SKILLED

Annual Report 2013

1 Corporate Governance Statement
8 Operating and Financial Review
14 Directors’ Report
18 Remuneration Report
30 Auditor’s independence declaration
31 Independent audit report
33 Director’s declaration
34 Financial Statements
87 Shareholder Information
89 2013 Corporate Directory

Corporate Governance Statement

This Statement outlines the corporate governance framework adopted by SKILLED Group. The Board believes that its policies and practices should encompass a high standard of corporate governance in the interests of SKILLED Group and its shareholders.

The corporate governance framework is based on a set of charters and policies, which are designed to identify and manage the risks of the Company's businesses. In developing its approach to corporate governance, your Board aims to foster a culture that values and rewards our people for maintaining ethical standards, and is encouraging of diversity and respect for others.

The SKILLED Group Board fully supports the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Governance Principles) and is committed to complying with those recommendations, unless it believes compliance is not in the best interests of shareholders. SKILLED Group has complied with all recommendations contained in the ASX Governance Principles throughout the 2013 year.

The Board

RESPONSIBILITIES AND FUNCTIONS OF THE BOARD

The Board of Directors is responsible for setting the strategic direction of the Company and for overseeing and monitoring its businesses and affairs. The Board Charter sets out the principles used by the Board to manage its affairs and enable it to discharge its responsibilities. The Board Charter is available for review in the Corporate Governance section of www.skilled.com.au

The functions of the Board include:

- setting overall financial goals for the Company;
- approving strategies and plans for SKILLED Group's businesses to achieve these goals;
- approving financial plans and annual budgets;
- monitoring business performance and results;
- overseeing the Company's sustainability and diversity;
- approving key management recommendations (such as major capital expenditure, acquisitions, divestments, restructuring and funding);
- appointing and reviewing the performance of the Chief Executive Officer and senior management;
- reporting to shareholders on the Company's direction and performance;
- overseeing the management of occupational health and safety and environmental performance;
- determining that satisfactory internal control arrangements are in place regarding the Company's operations;
- determining that satisfactory arrangements are in place for auditing and reporting the Company's financial affairs;
- considering and making declarations in relation to distributions to shareholders; and
- meeting statutory and regulatory requirements and overseeing the way business risks and SKILLED Group's assets are managed.

The Board also sets policies to guide management in relation to key decisions and activities.

The day-to-day management of the Company's affairs and implementation of the approved strategy and policies are the responsibility of the Chief Executive Officer, who is accountable to the Board for those responsibilities. The Board has approved clear delegated authorities throughout the group which sets limits to the authority of the management team. In addition, formal position descriptions detail key accountabilities and authorities for the Chief Executive Officer, the Chief Financial Officer and other key executives.

COMPOSITION OF THE BOARD AND THE APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Board is currently comprised of six directors, being five non-executive directors and one executive director, Mr Mick McMahon. The Board is chaired by an independent non-executive director. The roles of the Chairman and Chief Executive Officer are separate.

The names of the directors of the Company in office during the financial year and their skills, experience, expertise and period of office are set out in the Directors' Report.

In searching for and selecting new directors to the Board, the Nomination Committee identifies any gaps in the expertise, skills and diversity characteristics of the directors on the Board and then, using external consultants as appropriate, identifies candidates with the appropriate attributes. The Nomination Committee's Charter provides that the Committee shall take into account the Company's Diversity Policy and its application to the composition of the Board, and consider strategies to address diversity in the composition of the Board. The mix of skills and diversity which the Committee is looking to achieve and maintain in the membership of the Board is in areas such as:

- specialist skill representation relating to both functions (such as safety, industrial relations, marketing, strategy development, accounting, finance, economics and law) and industry backgrounds (such as resources, manufacturing, services and healthcare);
- board and senior executive experience (including familiarity with formal board and governance processes and senior executive functions at organisations of significant size);
- diversity in general (including in particular gender diversity); and
- a commitment to the highest standards of governance and integrity.

Corporate Governance Statement (cont.)

New appointees are expected to bring independent views and judgement to Board deliberations, to add to the portfolio of skills considered necessary, and to be able to devote sufficient time to the affairs of the Board.

In accordance with the ASX Listing Rules and the Company's Constitution, any director other than the Managing Director must retire by rotation no later than at the end of the third annual general meeting following their last election or three years, whichever is later, and are eligible to stand for re-election. At least one election or re-election of a director must be held each year. In accordance with these requirements, Mr Herbert, AM will retire and stand for re-election at the 2013 Annual General Meeting.

Before each annual general meeting, the Board assesses the performance of each director due to stand for re-election, and the Board decides whether to recommend to the shareholders that they vote in favour of the re-election of each director.

Executive directors receive no additional remuneration for their service on the Board beyond their executive salary package. The maximum aggregate remuneration of non-executive directors is determined by the shareholders. The policy on directors' remuneration and relevant details are contained in the Remuneration Report.

All directors are expected to prepare fully for all Board meetings, and to attend as many Board meetings as is reasonably practicable.

ROLE OF THE CHAIRMAN

In relation to the role of Chairman, the Board's Charter provides as follows:

- the Chairman is an independent, non-executive director; and
- the roles of the Chairman and the Chief Executive Officer should not be exercised by the same individual.

The Chairman plays an important leadership role and in particular:

- chairs meetings of the Board and provides effective leadership to it;
- monitors the performance of the Board and the mix of skills and effectiveness of the contributions of each director;
- maintains ongoing dialogue with the Chief Executive Officer and provides appropriate mentoring and guidance; and
- liaises with shareholders and potential investors on key issues, and chairs meetings of shareholders.

DIRECTORS' INDEPENDENCE

The Board assesses each of the directors against specific criteria to decide if they are considered to be independent. Directors are considered to be independent if they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, their ability to exercise unfettered and independent judgement.

In assessing the materiality of any such relationship, the Board considers the relationship from both the perspective of the Company and from the perspective of the director or related party. Materiality is assessed by reference to each director's individual circumstances, rather than by applying general materiality thresholds.

Each of the five current non-executive directors are considered independent.

The Board believes that no director has served on the Board for a period longer than what could materially affect their independence or their ability to act in the best interests of the Company.

The Board's policy Assessment of Independence of Directors is available for review in the Corporate Governance section of www.skilled.com.au

BOARD MEETINGS

The typical annual Board schedule involves at least nine face-to-face meetings each year. However, the Board will usually meet on an ad hoc basis on several other occasions, often by teleconference, in relation to specific matters requiring timely consideration.

Of the Board's scheduled meetings, most are held at SKILLED Group's head office in Melbourne. Typically two or three meetings each year are held at other capital cities to assist the Board to gain a better understanding of the Company's business activities in those cities.

At Board meetings the agenda will usually include:

- a review of minutes of the previous meeting, and outstanding issues raised by directors at previous meetings;
- a report on safety performance and strategy across SKILLED Group;
- the Chief Executive Officer's report;
- a Finance report;
- a Legal and Regulatory update;
- an overview of a specific business selected to present to that Board meeting, including its financial performance and strategies;
- reports on major projects, current business issues and specific proposals;
- reports from Chairs of Committees which have met since the last Board meeting on matters considered at those meetings;
- a consideration of whether any matters reported to, or considered at, the meeting warranted disclosure to the ASX pursuant to the Company's continuous disclosure obligations; and
- a closed session scheduled at the end of each meeting where the non- executive directors meet and confer in the absence of management.

