvestment plan | - | - | 157 | 285 |
| Issue of shares under share placement and share purchase plan (i) | - | - | 66,821 | 98,317 |
| Balance at end of reporting period | 190,738 | 279,129 | 190,738 | 279,129 |

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

(i) Net of issuance costs of \$2,737,980 and tax adjustment of \$821,394.

8. Share based payment plans

The consolidated entity has an ownership based remuneration scheme for executive directors and executives under which share options and performance rights are issued to executive directors and executives at the discretion of the Board and are recognised in the financial statements when issued, the cost of which is based on an independent valuation as at the grant date and amortised over the vesting period of the options and performance rights.

| Share options | 6 months ended December 2010 No. | 12 months ended June 2010 No. |
|--|---|--|
| Balance at beginning of the reporting period | 10,150,000 | 10,112,000 |
| Granted during the reporting period | 527,000 | 724,000 |
| Lapsed during the reporting period | (3,447,000) | (686,000) |
| Balance at end of the reporting period | 7,230,000 | 10,150,000 |

| Performance rights | 6 months ended December 2010 No. | 12 months ended June 2010 No. |
|--|---|--|
| Balance at beginning of the reporting period | 472,500 | - |
| Granted during the reporting period | 1,118,000 | 498,800 |
| Lapsed during the reporting period | (68,000) | (26,300) |
| Balance at end of the reporting period | 1,522,500 | 472,500 |

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**Notes to the Condensed Financial Statements
For the half year ended 31 December 2010**

9. Retained Earnings

| | 6 months ended December 2010 \$'000 | 12 months ended June 2010 \$'000 |
|---|--|---|
| Balance at beginning of the reporting period | 63,998 | 54,153 |
| Net loss attributable to members of parent entity | (2,301) | 12,701 |
| Dividends provided for or paid | - | (2,856) |
| Balance at end of reporting period | 61,697 | 63,998 |

10. Dividends

| | 6 months ended December 2010 \$'000 | | 12 months ended June 2010 \$'000 | |
|---|--|-----------------|---|-----------------|
| | Cents per share | Total \$'000 | Cents per share | Total \$'000 |
| <u>(a) Recognised amounts</u> | | | | |
| Final dividend relating to year ended June 2009, 100% franked | | | 1.5 | 2,856 |
| Interim dividend relating to year ended June 2010, 100% franked | | | - | - |
| Final dividend relating to year ended June 2010, 100% franked | - | - | | |
| | | - | | 2,856 |
| <u>(b) Unrecognised amounts</u> | | | | |
| Final dividend relating to year ended June 2010, 100% franked | | | - | - |
| Interim dividend for the year ended 30 June 2011, 100% franked | - | - | | |

11. Borrowings

| | December 2010 \$'000 | June 2010 \$'000 |
|---------------------------|---------------------------------|-----------------------------|
| <u>Current</u> | | |
| Bank overdraft | 1,384 | 5,047 |
| Bank debt facilities | 46,000 | 8,300 |
| Insurance premium funding | 1,888 | 2,757 |
| Finance lease liabilities | 1,057 | 1,757 |
| | 50,329 | 17,861 |
| <u>Non-current</u> | | |
| Bank debt facilities | 134,798 | 168,748 |
| Finance lease liabilities | 370 | 340 |
| | 135,168 | 169,088 |
| Total | | |

12. Contingent liabilities

| | December 2010 \$'000 | June 2010 \$'000 |
|---------------------------------------|---------------------------------|-----------------------------|
| Bank guarantees for various contracts | 15,320 | 19,718 |

**Appendix 4D ASX Listing Rule 4.2A.3
Half Year Report
Skilled Group Limited**

Notes to the Condensed Financial Statements
For the half year ended 31 December 2010

13. Business acquisitions

There were no new acquisitions during the current period.

| | December 2010 \$'000 | December 2009 \$'000 |
|---|---------------------------------|---------------------------------|
| Net Cash Outflows for prior years acquisitions | | |
| Payment of deferred consideration (i) | 19,813 | 10,974 |

(i) During the period deferred consideration payments were made in respect of the prior periods' acquisitions of OMS Australia, OMS NZ, OMS UK and OMS International.

14. Subsequent Events

On 23 February 2011, the Company announced an equity capital raising of approximately \$51,600,000 (net of costs) through a fully underwritten 1 for 6 accelerated non renounceable entitlement offer, at an offer price of \$1.68 per share. The net proceeds will be used to pay down debt.

Subsequent to the half year end the Company commenced discussions with parties regarding the possible sale of Excelior, the customer contact solution business. The Board will consider the sale of the business if acceptable terms are agreed that reflect the full value of the business.

Independent Auditor's Review Report to the members of Skilled Group Limited

We have reviewed the accompanying half-year financial report of Skilled Group Limited, which comprises the condensed statement of financial position as at 31 December 2010, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 4 to 14.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Skilled Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration


In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Skilled Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Deloitte.

Conclusion

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

- (a) giving a true and fair view of the company's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Tom Imbesi
Partner
Chartered Accountants

23 February 2011