Appendix 4E **ASX Listing Rule 4.3A**

Preliminary Final Report
Skilled Group Limited

ABN 66 005 585 811
Results for Announcement to the Market
Financial Year Ended ('current period') – 30 June 2011
('previous corresponding period' – 30 June 2010)

			$A'000
Revenue	Up	10.5% to	1,876,255
Statutory net profit after tax	Down	75.3% to	3,139
Underlying net profit after tax	Up	36.0% to	26,089
Statutory net profit for the period attributable to members	Down	75.3% to	3,139

Dividends	**Amount per security**	**Franked amount per security**
Final Dividend (Previous Year)	3.0¢ 0.0¢	3.0¢ 0.0¢
Interim Dividend (Previous Year)	0.0¢ 0.0¢	0.0¢ 0.0¢
Record date for determining entitlements to the Dividend	21 September 2011	
Date for payment of Final Dividend	13 October 2011	
The Board of Directors have decided to suspend the Dividend Reinvestment Plan until further notice.		

Earnings Per Ordinary Fully Paid Share (EPS)	**Current Period**	**Previous Corresponding Period**
Basic EPS Diluted EPS	1.6¢ 1.6¢	7.3¢ 7.3¢
EPS from Continuing Operations		
Basic EPS Diluted EPS	1.6¢ 1.6¢	7.3¢ 7.3¢
NTA Backing		
Net tangible asset backing per ordinary security	10.4¢	(39.4)¢
Net Asset Backing		
Net asset backing per ordinary security	178.2¢	178.1¢

The Appendix 4E is based on accounts that are in the process of being audited.	
Annual General Meeting Place: State Library of Victoria Date: 18 October 2011 Time: 11.00 am	
Annual Report available (approximate date):	15 September 2011
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.	

Signed: .... Date: 24 August 2011

Tim Paine
Company Secretary

Consolidated statement of comprehensive income For the financial year ended 30 June 2011			
	Note	**2011 $'000**	**2010 $'000**
Revenue	4	1,876,255	1,697,994
Equity-accounted income from joint venture	4	3,700	1,938
Other income	4	496	385
Employee and sub-contractor related costs		(1,648,744)	(1,465,858)
Raw materials and consumables used		(11,456)	(7,723)
Office occupancy related costs		(15,897)	(16,651)
Loss from sale of assets		(119)	(513)
Impairment of goodwill		(12,449)	(1,657)
Marine vessel charter costs		(33,035)	(40,147)
Other expenses		(95,558)	(105,258)
Depreciation and amortisation expenses	4	(27,729)	(21,829)
Finance costs	4	(28,808)	(26,854)
Profit before income tax		6,656	13,827
Income tax expense	6	(3,517)	(1,126)
Profit for the year		**3,139**	**12,701**
Other comprehensive income			
Gain/(loss) on cash flow hedges taken to equity	27	3,767	6,246
Income tax on items taken directly to equity	27	(1,130)	(1,874)
Change in foreign currency translation reserve arising on translation of foreign operations and net investment in foreign subsidiaries	27	(566)	(1,223)
Other comprehensive income for the year, net of tax		**2,071**	**3,149**
Total comprehensive income for the year		**5,210**	**15,850**
Profit attributable to members of the parent entity	28	**3,139**	**12,701**
Total comprehensive income attributable to members of the parent entity		**5,210**	**15,850**

Earnings per share		
Basic EPS	1.6¢	7.3¢
Diluted EPS	1.6¢	7.3¢

Notes to the Preliminary Final Report are included on pages 6 to 27.

Consolidated statement of financial position
As at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets			
Cash and cash equivalents		13,931	2,577
Trade and other receivables	8	240,176	253,326
Other financial assets	11	1,193	503
Current tax assets	19	-	3,829
Inventories	9	816	911
Other	10	6,752	8,754
Total current assets		**262,868**	**269,900**
Non-current assets			
Receivables	12	2,035	1,687
Other financial assets	11	-	64
Property, plant and equipment	13	13,231	18,117
Equity accounted investments	14	5,638	1,938
Goodwill	15	334,671	343,851
Other intangibles	15	56,397	70,873
Deferred tax assets	16	17,887	12,930
Total non-current assets		**429,859**	**449,460**
Total assets		**692,727**	**719,360**
Current liabilities			
Payables*	17	99,834	128,115
Borrowings	18	509	17,861
Current tax liabilities	19	1,702	-
Other financial liabilities	21	1,958	3,441
Provisions*	20	43,652	36,770
Total current liabilities		**147,655**	**186,187**
Non-current liabilities			
Payables	17	7,222	11,946
Borrowings	22	109,959	169,088
Provisions	23	11,961	9,889
Other financial liabilities	21	623	2,600
Total non-current liabilities		**129,765**	**193,523**
Total liabilities		**277,420**	**379,710**
Net assets		**415,307**	**339,650**
Equity			
Issued capital	25	348,943	279,129
Reserves	27	(773)	(3,477)
Retained earnings	28	67,137	63,998
Total equity		**415,307**	**339,650**

* In 2011 an adjustment of $5,177,000 was made to reclassify a portion of the 2010 employee entitlements liability balance from current payables to current provisions to ensure consistency with the current period disclosure.