The Company Secretary & Group General Counsel and the Chief Financial Officer are usually present at all Board meetings. Members of senior management attend Board meetings regularly to report on the businesses for which they are directly responsible or as otherwise requested by the Board.

Board and Committee papers are distributed electronically, with a view to improving the efficiency of the meeting processes, and to enhancing non-executive directors' timely access to information.

REVIEW OF BOARD PERFORMANCE

The Board's performance is subject to regular review in line with the recommendations in the ASX Governance Principles. The Company completed an externally facilitated review of the Board's effectiveness and performance in August 2013. This review included consideration of the size and composition of the Board and its Committees and the manner in which these function.

The next review of the Board's effectiveness and performance will be conducted before the end of 2014.

DIRECTORS' CONFLICTS OF INTEREST

Directors' outside interests that have the potential to conflict with the interests of the Company are declared by the relevant director by way of standing notification which is tabled at a Board meeting. At each Board meeting directors have the opportunity to notify the Board of any update or amendment to their disclosed interests.

If a conflict actually arises, the director concerned will absent himself or herself from that part of the meeting at which the issue is discussed, and will abstain from voting on the issue.

INDEPENDENT PROFESSIONAL ADVICE

With the prior approval of the Chairman, each director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfill his or her duties and responsibilities as a director.

Board Committees

Under the Constitution, the Board may delegate its powers and responsibilities to Committees of the Board. This allows the Board to spend additional and more focused time on specific issues. During the year, there were three Board Committees:

- the Audit & Risk Committee
- the Remuneration Committee
- the Nomination Committee

The Board will from time to time establish ad hoc Committees to assist the Board to review specific matters on a timely basis.

AUDIT & RISK COMMITTEE

The Audit & Risk Committee was constituted with effect from 1 July 2011 by way of a merger of the Audit Committee and the Risk Committee of the Board in order to provide for a more seamless oversight of the Company's financial and non-financial risks.

The main objective of the Audit & Risk Committee is to assist the Board to discharge its responsibility to exercise due care, diligence and skill in relation to the monitoring of:

- external reporting;
- internal control;
- external audit;
- internal audit; and
- risk management

The Audit & Risk Committee Charter is available for review in the Corporate Governance section of www.skilled.com.au

Corporate Governance Statement (cont.)

The members of the Audit & Risk Committee as at 30 June 2013 were:

- Mr Tony Cipa (Chairman of the Committee);
- Ms Vickki McFadden;
- Mr Max Findlay; and
- Ms Tracey Horton

The Audit & Risk Committee met on five occasions during the year. All members were in attendance at each meeting.

REMUNERATION COMMITTEE

The role of the Remuneration Committee is to review and make recommendations to the Board on remuneration packages and policies applicable to the Chief Executive Officer and senior executives. This role also includes responsibility for share option and performance rights schemes, incentive performance packages, and retirement and termination entitlements. The Committee is also responsible for making recommendations to the Board regarding the Company's Diversity Policy and strategies to address diversity across the Company as well as reviewing the Company's performance against its diversity objectives.

Remuneration levels are competitively set to attract the most qualified and experienced senior executives. The Remuneration Committee may obtain independent advice on the appropriateness of remuneration packages.

In the year ending 30 June 2013, performance evaluations for the Chief Executive Officer and senior executives were carried out in accordance with the process disclosed in the Remuneration Report. Detailed information on SKILLED Group's remuneration policies and practices is contained in the Remuneration Report.

The Remuneration Committee Charter is available for review in the Corporate Governance section of www.skilled.com.au. The members of the Remuneration Committee as at 30 June 2013 were:

- Mr Bob Herbert AM (Chairman of the Committee);
- Mr Max Findlay;
- Ms Vickki McFadden; and
- Ms Tracey Horton.

The Remuneration Committee met on seven occasions during the year. All members were in attendance at each meeting. Ms Horton joined the Committee on 20 March 2013.

NOMINATION COMMITTEE

The Nomination Committee supports and advises the Board on fulfilling its responsibilities to shareholders in ensuring that the Board is appropriately structured and comprised of individuals who are best able to discharge the responsibilities of directors. It is also responsible for assessing the terms of appointment and remuneration arrangements for non-executive directors. The Committee's Charter outlines the principles of diversity to be adopted in structuring the composition of the Board.

Details of directors' remuneration, superannuation and retirement payments are set out in the Remuneration Report contained in this Annual Report.

The Nomination Committee Charter is available for review in the Corporate Governance section of www.skilled.com.au.

The members of the Nomination Committee as at 30 June 2012 were:

- Ms Vickki McFadden (Chairman of the Committee);
- Mr Max Findlay; and
- Ms Tracey Horton

The Nomination Committee met on one occasion during the year. All members were in attendance at the meeting.

Ethical standards

ETHICS POLICIES

The Company has a Code of Ethics and a Code of Conduct, which set out how all directors, managers and employees of the Company are expected to act in the following main areas:

- professional conduct;
- dealing with clients;
- dealing with suppliers;
- dealing with competitors; and
- dealing with other employees.

The requirement to comply with the Code of Ethics and Code of Conduct is communicated to all employees. SKILLED Group's Code of Ethics and Code of Conduct are available in the Corporate Governance section of www.skilled.com.au.

Employees are encouraged to report any actual or suspected breach of the Code of Ethics and Code of Conduct to their supervisor or to their human resources manager. Alternatively, employees may choose to directly contact their executive general manager or the company secretary. Any employee who reports in good faith a breach or suspected breach of legal or ethical standards can do so confidentially and will not be subject to retaliation, or suffer any recrimination for making that report.

DIVERSITY

SKILLED Group values the diversity of our employees and the skills, background and experience they bring to work. We wish to reflect the communities in which we operate through fostering a culture which embraces and values this diversity.

As a service provider, SKILLED Group recognises leveraging a diverse workforce contributes to an enhanced service to all our stakeholders, builds a culture of high performance, improves our financial position, and builds a strong reputation in the markets in which we operate.

To support this commitment, the Board has a Diversity Policy with the purpose of securing the leadership, promotion and measurement of diversity across SKILLED Group.

Diversity Policy

The Diversity Policy highlights the need to:

- create an inclusive and supportive organisation by:
  - identifying and removing barriers to diversity;
  - respecting the unique diversity that each individual brings to the workplace; and
  - building our leadership pipeline to assist SKILLED Group's talent to develop the skills and experience they need to succeed.
- provide the structure and frameworks to support diversity by:
  - developing a robust governance structure with Board involvement;
  - auditing recruitment, performance, remuneration and development processes and developing an action plan for removing systemic barriers;
  - actively monitoring demographic changes, particularly in relation to gender diversity; and
  - delivering staff education programs to raise awareness and challenge workplace norms.
- eliminate discrimination, harassment, bullying and other inappropriate behaviours in the workplace.

Women at SKILLED Group

Women at SKILLED Group are represented at the highest levels of the organisation. Our focus is to ensure we support women in all roles and integrate our program for diversity, including gender diversity, into our succession planning for senior roles.

As at 30 June 2013, the proportion of women employed at different levels of SKILLED Group was as follows:

- two of the five non-executive directors at 30 June 2013 are women. Ms Vickki McFadden is Chairman of the Board and Ms Tracey Horton is a non-executive director;
- 13% of senior executive roles are filled by women; and
- 61% of SKILLED Group staff (excluding field employees on-hired to clients) are women.

In addition, 39% of our management roles are filled by women, compared to 37% last year. SKILLED Group has set a specific target to increase the representation of women in management roles to at least 40% by 2016.