Notes to the Preliminary Final Report are included on pages 6 to 27.

Consolidated statement of cash flows
For the financial year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Cash flows from operating activities			
Profit before taxation		6,656	13,827
Adjustments for:			
Depreciation and amortisation of non current assets		27,729	21,829
Interest revenue		(496)	(385)
Interest expense		28,808	26,854
Earnings before interest, tax, depreciation and amortisation		62,697	62,125
Amortisation of executive share options and performance rights		633	166
Loss on disposal of property, plant & equipment		119	513
Impairment of goodwill		12,449	1,657
Impairment of plant & equipment		-	444
Non-cash joint venture income		(3,700)	(1,938)
		72,198	62,967
Increase/decrease in assets and liabilities excluding effects of acquisitions and investments			
Decrease/(increase) in receivables		12,632	(42,517)
Decrease in inventories		95	257
Decrease in other assets		2,002	3,007
(Decrease)/Increase in payables		(16,857)	8,342
Increase in provisions		8,954	(3,502)
Cash generated from operations		79,024	28,554
Income taxes (paid)/received		(3,288)	502
Net Cash Provided by Operating Activities		**75,736**	**29,056**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(3,634)	(3,679)
Payments for intangibles		(3,574)	(6,909)
Payments for purchase of businesses	29(c)	(20,329)	(12,394)
Proceeds from sale of property, plant and equipment		151	531
Net Cash Used in Investing Activities		**(27,386)**	**(22,451)**
Cash Flows From Financing Activities			
Proceeds from borrowings		565,328	453,590
Repayment of borrowings		(646,590)	(535,173)
Interest received		496	385
Interest paid		(20,658)	(22,674)
Net proceeds from issues of equity		69,191	93,449
Dividends paid		-	(2,570)
Net Cash Used in Financing Activities		**(32,233)**	**(12,993)**
Net Increase/(Decrease) in Cash and Cash Equivalents		**16,117**	**(6,388)**
Cash and cash equivalents at the beginning of the Financial Year		(2,470)	4,202
Effects of exchange rate changes on the balance of cash held in foreign currencies		284	(284)
Cash and Cash Equivalents at the End of the Financial Year		**13,931**	**(2,470)**

Notes to the Preliminary Final Report are included on pages 6 to 27.

Consolidated statement of changes in equity
For the financial year ended 30 June 2011

	Issued capital $'000	Foreign currency translation reserve $'000	Hedging reserve $'000	Employee equity-settled benefits reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2010	**279,129**	**(1,116)**	**(3,811)**	**1,450**	**63,998**	**339,650**
Profit for the period	-	-	-	-	3,139	3,139
Exchange differences arising on translation of foreign operations	-	(566)	-	-	-	(566)
Gain/(loss) on cash flow hedges	-	-	3,767	-	-	3,767
Income tax relating to components of other comprehensive income	-	-	(1,130)	-	-	(1,130)
Total comprehensive income for the year	-	(566)	2,637	-	3,139	5,210
Issue of shares	69,814	-	-	-	-	69,814
Amortisation of executive options and performance rights	-	-	-	633	-	633
Payment of dividends	-	-	-	-	-	-
Balance at 30 June 2011	**348,943**	**(1,682)**	**(1,174)**	**2,083**	**67,137**	**415,307**

Balance at 1 July 2009	180,170	107	(8,183)	1,284	54,153	227,531
Profit for the period	-	-	-	-	12,701	12,701
Exchange differences arising on translation of foreign operations	-	(1,223)	-	-	-	(1,223)
(Loss) on cash flow hedges	-	-	6,246	-	-	6,246
Income tax relating to components of other comprehensive	-	-	(1,874)	-	-	(1,874)
Total comprehensive income for the year	-	(1,223)	4,372	-	12,701	15,850
Issue of shares	98,959	-	-	-	-	98,959
Amortisation of executive options and performance rights	-	-	-	166	-	166
Payment of dividends	-	-	-	-	(2,856)	(2,856)
Balance at 30 June 2010	**279,129**	**(1,116)**	**(3,811)**	**1,450**	**63,998**	**339,650**

Notes to the Preliminary Final Report are included on pages 6 to 27.

Notes to the Preliminary Final Report

1. Adoption of new and revised accounting standards

The consolidated entity has adopted the following new and revised Standards and Interpretations as listed below, which have not impacted the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements:

- AASB 1048 Interpretations of Standards (June 2010)
- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process
- AASB 2009-8 Amendments to Australian Accounting Standards- Group Cash-Settled Share-based Payment transactions
- AASB 2009-9 Amendments to Australian Accounting Standards- Additional Exemptions for First-time Adopters
- AASB 2009-10 Amendments to Australian Accounting Standards- Classification of Rights Issues
- AASB 2010-1 Limited Exemption from Comparative AASB 7 Disclosures for First-time adopters
- AASB 2010-3 Amendments to Australian Accounting Standards from the Annual Improvement Process
- Interpretation 19 Extinguishing Liabilities with Equity Instruments

At the date of authorisation of the financial report, a number of Standards and Interpretations were on issue but not yet effective. Application of these Standards and Interpretations is not expected to have any material impact on the financial report of the consolidated entity:

• AASB 9 Financial Instruments (December 2009), AASB 2009-11 Amendments to Australian Accounting Standards from AASB 9	Effective for annual reporting periods beginning on or after 1 January 2013
• AASB 9 Financial Instruments (December 2010), AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	Effective for annual reporting periods beginning on or after 1 January 2013
• AASB 124 Related Party Disclosures (2009), AASB 2009-12 Amendments to Australian Accounting Standards	Effective for annual reporting periods beginning on or after 1 January 2011
• AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	Effective for annual reporting periods beginning on or after 1 July 2013
• AASB 1054 Australian Additional Disclosures, AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project	Effective for annual reporting periods beginning on or after 1 July 2011
• AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Regime	Effective for annual reporting periods beginning on or after 1 July 2013
• AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	Effective for annual reporting periods beginning on or after 1 January 2011
• AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Effective for annual reporting periods beginning on or after 1 January 2011
• AASB 2010-5 Amendments to Australian Accounting Standards	Effective for annual reporting periods beginning on or after 1 January 2011
• AASB 2010-6 Amendments to Australian Accounting Standards- Disclosures on Transfers of Financial Assets	Effective for annual reporting periods beginning on or after 1 July 2011
• AASB 2010-8 Amendments to Australian Accounting standards- Deferred Tax: Recovery of Underlying Assets	Effective for annual reporting periods beginning on or after 1 January 2012
• AASB 2010-10 Further Amendments to Australian Accounting Standards	Effective for annual reporting periods beginning on or after 1 January 2013
• IFRS 10 Consolidated Financial Statements	Effective for annual reporting periods beginning on or after 1 January 2013
• IFRS 11 Joint Arrangements	Effective for annual reporting periods beginning on or after 1 January 2013

Notes to the Preliminary Final Report

1. Adoption of new and revised accounting standards Continued

• IFRS 12 Disclosure of interests in Other Entities	Effective for annual reporting periods beginning on or after 1 January 2013
• IFRS 13 Fair Value Measurement	Effective for annual reporting periods beginning on or after 1 January 2013
• IAS 27 Separate Financial Statements	Effective for annual reporting periods beginning on or after 1 January 2013
• IAS 28 Investments in Associates and Joint Ventures (2011)	Effective for annual reporting periods beginning on or after 1 January 2013
• AASB 2010-9 Amendments to Australian Accounting Standards- Severe Hyperinflation and Removal of Fixed dates for First-time Adopters	Effective for annual reporting periods beginning on or after 1 July 2011
• IAS 1 Presentation of Items of Other Comprehensive Income	Effective for annual reporting periods beginning on or after 1 July 2012
• IAS 19 Employee Benefits	Effective for annual reporting periods beginning on or after 1 July 2013

2. Significant Accounting Policies

Basis of preparation
This Preliminary Final Report has been prepared in accordance with ASX listing rule 4.3A and the disclosure requirements of ASX Appendix 4E, and the recognition and measurement requirements of Australian Accounting Standards.

The Preliminary Final Report has 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.

Significant accounting policies
The following significant accounting policies have been adopted in the preparation and presentation of the Preliminary Final Report:

(a) Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at the initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the consolidated entity's interests and subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the consolidated entity's and the non-controlling interests are adjusted to reflect the changes in their relative interests in their subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Notes to the Preliminary Final Report

2. Significant Accounting Policies Continued

(a) Basis of consolidation continued

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 of 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 and loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration agreement, is 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 (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

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 and 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 and 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, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes And AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the consolidated entity of an acquiree’s share-based payment awards are measured in accordance with AASB 2 Share Based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Non Current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

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.