The Diversity Policy is supported by SKILLED Group's Code of Conduct. The Diversity Policy and the Code of Conduct are available for review in the Corporate Governance section of www.skilled.com.au.

Risk management and control

CONTROLLING AND MANAGING RISKS

The Board is responsible for approving the Company's risk management strategy and policies. Management is responsible for the implementation of the strategy and for developing policies, processes and procedures to identify and manage risks. Whilst the Board is responsible for risk management, it has delegated responsibility for the monitoring and evaluation of the effectiveness of risk management and the internal control environment to the Audit & Risk Committee. This Committee regularly reviews the key risks and risk mitigants identified by management in addition to reviewing matters relating to external financial reporting.

In addition to reporting regularly to the Audit & Risk Committee on key risks and other internal control matters, management reports to the Board at least annually on the effectiveness of the risk management process for the Company's material risks. The Board has received and considered management's report on the effectiveness of the risk management process for the Company's key areas of risk for the year ended 30 June 2013 as part of its review of the FY13 Financial Report.

The CEO and the CFO have provided formal statements to the Board that, in all material respects:

- the Company's 30 June 2013 financial statements present a true and fair view of SKILLED Group's financial position and performance; and
- the risk management and internal compliance and control systems, to the extent they relate to financial reporting risks, are sound and operating effectively.

Further information on SKILLED Group's key business risks are contained in the Operating and Financial Review.

SKILLED Group's Risk Management Policy is available for review in the Corporate Governance section of www.skilled.com.au.

Corporate Governance Statement (cont.)

INTERNAL CONTROL FRAMEWORK

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that can be described under the following five headings.

- **Financial reporting:** There is a comprehensive budgeting system with an annual budget approved by the directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly. Procedures are also in place to ensure that information is reported to the ASX in accordance with continuous disclosure requirements.
- **Quality and integrity of personnel:** The Company has a suite of policies which specify principles, minimum standards and behaviours, which support its overall quality systems.
- **Internal audit:** The Company has an internal audit function to review and assess key risks across the organisation. The annual program is approved and monitored by the Audit & Risk Committee. External resources are used to augment this function.
- **Operating unit controls:** Financial controls and procedures, including information systems controls, are detailed in procedure manuals. Exception and corrective action reports highlight any departures from these procedures.
- **Functional specialty reporting:** The Company has identified a number of key areas that are subject to regular reporting to the Board, such as cash forecasts, OHS, information technology and legal matters.

AUDIT INDEPENDENCE

Ernst & Young were appointed the external auditor of SKILLED Group at the Company's 2011 AGM. Mr Bruce Meehan is the Company's lead audit partner. The Audit & Risk Committee monitors the independence, objectivity, effectiveness and scope of the external auditor and reviews the external auditor's findings and recommendations. It is important that the auditor continues to be independent and steps taken to ensure this include:

- review by the Audit & Risk Committee of the processes governing non-audit work undertaken by the external auditor to ensure that the independence of the external auditor is not affected by conflicts;
- the lead audit partner on the SKILLED Group audit can only serve in that capacity for a maximum of five years;
- at least three years must elapse before any retired partner or former partner of the external auditor can be appointed as a director or officer of the Company.

The auditor attends the annual general meeting and is available to respond to questions from shareholders.

Disclosure

SHAREHOLDER COMMUNICATIONS

SKILLED Group is committed to giving all shareholders transparent and timely information about our activities and to fulfilling our continuous disclosure obligations to the wider market. The Shareholder Communications Strategy, together with the Disclosures to the Investment Community Policy, set out how we undertake these communications. These policies can be viewed at www.skilled.com.au.

CONTINUOUS DISCLOSURE PROTOCOL

The Board is aware of its obligations for continuous disclosure of material information and embraces the principle of providing access to that information to the widest audience of investors. The Company has adopted a continuous disclosure protocol that outlines management's reporting requirements to a nominated disclosure officer and ensures a system of monitoring compliance with the protocol. A Board Policy, Disclosures to the Investment Community has also been issued. The Company has recently established an internal Continuous Disclosure Committee to assist in its review of and ongoing compliance with its continuous disclosure obligations.

The Company's website also includes an Investor Relations section. To ensure provision of equal access to material information, all ASX announcements are also placed on this site.

At the conclusion of each Board meeting consideration is given to whether any matters reported to, or considered at, the meeting warranted disclosure to the ASX pursuant to the Company's continuous disclosure obligations.

Buying and selling of shares by Directors, Officers and Staff

SKILLED Group has a Share Trading Policy under which:

- directors, officers and staff subject to the policy (relevant persons) must not deal in SKILLED Group's securities on a short-term trading basis.
- relevant persons must not deal in SKILLED Group securities during the following defined restricted periods:
    - the period from the close of trading on 30 June each year until 10am on the next trading day after the announcement to the ASX of the preliminary final statement or full year results; and
    - the period from the close of trading on 31 December each year until 10am on the next trading day after the announcement to the ASX of half-yearly results.
- relevant persons may deal in SKILLED Group securities during defined window periods following release of the Company's half-year and full year results and its annual general meeting, assuming that they do not possess market sensitive information which has not been publicly disclosed. They must provide notification to the Company Secretary of their dealings within two days of the dealing occurring.
- during any other period, relevant persons must receive approval for any proposed dealing in SKILLED Group securities in advance of any proposed dealing.

Note: In exceptional circumstances (such as financial hardship or compulsion by court order) a relevant person may be granted permission to trade during a restricted period.

Each director has entered into a contract with the Company to advise the Company when any interest in any securities in the Company held by the director changes and to advise the Company of the director's interest in securities at the date of retirement. Share dealings by directors are promptly notified to the ASX.

SKILLED Group's Share Trading Policy and the rules of the SKILLED Group Limited Executive Long-Term Incentive Plan prohibit any portion of an option or performance right that has not vested, to be hedged using financial products designed to eliminate risk of price movement in the underlying share. A breach of this rule will result in the Board taking disciplinary action.

SKILLED Group's Share Trading Policy is available for review in the Corporate Governance section of www.skilled.com.au

Operating and Financial Review

1. Overview

SKILLED Group (also referred to as ‘SKILLED’ or ‘the Group’) is the largest provider of workforce solutions in Australia, employing over 50,000 skilled Australians a year. It is a well-established and trusted brand whose reach extends across the Australian economy, into all states and territories as well as all major sectors of the economy. SKILLED’s core strength lies in partnering closely with clients over the long-term to improve workforce utilisation and increase productivity levels through the provision of skilled and semi-skilled people.

The range of services offered by the Group reflects its size and scope. These include both onshore and offshore total workforce management, flexible labour solutions and project-based workforce solutions, including shut downs, installations and relocations, enabling our clients to focus on their core business operations. It has a branch network of over 100 local and regional offices across Australia, New Zealand, United Kingdom, Malta and the United Arab Emirates.

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

In addition, SKILLED has a strong commitment to meeting Australia’s future skills needs. It is one of the largest employers of apprentices and trainees in the country, employing more than 1,000 young trainees. The Group is committed to improving employment opportunities for Indigenous people and is currently employing more than 500 Indigenous Australians.

2. Business Segments

WORKFORCE SERVICES

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

Workforce Services is a people business specialising in blue collar trades. For the 2013 financial year, Workforce Services accounted for approximately half of SKILLED Group’s total revenue servicing a broad range of industries including mining & resources, primary manufacturing, food & pharmaceuticals, automotive & machinery, transport & logistics, primary services, telecommunications, government and defence and utilities & infrastructure.

TECHNICAL PROFESSIONALS

Technical Professionals operates and provides IT&T, executive, professional services, technical professional and medically trained casual, contract and permanent staffing solutions. For the 2013 financial year, the Technical Professionals segment accounted for approximately 25% of SKILLED Group’s total revenue.

The main brands within this segment include:

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

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

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

ENGINEERING AND MARINE SERVICES

Engineering and Marine Services provides contract maintenance and engineering services; and offshore marine staffing and vessel chartering and management services, through two business units being ATIVO and OMS.

For the 2013 financial year, Engineering and Marine Services accounted for approximately 25% of SKILLED Group’s total revenue. ATIVO works closely with SKILLED Workforce Services to deliver projects and capital works, whole of life maintenance services (installations, commissioning, operations and production), decommissioning and infrastructure maintenance and shutdowns, outages, relines and turnarounds.

ATIVO is a leading provider of specialist maintenance and project services to the mining, manufacturing, maritime, industrial and energy resource sectors.

Offshore Marine Services (OMS) is a leading provider of offshore drilling and marine personnel to the oil and gas industry.

OMS has offices based in Australia, Malta, New Zealand, Singapore, United Arab Emirates and the United Kingdom, offering a global solution to the industry’s marine vessel and manning requirements.

OMS Services include: recruitment solutions, project management and marine consultancy, provision of marine and drilling personnel, catering services and rig moving.

Offshore Marine Services Alliance Pty Ltd (OMSA) is 50/50 joint venture between SKILLED Group and PB Sea-Tow Holdings (BVI) Limited principally engaged in the provision of tugs and barges and associated services to the Gorgon Project in North- West Australia. SKILLED Group increased its investment from 33.3% to 50% during the period.

On 3 July 2013, SKILLED completed the acquisition of Broadsword Marine Contractors (Broadsword), a Northern Territory based, highly-regarded marine services provider with exposure to the full lifecycle of activity in the Australian oil and gas sector. Broadsword provides inshore and offshore 'shallow water' services to a high quality client base, with a fleet of small to medium vessels (typically less than 40 metres), and has an established presence in the Northern Territory, Western Australia and Queensland. Broadsword is highly complementary to the OMS business and to OMSA.

3. Our Strategy

SKILLED Group's Core Plus strategy, which was initiated more than two years ago in order to turnaround its performance, remains the key focus in delivering shareholder value.

Key elements of the Core Plus strategy include:

- Building scale in attractive higher skill, higher margin segments; and
- Leveraging scale and brand strength in Workforce Services with a focus on customer service, cost efficiency and safety.

SKILLED will continue to grow its exposure to higher skilled roles and growth sectors including oil and gas, telecommunication and infrastructure sectors, as well as project maintenance. The acquisition in July 2013 of Broadsword provides further capacity to deliver unique services to significant oil & gas projects off the coast of Northern Territory, Western Australia and Queensland.

Significant progress continues to be made on the transformation program. Initiatives in the 2014 financial year will include continued reductions to the cost base, continued simplification of back-office processes and a move to a single national reporting structure for the core Workforce Services division. These initiatives will further improve SKILLED's core capabilities in the provision of cost-effective solutions for our clients.

4. SKILLED Group Financial Performance

For the year 30 June ($000's)	2013	2012
ContinuingOperations		
Revenue and equity accounted income	1,873,893	1,894,406
EBITDA[1]	95,083	93,054
Depreciation and amortisation	(10,379)	(12,344)
EBIT[1]	84,704	80,710
Net interest expense	(3,774)	(7,598)
Profit from continuing operations before reconciling items and income tax expense	80,930	73,112
Net reconciling items[1]	(3,749)	(8,511)
Income Tax Expense	(21,022)	(19,723)
Reported profit from continuing operations after income tax expense	56,159	44,878
DiscontinuedOperations		
Profit from discontinued operations	–	4,441
Profit for the year	56,159	49,319

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

Reconciliation of result for the year 30 June ($'000s)	2013	2012
Reported profit from continuing operations after income tax expense	56,159	44,878
Net reconciling items[1]	3,749	8,511
Tax on net reconciling items & other items	(1,465)	(1,006)
Underlying profit from continuing operations after income tax expense	58,443	52,383

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

REVENUE

Revenue for the Group was $1.874 billion, a 1.1% decrease on the prior comparative period ('pcp') due to the slowdown in mining activity and overall weaker employment growth, offset by strong growth in the maintenance and marine sectors.

Operating and Financial Review (cont.)

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)
Despite the decline in revenue and margin pressures, particularly in the Workforce Services segment, EBITDA from continuing operations increased 2.2% to $95.1 million (pcp $93.1 million) driven by lower costs.

The cost out program delivered a $13 million reduction in operating costs resulting in a sustainably lower cost base. Further productivity improvements are being targeted in the 2014 financial year.

DEPRECIATION AND AMORTISATION
Depreciation and amortisation for the year was $10.4 million, a decrease of $2.0 million or 15.9% on the pcp, reflecting lower depreciation in respect of leasehold improvements as a result of the rationalisation of the Group's offices and other assets being fully amortised.

NET INTEREST EXPENSE
Net interest expense (finance costs less interest revenue) for the year was $3.8 million, a decrease of $3.8 million on the pcp. The decrease was principally due to reduced levels of debt in the current year from strong cash flows and lower interest rates on borrowings.

INCOME TAX EXPENSE
SKILLED's effective tax rate for the period was 27.2% (pcp 30.5%). The prior year's effective tax rate includes a $1.4 million write- off of a deferred tax asset due to changes in tax consolidation legislation and a $1.2 million restatement of deferred tax balances increasing income tax expense that were not repeated in the current year. SKILLED's effective tax rate is also impacted by lower income tax rates in foreign jurisdictions and equity accounted income from the OMSA joint venture which is recognised on a net of tax basis.

PROFIT AFTER INCOME TAX EXPENSE
As a result of the items described above, reported profit after income tax expense was $56.2 million up from $49.3 million in the prior year while underlying profit from continuing operations after income tax expense increased by 11.6% to $58.4 million.

DIVIDENDS
A fully franked dividend of 9.0 cents per share was declared taking the full year dividend to 16.0 cents per share an increase of 3.0 cents per share from the prior year. This reflects the strong cashflow generation and strengthened balance sheet of the Group.

5. Segment Financial Performance

WORKFORCE SERVICES

For the year 30 June ($'000s)	2013	2012	Change
Revenue $m	918,323	933,457	(15,134)
EBITDA $m	40,824	46,162	(5,338)
EBITDA margin	4.4%	4.9%	(0.5%)

Revenue was $918.3 million, a 1.6% decrease on the prior year, while EBITDA was $40.8 million, an 11.6% decrease.

Workforce Services was impacted by the slowdown in mining and related services, offset by improved activity in infrastructure, telecommunications and rail sectors and strong operational demand in the Pilbara region.

Margins were impacted by continued pricing pressure from clients across most sectors and a change in the sales mix as clients reduced overtime and value added services such as training; however key clients have been retained.

Good progress on transformation initiatives and further reductions in indirect costs partially offset the reduction in margins. A single national reporting structure is now in place.

Workforce Services is well positioned to benefit from any improvement in economic activity and growth in mining volumes.