Notes to the Preliminary Final Report

2. Significant Accounting Policies Continued

(c) Joint venture agreements

Jointly controlled entities

Interests in jointly controlled entities in which the consolidated entity is a venturer (and so has joint control) are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

Investments in jointly controlled entities where the consolidated entity is an investor but does not have joint control over that entity are accounted for as an available-for-sale financial asset or, if the consolidated entity has significant influence, by using the equity method.

(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

(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 balance sheet.

(f) Derivative financial instruments

The consolidated entity enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange risk.

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). The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or current liability if the remaining maturity of the hedge relationship is less than 12 months. Derivatives not designated into an effective hedge relationship are classified as a current asset or a current liability.

Hedge accounting

The consolidated entity designates certain hedging 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.

Notes to the Preliminary Final Report

2. Summary of Accounting Policies Continued

(f) Derivative financial instruments continued

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 and 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.

(g) Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition. Acquisition related costs are expensed as incurred in the Income Statement.

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.

(h) Revenue recognition

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.

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 and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(i) Income Tax

Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax consolidated entity under Australian taxation law. Skilled Group Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using a 'stand alone taxpayer' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by Skilled Group Limited (as head entity in the tax-consolidated group).

Notes to the Preliminary Final Report

2. Summary of Accounting Policies Continued

(i) Income Tax continued

Due to the existence of tax funding arrangements between the entities in the tax consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangements.

Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

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 comprehensive balance sheet liability 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.

Current and deferred tax for the period
Current and deferred tax is recognised as an expense or income in the income statement, 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.

Notes to the Preliminary Final Report

2. Summary of Accounting Policies Continued

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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

Work performed but not billed on contracts is valued at the contract rate and recorded as work in progress. Profits recognised are based on the percentage completion of each contract.

(k) 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'.

Investments in controlled entities are recorded at cost less any impairment write-down.

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired when there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

(l) Property, plant and equipment

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

Depreciation is provided on property, plant and equipment, including buildings but excluding land. 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:

Buildings	4 – 20 years
Leasehold improvements	1 – 10 years
Plant and equipment	4 – 5 years
Equipment under finance lease	2 – 8 years
Computer equipment	3 – 7 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.

(m) 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.

Notes to the Preliminary Final Report

2. Summary of Accounting Policies Continued

(m) Leased assets continued

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.

(n) Impairment of 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.

Recoverable amount is the higher of fair value less costs to sell 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.

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.

(o) Goodwill

Goodwill, representing the excess of the cost of an acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised.

Goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Goodwill is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Notes to the Preliminary Final Report

2. Summary of Accounting Policies Continued

(p) 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 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. Other trademarks and 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 1 to 5 years.

Databases

Databases are recorded at cost less accumulated amortisation, and amortised over a maximum of10 years on a straight-line basis.

Software

Costs associated with the development of computer systems are 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 3 to 12 years on a straight-line basis.

Non-compete agreements and contracts

Non-compete agreements and contracts arising as a result of a business acquisition, recognised separately from goodwill, are valued at the time of the acquisition and amortised over the life of the agreement or contract on a straight-line basis.

(q) Borrowings

Bank loans 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.

(r) Financial instruments issued by the company

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.

Notes to the Preliminary Final Report

2. Summary of Accounting Policies Continued

(r) Financial instruments issued by the company continued

Interest and Dividends
Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

Financial guarantee contract liabilities
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 in accordance with the revenue recognition policies described in note 2(h).

(s) Employee benefits
Provision is made for benefits accruing to employees in respect of wages and salaries, rostered days off, annual leave and long service leave and contracted severance 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 which 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 of services provided by employees up to the reporting date.

Contributions made to defined contribution superannuation plans are expensed when incurred.

(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 preliminary 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 balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. 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.

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(f));
- exchange differences on monetary items receivable or payable to a foreign operation for which settlement is neither planned or 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 balance sheet 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.

Notes to the Preliminary Final Report

2. Summary of Accounting Policies Continued

(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 cash flow statement 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.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

(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 balance date.

Claims Recoveries

Claims recoveries are recorded on claims paid under self insurance in relation to workers compensation. The recoveries are recognised as revenue 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 balance date.

Notes to the Preliminary Final Report

2. Summary of Accounting Policies Continued

(x) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. The fair value determined, by an external valuation, at the grant date(s) of the equity-settled share-based payments are expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will eventually vest.

3. Critical Accounting Judgments and Key Sources of Uncertainty

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 preliminary final report. Accounting policies are selected and applied in a manner which ensures that 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.