TECHNICAL PROFESSIONALS

For the year 30 June ($'000s)	2013	2012	Change
Revenue $m	488,914	507,369	(18,455)
EBITDA $m	26,795	29,068	(2,273)
EBITDA margin	5.5%	5.7%	(0.2%)

Revenue was $488.9 million, a 3.6% decrease on the prior year, while EBITDA was $26.8 million, a 7.8% decrease.

The slowdown in mining and related activity in the second half impacted Swan's revenue and profit growth, offset somewhat by lower indirect costs.

There was a slight reduction in the number of traineeships and apprenticeships resulting from the weaker economic environment; however it remains well placed to benefit from the growth in telecommunications activity and the need for training.

Activity levels in the recruitment of telecommunications related professionals remained solid through the year, while Technology Solutions was affected by reduced mining demand on the east coast (mainly coal mining clients).

The integration of Skilled Healthcare operations and support has been completed.

ENGINEERING & MARINE SERVICES

For the year 30 June ($'000s)	2013	2012	Change
Revenue $m	468,758	456,495	12,263
EBITDA $m	41,321	36,524	4,797
EBITDA margin	8.8%	8.0%	0.8%

Revenue was $468.8m, a 2.7% increase on the prior year, while EBITDA was $41.3m a13.1% increase.

Improved revenue and earnings were achieved in the ATIVO business as a result of increased activity in current and new project and maintenance contracts, primarily in mining. There is a strong pipeline of opportunities with several new contracts and extensions in the Hunter Valley, Western Australia and Victoria. ATIVO continues to benefit from the consolidation of suppliers in the mining services sector.

Increased manning activities contributed to profitable growth in OMS Australia with further opportunities in key projects across future years. The OMSA JV performed strongly as activity in the construction phase of the Gorgon project reaches peak levels; however activity levels are likely to reduce through FY14 as this phase of the project nears completion. The Group acquired a further 16.7% share in the OMSA JV during the second half of the year. Improved performance was also achieved in OMS NZ and International.

The acquisition of Broadsword was completed on 3rd July 2013 and the integration with SKILLED Group is progressing as planned.

6. SKILLED Group Financial Position

	30 June 2013 $'000	30 June 2012 $'000
Total Assets	684,720	689,521
Total Liabilities	212,814	241,230
Total Equity	471,906	448,291

TOTAL ASSETS

Total assets decreased by $4.8 million from $689.5 million to $684.7 million. Trade Receivables were $212.5 million, a $26.3 million reduction from the pcp due to the effect of lower sales activity towards the end of the 2013 financial year when compared to the prior year. Average debtors days remained consistent with the pcp.

Property, plant and equipment increased by $7.0 million to $18.1 million largely due to capital expenditure on leasehold improvements including the new office in Hawthorn, Victoria, which combined three existing offices across Melbourne, partially offset by depreciation charges for the year.

Equity accounted investments increased $23.2 million to $33.3 million reflecting the purchase of an additional 16.7% interest in the OMSA joint venture during the second half of the year and the share of equity accounted income recognised for the year.

TOTAL LIABILITIES

Total liabilities decreased by $28.4 million from $241.2 million to $212.8 million. Payables decreased by $21.9 million to $94.2 million reflecting lower wages related payables from lower sales activity towards the end of the 2013 financial year when compared to the prior year.

Borrowings increased by $19.1 million to $57.7 million in part due to funding of SKILLED Group's acquisition of an additional 16.7% share of the OMSA joint venture during the second half of the year.

Current tax liabilities decreased by $14.1 million to $4.2 million due to higher installment payments in the 2013 financial year as well as a 'top up' payment of $14.0 million in the 2013 financial year to cover lower installments made during the prior year.

Provisions decreased by$11.0 million to $56.6 million due to a decrease in employee benefit provisions and the settlement of a prior year legal matter.

TOTAL EQUITY

Equity increased by $23.6 million from $448.3 million to $471.9 million. Of this, retained earnings increased by $21.4 million reflecting profit earned for the year of $56.2 million less dividends paid of $35.0 million and other minor movements.

Operating and Financial Review (cont.)

7. Funding and capital management

Financing facilities of $190.8 million were available as at 30 June 2013 of which $56.7 million were used (excluding finance lease liabilities and unamortised loan establishment costs), leaving $134.1 million unused.

Net Debt (borrowings less cash) increased by $17.4 million from $27.4 million to $44.8 million. The increase in debt reflected operating cashflow before tax of $89.7 million and proceeds from the sale of property, plant and equipment and from businesses sold in the prior year of $2.2 million, reduced by:

- tax, interest and capital expenditure of $43.0 million;
- final payments on prior year acquisitions of $9.5 million;
- borrowings of $17.5 million under SKILLED's existing debt facilities in respect of the Group's acquisition of an additional 16.7% share of the OMSA joint venture during the second half of the year; and
- dividends paid of $35.0 million.

Disciplined management of cash and debt has led to a further reduction in average net debt for the Group, from $73.5 million to $55.4 million, resulting in a 50% reduction in underlying net interest expense to $3.8 million.

SKILLED Group's key capital structure financial metrics as at 30 June 2013 were:

	2013	2012
Leverage		
(Net debt/EBITDA[(i)])	0.5x	0.3x
Interest cover		
(EBITDA[(i)]/Net interest expense[(i)])	25.2x	12.2x
Gearing		
(Net debt/Net debt + equity)	9%	6%

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

On 14 August 2013, the Group refinanced its Syndicated Revolving Credit Facility on improved terms. The new $230 million facility expires in two tranches, $100 million on 31 August 2015 and $130 million on 31 August 2016. Previously, the limit on the facility was $160 million and expired in two tranches of $60 million on 31 August 2013 and $100 million on 31 August 2014.

Future Commitments

As at 30 June 2013, SKILLED Group's future operating lease commitments of $47.9m related to leases of office premises, computer equipment and bareboat charter arrangements.

Subsequent to year end, SKILLED Group acquired 100% of the equity interest in Broadsword Marine Contractors Pty Limited ("Broadsword") for consideration totalling $75.5 million, comprising initial cash consideration of $48.8 million and deferred consideration of $26.7 million payable over 3 years. A further contingent amount up to a maximum of $24.5 million may be payable if three-year EBITDA growth exceeds agreed stretch targets and is expected to be finalised within four months from the end of the financial year ending 30 June 2016.

8. Outlook

Trading conditions are expected to remain challenging in some business segments with subdued activity levels expected to continue in 1H FY14, supported with growth in other segments:

- In Workforce Services, pricing pressure in the mining sector is expected to continue. Increased activity is expected in telecommunications and infrastructure sectors and in some geographies
- In Technical Professionals reduced activity in mining and related engineering services will continue to impact Swan's revenue and profit growth, partially offset by activity in training and telecommunications
- In Engineering & Marine Services, continued growth is expected, supported by increased activity levels in oil & gas and project maintenance services. ATIVO continues to benefit from the consolidation of suppliers, especially in mining. Broadsword is well positioned for the next phase of growth in the oil and gas sector as activity levels on the Gorgon project peak. There is some industrial relations risk that may impact OMS as industry agreements are scheduled for re-negotiation over the next six months.

  Broadsword is expected to deliver $16 - $17 million EBITDA in FY14, weighted to the second half given the profile of activity growth and the delivery of a new vessel in January 2014.

The transformation and cost reduction program is expected to deliver at least a further $10 million in FY14 through the realignment of Workforce Services and Shared Services structures and benefits from process efficiencies which are already underway.

9. Risk management

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

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

KEY RISKS IN RELATION TO SKILLED GROUP

Downturn in the industries in which we work

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

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

Key contracts and business relations

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

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

Competition

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

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

Safety

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

Reliance on key personnel

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

Other risks

Other areas of risk faced by SKILLED Group include:

- operational risk, which arises from inadequate or failed internal processes, people and systems, or from external events;
- risks associated with our offshore and overseas activities;
- risks associated with the industrial relations landscape in Australia;
- contractual risk, being the nature of the performance and indemnity requirements in contracts with customers; and
- financial risks arising from fraud, regulatory breaches and bad debts.

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

Directors' Report

The Directors of SKILLED Group Limited (the "Company") present the annual financial report for the consolidated entity comprising the Company and its controlled entities (collectively referred to as "SKILLED Group") for the financial year ended 30 June 2013.

The Directors of the Company during the financial year were:

Directors	Qualifications & experience	Directorships and Offices
Vickki McFadden • Independent Non-executive Chairman • Chairman of the Nomination Committee • Member of the Audit & Risk Committee • Member of Remuneration Committee	BComm, LLB Appointed Chairman in October 2010 and a Director in September 2005. Broad experience in finance and law with considerable experience in corporate finance transactions. Previously, a Director/Principal of Centaurus Corporate Finance and Managing Director, Investment Banking, at Merrill Lynch in Australia.	Listed Leighton Holdings Limited (June 2013 to present) Other President of the Takeovers Panel (appointed March 2013). Member since March 2008. Director, The Myer Family Company Holdings Pty Ltd, The Myer Family Investments Pty Ltd, Sidney Myer Custodian Pty Ltd and The Myer Family Company Ltd (since August 2011) Member, Advisory Board and Executive Committee of Australian School of Business, The University of New South Wales (since August 2000).
Mick McMahon • Chief Executive Officer and Managing Director	BEc, Harvard Business School Advanced Management Program (2009) Managing Director and CEO since November 2010. Previous experience in national marketing, supply chain, IT and strategy. Mick previously spent 19 years with Shell in Australia and overseas. His roles included Vice President Retail Marketing for Shell's global retail business, Director of Shell's UK & Ireland downstream businesses, GM Strategy & Marketing, Shell Europe and running its Australian retail business. Mick was previously Chief Operating Officer Coles from 2007 to 2009 and Managing Director of Coles Express 2005 to 2009. Prior to joining SKILLED Group, he was Senior Advisor with TPG Capital engaging in investments in the energy, retail and industrial sectors in Australia and overseas.	Listed Nil Other Chairman, Red Rock Leisure Pty Ltd (since December 2009) Member of Business Council of Australia Victorian and National Councillor of the Australian Industry Group Co-Chair, Victorian Industry Skills Consultative Committee (since 2013).
Tony Cipa • Independent Non-Executive Director • Chairman of the Audit & Risk Committee	BBus, Grad Dip Accounting, CPA Appointed Director in April 2011. Tony spent 20 years with CSL Limited in various senior finance roles. Tony was Chief Financial Officer, CSL (1994 – 2000) and was appointed to the Board of CSL Limited as Finance Director in 2000 until his retirement in 2010	Listed CSL Limited (August 2000 to October 2010) Other Non Executive Director, Mansfield District Hospital (since July 2011)
Max Findlay • Independent Non-Executive Director • Member of the Audit & Risk Committee • Member of the Remuneration Committee • Member of the Nomination Committee	BEc Appointed Director in March 2010. Broad experience in services and manufacturing. Max spent 20 years at Programmed Maintenance Services and was Managing Director for 18 years. Prior to that he was its Business Development Manager. He previously spent 11 years with Australian Consolidated Industries, three years with Vinyl Clad (a Division of Smith & Nephew) and five years with James Sephton Plastics.	Listed EVZ Limited (April 2008 to present) Redflex Holdings Limited (November 2009 to February 2013) Other Deputy Chairman, the Royal Children's Hospital, Melbourne (since 2012). Director since 2009. Director, SMEC Holdings Limited (trading as Snowy Mountain Engineering Corporation) (since April 2010) Director, Exact Mining Group Pty Ltd (since 2008).

Directors	Qualifications & experience	Directorships and Offices
Bob Herbert AM • Independent Non-Executive Director • Chairman of the Remuneration Committee	BComm Director since November 2003. Former CEO of Australian Industry Group. Considerable industry experience. Involved with Australian Industry Group and its predecessor organisation, Metal Trades Industry Association of Australia, since 1961, including 30 years as a director in numerous roles.	Listed Nil Other Deputy Chairman, Industry Capability Network Limited (since May 2003) Trustee, Melbourne Cricket Ground Trust (since November 2003) Water Supplier Advocate (since April 2010), appointed by Commonwealth Department of Innovation, Industry, Science & Research Trustee, Emergency Services Superannuation Board (June 2010 – 30 June 2013) Chairman, trackSAFE Foundation (since November 2012).
Tracey Horton • Independent Non-Executive Director • Member of the Audit & Risk Committee • Member of the Remuneration Committee • Member of the Nomination Committee	BEc(Hons), MBA Appointed Director in February 2011. Tracey previously worked as an economist, business analyst and management consultant and has experience in developing strategy, performance improvement and business turnaround, having worked in the public and private sectors in Australia and overseas. Tracey was the Dean of The University of Western Australia Business School (February 2005 - August 2011) and worked at the Reserve Bank of Australia (based in Sydney) and Bain & Company (based in San Francisco).	Listed AHG Limited (May 2012 to present) Navitas Limited (June 2012 to present) Other Chair, West Australian Museum Foundation (since March 2002) Chairman, Council of Presbyterian Ladies College (since September 2012) Vice President, Chamber of Commerce and industry of WA (Inc) (since October 2012) Chair, Perth Fashion Festival (February 2013)

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

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

Directors	Fully paid ordinary shares	Shares under option/rights
VA McFadden	126,885	-
MP McMahon	667,501	3,354,377
AM Cipa	15,544	-
MJ Findlay	35,000	-
RN Herbert AM	13,054	-
TA Horton	-	-

The Remuneration Report set out at pages 18 to 29 of this Report forms part of this Directors' Report.

Directors' Report (cont.)

Company Secretary

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

Dividends

For the financial year ended 30 June 2013, a final dividend of 9.0 cents per share franked to 100% (at a corporate income tax rate of 30%) will be paid on 16 October 2013 to holders of fully paid ordinary shares. An interim dividend of 7.0 cents per share franked to 100% (at a corporate income tax rate of 30%) was paid on 12 April 2013.

Principal activities

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

Results

The net profit of SKILLED Group for the financial year after income tax expense was $56,159,000 (2012: $49,319,000).

Review of operations

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

Changes in state of affairs

There has been no significant change in the state of affairs of the Consolidated Entity.

Subsequent events

<u>Acquisition of Broadsword Marine Contractors Pty Limited</u>

On 3 July 2013, the Consolidated Entity acquired 100% of the equity interest in Broadsword Marine Contractors Pty Limited ("Broadsword") for consideration totalling $75.5 million, comprising initial cash consideration of $48.8 million and deferred consideration of $26.7 million payable over 3 years. A further contingent amount up to a maximum of $24.5 million may be payable if three-year EBITDA growth exceeds agreed stretch targets and is expected to be finalised within four months from the end of the financial year ending 30 June 2016.