Key areas of estimation uncertainty

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

<u>Acquisitions based on future earnings</u>

In the 2008 financial year SKILLED acquired the issued capital of Offshore Marine Services (UK) Ltd (OMS UK) and Offshore Marine Services Ltd (OMS International). The acquisition purchase price for OMS UK and OMS International is based on a multiple of 5.75 times EBITDA for 2010 (50% weighting), 2011 (25% weighting) and 2012 (25% weighting) financial years.

The valuation of the acquisition purchase price requires an estimation of future EBITDA's for each entity. In addition, the estimated payable is required to be discounted at a suitable discount rate in order to calculate present value.

<u>Goodwill impairment testing</u>

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the consolidated entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill, net of impairment, at the balance sheet date was $334,671,000 (2010: $343,851,000).

Notes to the Preliminary Final Report

4. Profit from operations

The profit from continuing and discontinued operations, before income tax, includes the following items of revenue and expense:	2011 $'000	2010 $'000
(a) Revenue		
Sales revenue:		
Rendering of services	1,876,255	1,697,994
(b) Equity-accounted income from joint venture		
Income from OMS Alliance joint venture	3,700	1,938
(c) Other income		
Interest income	496	385
(d) Expenses		
Finance costs:		
Interest and other costs paid to other entities	27,491	24,277
Finance lease charges	295	290
Notional interest on deferred acquisition payments	1,022	2,287
	28,808	26,854
Net bad and doubtful debts expense	1,296	2,356
Depreciation and amortisation:		
Depreciation:		
Plant and equipment	5,739	5,094
Leasehold improvements	3,419	4,617
Equipment under finance lease	536	985
	9,694	10,696
Amortisation:		
Databases	7,997	2,123
Software and licences	7,497	6,031
Brand names	721	1,028
Other acquired intangibles	1,820	1,951
	18,035	11,133
	27,729	21,829
Operating lease rental expenses:		
Properties	12,969	13,452
Computer equipment	1,373	1,659
Marine vessels under bareboat charter	33,035	40,147
Other	98	251
	47,475	55,509
Equity settled share based payments (amortisation of executive options and performance rights)	633	166

Notes to the Preliminary Final Report

4. Profit from operations (continued)

	2011 $'000	2010 $'000
(e) Reconciliation of underlying profit		
Statutory profit before tax	6,656	13,827
Redundancy and branch closure costs	6,215	5,291
Impairment of goodwill	12,449	1,657
Unamortised bank facility establishment fees write off	4,096	-
Costs associated with the discontinued sale process of the Swan Contract Personnel business *	939	-
Amortisation of acquired intangibles:		
• Brand names	721	1,028
• Other acquired intangibles	1,820	1,951
Notional interest on deferred acquisition payments	1,022	2,287
Underlying profit before tax	**33,918**	**26,041**
Tax expense	(7,829)	(6,857)
Underlying profit after tax	**26,089**	**19,184**

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

Notes to the Preliminary Final Report

5. Segment Reporting

Segment revenues and results 2011	Workforce Services $'000	Other Staffing Services $'000	Engineering & Marine Services $'000	Business Services $'000	Elim-inations $'000	Un-allocated $'000	Total $'000
Segment Result							
Revenue	945,861	421,962	461,267	50,326	(3,161)	-	1,876,255
Other income	-	-	3,700	-	-	496	4,196
EBITDA	27,022	20,553	33,263	758	-	(18,899)	62,697
Depreciation and amortisation	(6,285)	(12,172)	(4,322)	(3,001)	-	(1,949)	(27,729)
Earnings before interest and tax	20,737	8,381	28,941	(2,243)	-	(20,848)	34,968
Net interest expense						(28,312)	(28,312)
Profit before tax							6,656
Income tax expense							(3,517)
Profit for the period							3,139
Segment Assets and Liabilities							
Assets	256,911	118,757	269,826	12,598	-	34,635	692,727
Liabilities	66,815	21,031	69,676	5,148	-	114,750	277,420
Other Segment Information							
Share of profit of jointly controlled entities			3,700				3,700
Carrying value of investments accounted for using the equity method			5,638				5,638
Acquisition of segment assets	3,190	1,367	2,070	1,694			8,321

Segment revenues and results 2010	Workforce Services $'000	Other Staffing Services $'000	Engineering & Marine Services $'000	Business Services $'000	Elim-inations $'000	Un-allocated $'000	Total $'000
Segment Result							
Revenue	841,444	350,385	457,358	51,870	(3,063)	-	1,697,994
Other income	-	-	1,938	-	-	385	2,323
EBITDA	36,034	15,681	24,936	2,419	-	(16,945)	62,125
Depreciation and amortisation	(6,230)	(6,513)	(4,731)	(3,289)	-	(1,066)	(21,829)
Earnings before interest and tax	29,804	9,168	20,205	(870)	-	(18,011)	40,296
Net interest expense						(26,469)	(26,469)
Profit before tax							13,827
Income tax expense							(1,126)
Profit for the period							12,701
Segment Assets and Liabilities							
Assets	265,965	128,894	290,049	13,820	-	20,632	719,360
Liabilities	60,918	22,552	97,289	5,962	-	192,989	379,710
Other Segment Information							
Share of profit of jointly controlled entities			1,938				1,938
Carrying value of investments accounted for using the equity method			1,938				1,938
Acquisition of segment assets	3,979	1,774	2,586	2,154			10,493

Notes to the Preliminary Final Report

5. Segment Report Continued

Other Disclosures

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

Segment Descriptions

The consolidated entity has identified the following four segments: Workforce Services, Other Staffing Services, Engineering & 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 included in this segment include SKILLED, TESA, Extraman and Longhill Group.
Other Staffing Services	Provision of engineering and technical professional, white collar and nursing staff. Brands included in this segment include Swan, Skilled Technical Professionals, Mosaic, PeopleCo, Damstra Mining Services and Origin Healthcare and its subsidiaries.
Engineering & Marine Services	Provision of contract maintenance and engineering services and offshore marine staffing and vessel chartering and management services. Brands included in this segment include ATIVO and Offshore Marine Services.
Business Services	Provision of customer contact solutions for third party clients provided through the Excelior brand.

6. **Income Tax**	**2011 $'000**	**2010 $'000**
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:		
Profit from operations	6,656	13,827
Income tax expense calculated at 30%	1,997	4,148
Non-deductible items including entertainment, deferred settlement discount and amortisation of share based payments	734	1,106
Foreign income tax rate differential	(1,476)	(1,100)
Research and development concession	(237)	(1,542)
Equity-accounted income from joint venture	(1,110)	(583)
Goodwill impairment	3,735	449
Tax-consolidation amendments	-	(1,703)
Other	(166)	362
(Under)/Over- provision of income tax in previous year	40	(11)
Income tax expense	3,517	1,126
Income tax expense comprises:		
Current tax expense in respect of the current year	10,444	5,026
Adjustments recognised in the current year in relation to the current tax of prior years	(1,573)	(3,405)
Deferred tax expense relating to the origination and reversal of temporary differences	(5,354)	(495)
Total income tax expense	3,517	1,126

Notes to the Preliminary Final Report

7. Dividends	2011		2010	
	Cents per share	Total $'000	Cents per share	Total $'000
Recognised Amounts				
Final 2009 dividend fully franked at a tax rate of 30%			1.5	2,856
Interim 2010 dividend fully franked at a tax rate of 30%			-	-
Final 2010 dividend fully franked at a tax rate of 30%	-	-		
Interim 2011 dividend fully franked at a tax rate of 30%	-	-		
		-		2,856
Unrecognised Amounts				
Final 2010 dividend fully franked at a tax rate of 30%			-	-
Final 2011 dividend fully franked at a tax rate of 30%	3.0	6,997		

	2011 $'000	2010 $'000
Franking account balance	65,000	58,498

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 $2,999,000 (2010: $nil).

	2011 $'000	2010 $'000
8. Current Receivables		
Trade receivables	239,568	250,389
Allowance for doubtful debts	(5,040)	(3,814)
	234,528	246,575
Goods and services tax receivable	1,765	2,995
Other receivables	3,883	3,756
	240,176	253,326
9. Inventories		
Raw materials and stores at cost	816	911
10. Other Assets		
Prepayments	6,752	8,754
11. Other Financial Assets		
Current		
Foreign currency forward contracts	1,193	503
Non-current		
Foreign currency forward contracts	-	64
12. Non-Current Receivables		
Claims recoveries	1,758	1,398
Other recoveries	277	289
	2,035	1,687

13. Property, Plant and Equipment	Land & buildings $'000	Leasehold improvements $'000	Plant & equipment $'000	Assets under finance lease $'000	Total $'000
Net Book Value					
As at 30 June 2010	-	6,273	9,018	2,826	18,117
As at 30 June 2011	-	4,097	5,732	3,402	13,231

Notes to the Preliminary Final Report

14. Equity accounted investments	**2011 $'000**	**2010 $'000**
Investment in OMS Alliance joint venture	5,638	1,938

15. Intangibles	**2011 $'000**	**2010 $'000**
Goodwill		
Net Book Value	334,671	343,851

Other Intangibles	**Databases**	**Software & Licenses**	**Trademarks & Brand names**	**Other**	**Total**
Net Book Value	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
As at 30 June 2010	7,997	45,188	15,364	2,324	70,873
As at 30 June 2011	-	41,260	14,635	502	56,397