Broadsword provides inshore and offshore 'shallow water' services with a fleet of small to medium vessels and has an established presence in the Northern Territory, Western Australia and Queensland. This acquisition is highly complementary to the existing manning and marine logistics services provided by the Consolidated Entity's growing Offshore Marine Services business and the OMSA joint venture.

This transaction had no impact on the Consolidated Entity's financial results or financial position presented in this financial report.

<u>Refinancing of the SKILLED Group's Syndicated Revolving Credit Facility</u>

On 14 August 2013, SKILLED Group refinanced its Syndicated Revolving Credit Facility. The new $230 million facility is on improved terms and expires in two tranches of $100 million on 31 August 2015 and $130 million on 31 August 2016.

<u>Other matters</u>

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

Future developments

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

Environmental regulation and performance

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

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

Indemnification of officers and auditors

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

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

The Company has not, during or since the financial year, indemnified or agreed to indemnify an auditor of the Company or any related body corporate against a liability incurred as such by an auditor.

Board and committee meetings

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

	Board		Audit & Risk Committee		Remuneration Committee		Nomination Committee		Other special purpose Committees	
Director	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
VA McFadden	12	12	5	5	7	7	1	1	5	5
MP McMahon	12	12	-	-	-	-	-	-	7	7
AM Cipa	12	12	5	5	-	-	-	-	6	6
MJ Findlay	12	12	5	5	7	7	1	1	-	-
RN Herbert AM	12	12	-	-	7	7	-	-	-	-
TA Horton[1]	12	12	5	5	1	1	1	1	-	-

1 TA Horton joined the Remuneration Committee on 20 March 2013

Rounding of amounts

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

Non-audit services

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

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

Auditor's independence declaration

The auditor's independence declaration is included on page 30.

Remuneration Report

This Remuneration report forms part of the Directors' Report.

1. Introduction

This Remuneration Report details remuneration information as it applies to SKILLED Group executives and non-executive directors for the year ended 30 June 2013. The remuneration practices adopted by SKILLED Group conform with the disclosure requirements under Section 300A of the Corporations Act, and the requirements of the AASB accounting standards. Our remuneration disclosures aim to maintain a high standard of clarity and transparency in communications with all stakeholders.

The directors and key management personnel ("KMP") referenced throughout this report are listed below:

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

Executive directors and KMP	Position
Mick McMahon	Chief Executive Officer, Executive Director
Gary Kent	Chief Financial Officer
David Timmel[2]	Executive General Manager Workforce Services
John Watkinson	Executive General Manager Technical Professionals

[2] David Timmel was appointed to the role of Executive General Manager (EGM), Workforce Services effective 15 April 2013, previously EGM for Western Region

Paul McCormick retired as Executive General Manager Eastern Region effective 3 June 2013 and will cease employment with SKILLED Group in October 2014. Matt Caulfield elected to take a commercial business role within our ATIVO business effective 16 April 2013.

2. Remuneration governance

The Board's objective is to ensure that SKILLED Group's remuneration strategy is aligned to the Company's strategy, to drive performance and behaviours in the Company's best interests and to deliver shareholder value. Most of the remuneration matters are considered by the Remuneration Committee, which is a sub-committee of the Board. Pursuant to the terms of its charter, the Remuneration Committee considers the remuneration framework, levels and performance of the Chief Executive Officer ("CEO") and the CEO's direct reports as well as the general remuneration policies and practices for all staff.

In carrying out its duties, the Remuneration Committee from time to time, draws on the services of independent remuneration consultants. In the 2013 financial year the Committee sought input from independent remuneration consultants on a range of matters involving executive remuneration, long-term incentives and short-term incentive plans for staff. While remuneration consultants provide information on market practice and remuneration levels, the Remuneration Committee forms its own independent decisions on executive remuneration.

The overall remuneration strategy is reviewed by the Committee to ensure it meets the needs of the Company.

3. Our remuneration principles and policy

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

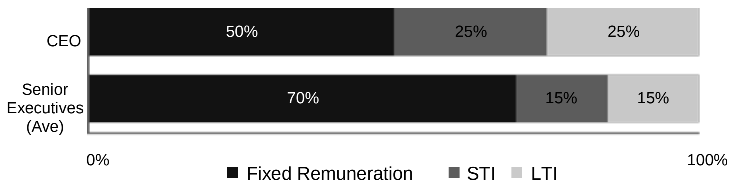
The key principles which govern the Company's remuneration framework are to:

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

Components of the senior executives' total remuneration include:

	FIXED ANNUAL REMUNERATION	SHORT-TERM INCENTIVE	LONG-TERM INCENTIVE
Consists of:	• Fixed cash salary • Superannuation • Salary sacrificed benefits	• Annual cash incentive • Targets linked to Company, business unit and individual performance outcomes	• Grants of performance rights or options over a 3 year performance period • Performance hurdles are linked to EPS and relative TSR
Rewards for:	• Performance, skills and capability	• Performance over a 12-month period against agreed Company business unit and individual performance	• Growth in the Company's EPS • Relative TSR performance against peer group

The Board has discretion to provide other forms of incentive remuneration in appropriate circumstances. The chart below illustrates how the three elements of remuneration form part of senior executives' total 2013 financial year remuneration using the "at target" remuneration package for each group.



At stretch levels of performance a further 25% of the CEO's fixed remuneration is available for STI and a further 25% for LTI. In the case of other senior executives, a further 15% of fixed remuneration is available for STI and 15% for LTI, on average.

A significant component of the senior executives' total remuneration is at risk in the form of short-term and long-term incentives. The Board sets clear performance targets for the senior executives directly aligned to five key areas of measurement across the Company: safety, our people, financials, customers and operations. These five pillars are outlined in the table below.

Balanced scorecard – five key pillars	
Safety	Safety is a core value for SKILLED Group. Targets are set for each business and the Company as a whole to reduce the all injury frequency rate and the lost time injury frequency rate.
Our People	People are the foundation of our business and our greatest asset. Attracting, developing and retaining capable staff and field employees to meet the needs of our clients will continue our success as a market leader.
Financials	Financial discipline is essential to enhance shareholder value. Our targets are focused on: profitability; ensuring our cost base is appropriate; and working capital management.
Customers	As market leader, SKILLED Group is committed to building its customer base and delivering outstanding service to all customers. The Company has put in place measures across each business to assess our performance in delivering superior service to all our customers.
Operations	Delivering improvements to our systems and procedures is a focus of all of our operations, supported by a centralised 'back office' model to achieve operational efficiencies.

Achievement of targets set for each of these five key pillars will deliver target remuneration and where senior executives deliver above target performance levels, they have the capacity to earn in excess of target remuneration.

4. Executive remuneration components

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

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

Remuneration Report (cont.)

FIXED REMUNERATION

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

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

SHORT-TERM INCENTIVE

The SKILLED Group Executive Short-Term Incentive Plan ("ESTI Plan") has been established to provide competitive performance-based remuneration incentives to senior executives. The ESTI Plan reflects a strong commitment towards attracting and retaining a high performing leadership team committed to the on-going success of SKILLED Group and the creation of shareholder value.

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

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

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

Under the ESTI Plan, the Board retains discretion to increase or decrease incentive payments to take account of significant events and/or other factors that were not anticipated when the targets were established. The ESTI Plan is not the exclusive method of providing incentive remuneration for employees of SKILLED Group and the Board has discretion to provide other forms of incentive remuneration in appropriate circumstances.