	2011 $'000	**2010 $'000**
16. Deferred Tax Assets		
Temporary differences	17,887	12,930
Deferred tax assets have been reduced by the deferred tax liability attributable to temporary differences by the amount of	6,326	8,791
17. Payables		
Current Payables		
Unsecured:		
Trade payables and accruals	75,794	89,209
Deferred purchase consideration	9,692	20,019
Goods and services tax payable	14,348	18,887
	99,834	128,115
Non Current Payables		
Unsecured:		
Deferred purchase consideration	7,222	11,946
18. Current borrowings		
Secured:		
Bank overdraft (i)	-	5,047
Bank Debt Facilities (i)	-	8,300
Insurance Premium Funding (ii)	-	2,757
Finance Lease Liabilities (iii)	509	1,757
	509	17,861
(i) Secured by registered fixed and floating charge over all of the assets of the consolidated entity. (ii) Secured by the underlying policies. (iii) Secured over the assets leased, the current market value of which exceeds the value of the finance lease liabilities.		
19. Current Tax Balances		
Income tax (payable)/receivable	(1,702)	3,829

Notes to the Preliminary Final Report

20. Current Provisions	2011 $'000	2010 $'000
Employee Benefits (Note 24)	36,060	33,244
Litigation (i)	915	501
Claims(ii)	2,935	2,523
Other (iii)	3,742	502
	43,652	36,770

(i) The provision for litigation represents the directors' best estimate of the future sacrifice of economic benefits that will be required for the consolidated entity to meet all obligations under litigation proceedings. The estimate has been made on the basis of known legal actions, the probability of success and the likelihood of eventual future economic sacrifice.
(ii) Provision for Claims incurred under self insurance in relation to Workers Compensation.
(iii) Other provisions include a provision for rental and make good obligations on leased premises and a provision for costs associated with the end of certain labour and maintenance services contracts.

21. Other Financial Liabilities	2011 $'000	2010 $'000
Current		
Foreign currency forward contracts	507	257
Interest rate swaps	1,451	3,184
	1,958	3,441
Non-current		
Foreign currency forward contracts	-	178
Interest rate swaps	623	2,422
	623	2,600

22. Non-current borrowings	2011 $'000	2010 $'000
Secured:		
Bank Debt facilities (i)	109,075	168,748
Finance lease liabilities (ii)	884	340
	109,959	169,088

(i) Secured by a fixed and floating charge over all of the assets of the consolidated entity.
(ii) Secured over the assets leased, the current market value of which exceeds the value of the finance lease liabilities.

23. Non-Current Provisions	2011 $'000	2010 $'000
Employee benefits (Note 24)	4,004	3,429
Claims Provisions (i)	5,318	4,040
Other	2,639	2,420
	11,961	9,889
(i) Provision for Claims incurred under self insurance in relation to Workers Compensation.		
24. Employee Benefits		
The aggregate employee entitlement liability recognised and included in the financial statements is as follows:		
Provision for employee benefits:		
Current (Note 20)	36,060	33,244
Non-Current (Note 23)	4,004	3,429
Accrued wages and salaries (i)	8,910	15,905
	48,974	52,578

(i) Accrued wages and salaries are included in current trade payables and accruals as disclosed in note 17 to the financial statements.

Notes to the Preliminary Final Report

	2011 $'000	2010 $'000
25. Issued Capital		
233,089,776 fully paid ordinary shares (2010: 190,738,408)	348,943	279,129

	2011 No. '000	2011 $'000	2010 No. '000	2010 $'000
Fully Paid Ordinary Shares				
Balance at beginning of financial year	190,738	279,129	123,592	180,170
Issue of shares under Employee Share Acquisition Scheme (i)	126	228	168	357
Issue of shares under the Dividend Reinvestment Plan	-	-	157	285
Issue of shares under share placement and share purchase plan (ii)	42,225	69,586	66,821	98,317
Balance at end of financial year	**233,089**	**348,943**	**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 $14,000 (2010: nil).
(ii) Net of issuance costs of $1,695,000 (net of tax) (2010: $1,917,000).

Shares held by Subsidiaries
Allskills Pty Ltd, a wholly owned subsidiary, held 418,500 (2010: 417,500) shares in Skilled Group Limited at 30 June 2011. These shares were held for the benefit of the Skilled Group Limited Share Plan Trust.

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

Share options	2011 No.	2010 No.
Balance at beginning of the financial year	10,150,000	10,112,000
Granted during the financial year	527,000	724,000
Lapsed during the financial year	(4,689,000)	(686,000)
Balance at end of the financial year	5,988,000	10,150,000

Performance rights	2011 No.	2010 No.
Balance at beginning of the financial year	472,500	-
Granted during the financial year	1,118,000	498,800
Exercised during the financial year	(154,000)	-
Lapsed during the financial year	(134,900)	(26,300)
Balance at end of the financial year	1,301,600	472,500

	2011 $'000	2010 $'000
27. Reserves		
Employee equity settled benefits reserve (i)	2,083	1,450
Hedging reserve (ii)	(1,174)	(3,811)
Foreign currency translation (iii)	(1,682)	(1,116)
	(773)	(3,477)

Notes to the Preliminary Final Report

	2011 $'000	2010 $'000
27. Reserves *Continued*		
Employee equity settled benefits reserve		
Balance at beginning of the financial year	1,450	1,284
Share based payments – amortisation of executive options and performance rights	633	166
Balance at end of financial year	2,083	1,450

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

	2011 $'000	2010 $'000
Hedging Reserve		
Balance at beginning of financial year	(3,811)	(8,183)
Gains/(loss) recognised on cash flow hedges:		
Foreign currency forward contracts	546	161
Interest rate swaps	3,532	5,926
Income tax related to gains/losses recognised in equity	(1,223)	(1,826)
Transferred to profit or loss:		
Foreign currency forward contracts	(311)	-
Interest rate swaps	-	159
Income tax related to amounts transferred to profit or loss	93	(48)
Balance at end of financial year	(1,174)	(3,811)

(ii) 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(f) to the Preliminary Final Report.

Foreign currency translation reserve	2011 $'000	2010 $'000
Balance at beginning of financial year	(1,116)	107
(Deficit)/surplus from translation of financial statements of foreign operations	(566)	(1,223)
Balance at end of financial year	(1,682)	(1,116)

(iii) 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, as described in Note 2(t) of the Preliminary Final Report.

	2011 $'000	2010 $'000
28. Retained Earnings		
Balance at beginning of financial year	63,998	54,153
Net profit attributable to members of parent entity	3,139	12,701
Dividends paid	-	(2,856)
Balance at end of financial year	67,137	63,998

Notes to the Preliminary Final Report

29. Notes to the Statement of Cash Flows

(a) Non-cash Financing and Investing Activities.

During the financial year, the consolidated entity:

i. Acquired plant and equipment under finance lease with an aggregate value of $1,112,000 (2010: $nil).
ii. Operated a dividend reinvestment plan in which dividends paid during the year of $Nil (2010: $285,000) were re-invested in ordinary shares.

	2011 $'000	2010 $'000
(b) Financing Facilities		
Bank overdraft facilities, payable at call:		
Amount used	-	5,047
Amount unused	6,747	1,778
	6,747	6,825
Syndicated bank debt facility and market rate advance facilities subject to periodic roll-over:		
Amount used	109,331	180,629
Amount unused	60,669	59,371
	170,000	240,000

The bank overdraft, syndicated bank debt facility and market rate advance facility are secured by a fixed and floating charge over the assets of the consolidated entity. The bank overdraft and market rate advance facility are subject to annual review. At 30 June 2011, the syndicated bank debt facility was in a single tranche of $160 million reviewable in August 2012.

On 4 July 2011 the consolidated entity announced to the ASX that had successfully refinanced its syndicated bank debt facility. The new facility of $160 million in total comprises two tranches, being $60 million (maturing in August 2013) and $100 million (maturing in August 2014). The syndicate now comprises the four major domestic banks, National Australia Bank, ANZ Banking Group, Westpac Banking Corporation and Commonwealth Bank of Australia.

(c) Business Acquired	2011 $'000	2010 $'000
During the financial year, the consolidated entity did not make any acquisitions (2010: nil).		
Net outflow of cash for prior year acquisitions		
Payment of deferred consideration	20,329	12,394

During the financial year deferred consideration payments were made in respect of the prior period's acquisitions of OMS Australia, OMS New Zealand, OMS International and OMS UK.

30. Subsequent Events

On 4 July 2011 the consolidated entity announced to the ASX that had successfully refinanced its syndicated bank debt facility. The new facility of $160 million in total comprises two tranches, being $60 million (maturing in August 2013) and $100 million (maturing in August 2014). The syndicate now comprises the four major domestic banks, National Australia Bank, ANZ Banking Group, Westpac Banking Corporation and Commonwealth Bank of Australia.

Due to EPS performance measures not being met in relation to grants made in 2006 and 2008 under the Executive Share Option Plan, 3,259,000 options will lapse in the 2012 financial year.

Other than these events, there has been no matter of 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.