LONG-TERM INCENTIVE

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

ELTI Plan Participants	The ELTI Plan is open to senior executives and other key individuals who make a significant contribution to the success of the Company. Participation in the plan, which is approved by the Board, is based on sustained individual performance and value to the Company.
Type of Awards	Under the ELTI Plan it is possible for the Board to grant performance rights or options over SKILLED Group ordinary shares. The performance rights and options do not confer a right to vote. The vesting of awards is subject to performance hurdles which are outlined in Section 5.
Performance Measures	Under the ELTI Plan the awards are granted subject to performance conditions based on Earnings Per Share ("EPS") and relative Total Shareholder Return ("TSR"). These two performance measures operate independently under a 50/50 split on grant and, for the calculation of TSR, the peer group is the ASX200 excluding financial institutions and including key competitors. Prior to 2011, the grants awarded under the ELTI Plan, were subject only to EPS performance hurdles.
Performance Period	The performance period is generally three years, determined at the time of grant by the Board and if the performance hurdles are satisfied the awards will vest. In the case of performance rights, upon vesting the participant will be entitled to one SKILLED Group ordinary share for each performance right.
Hedging Policy	SKILLED Group has a policy which prohibits any portion of a grant that has not vested to be hedged using financial products designed to eliminate risk of price movement in the underlying share. Any breach of this policy can result in the Board taking disciplinary action which may result in immediate forfeiture of any portion of any grant that has not yet vested or been exercised, or other disciplinary action.

Decisions to grant performance rights and options are made by the Board based on recommendations of the Remuneration Committee. For a list of share based arrangements in existence during the 2013 financial year, please refer to Note 19 of the financial statements. For disclosures on the equity settled share based payments issues to, exercised by and lapsed for the executive directors and KMP in the year ended 30 June 2013, please refer to Note 25 of the financial statements.

5. Executive remuneration outcomes

The remuneration for senior executives for the year ended 30 June 2013 is set out below. Please refer to section 6 for further details regarding the remuneration structure for senior executives including the Chief Executive Officer

FIXED REMUNERATION

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

SHORT-TERM INCENTIVES

The variable remuneration outcomes are linked with the performance of the individual and the Company against the key objectives set out in the balanced scorecard for each business unit.

In the 2013 financial year, SKILLED Group did not meet the target performance measures at a Group level. However, certain business units did perform well, and achieved above target performance levels. No incentives were achieved in the financial year for the executive directors and other key management personnel outlined in the table below.

Executive Short-Term Incentive Plan	% of Fixed Remuneration		
	Achieved	Not achieved	Maximum that could be achieved
Mick McMahon	0%	100%	100%
Gary Kent	0%	80%	80%
David Timmel	0%	40%	40%
John Watkinson	0%	40%	40%

LONG-TERM INCENTIVES

<u>2013 Financial Year</u>

During the year, 1,542,160 performance rights over SKILLED Group shares have been granted under the ELTI plan to a number of executives with a performance period from 1 July 2012 through to 30 June 2015. The number of performance rights issued was calculated based on the volume weighted average share price of SKILLED Group ordinary shares for the five days commencing on 23 August 2012 (being one day after the announcement of the 2011 financial year full year results). The performance hurdles are set out below.

EPS 3 year performance period 1 July 2012 – 30 June 2015	% to vest
Less than 10% Compound Annual Growth (CAGR)	0%
10% CAGR	25%
Between 10% and 12% CAGR	Pro rata
12% CAGR	50%
Between 12% and 14% CAGR	Pro rata
14% CAGR	100% of grant assessed under EPS performance measure

Relative TSR3 year performance period 1 July 2012 – 30 June 2015	% to vest
Below 50th Percentile	0%
50th Percentile	50%
Between 50th and 75th Percentile	Pro rata
75th Percentile	100% of grant assessed under Relative TSR measure

Remuneration Report (cont.)

During the year, ELTI grants awarded in the 2007 financial year expired and ELTI grants awarded in the 2008 and 2010 financial years did not vest as the EPS growth performance hurdles were not satisfied.

Equity-settled share-based payments issued to, exercised by and lapsed for executive directors and key management personnel during the year ended 30 June 2013 are outlined in the table below:

2013	Balance at 1/7/2012 No.	Granted as compensation No.	Vested No.	Lapsed No.	Other Change No.[3]	Balance at 30/6/2013 No.	Balance vested at 30/6/2013 No.	Balance exercisable at 30/6/2013 No.	Options vested during year No.
Directors									
Mick McMahon	3,088,217	266,160	-	-	-	3,354,377	-	-	-
Key management personnel									
Gary Kent	-	176,000	-	-	-	176,000	-	-	-
David Timmel	76,684	56,000	-	-	-	132,684	-	-	-
John Watkinson	284,544	61,000	-	(26,300)	-	319,244	-	-	-
Former key management personnel in continuing role									
Matt Caulfield	101,202	62,000	-	-	(163,202)	-	-	-	-
Former key management personnel									
Paul McCormick	413,729	59,000	-	(106,900)	(365,829)	-	-	-	-
Terry Janes	1,020,896	-	-	(333,000)	(687,896)	-	-	-	-
Total	4,985,272	680,160	-	(466,200)	(1,216,927)	3,982,305	-	-	-

[3] Matt Caulfield, Paul McCormick and Terry Janes ceased to be key management personnel during the financial year. They continue to hold equity settled share based payments but not in the capacity of key management personnel.

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

2014 Financial Year

In the 2011 financial year, Mr McMahon was granted options as part of his commencement with a performance period ending 30 June 2013. In line with the contractual arrangements with Mr McMahon, these options were based on EPS hurdles as set out below. Of the 1,842,593 options granted, 75% or 1,383,132 will vest in the 2014 financial year.

Also in the 2011 financial year, Mr McMahon was granted 675,676 performance rights on his commencement under a co- investment scheme with a vesting date of 30 September 2013 for 50% of the rights and 30 September 2014 for the remaining 50%. Given the performance measures have been met 100% of the 337,838 performance rights eligible to vest on 30 September 2013 will vest, subject to any remaining conditions being satisfied.

In 2011 financial year, awards were made to other executives under the LTIP for performance rights and cash or options and cash. These awards will vest at 66% for options and 33% for performance rights and cash and will be settled in the 2014 financial year.

The performance hurdles for these awards and the vesting outcome are as follows:

Average annual % EPS growth	Equivalent 3 year cumulative EPS 1 July 2010 – 30 June 2013	% to vest – CEO Options, Performance rights and cash	% to vest – Other Executives Options
Below 40%	Below 44.4 cps	0%	0%
40%	44.4 cps	25%	50%
Between 40 and 50%	Between 44.4 and 51.8 cps	Pro rata	Pro rata
50%	51.8 cps	50%	100%
Between 50 and 65%	Between 51.8 and 64.5 cps	Pro rata	100%
65%	64.5 cps	100% of grant assessed under EPS performance measure	100% of grant assessed under EPS performance measure
Actual performance – CEO(i)			
58%	58.2 cps	75%	N/A
Actual performance – Other Executives (ii)			
43%	46.8 cps	33%	66%

(i) In accordance with Mr McMahon's contractual arrangements, actual performance was based on underlying EPS for the 2011 financial year (13.0 cps) and reported EPS for the 2012 and 2013 financial years (21.1 cps and 24.1 cps respectively). Underlying EPS in the 2011 financial year excludes goodwill impairment charges, restructuring costs and other items as disclosed in the 2011 financial year results released August 2011.

(ii) Actual performance for all other Executives were based on reported EPS for the three financial years 2011 – 2013 (1.6 cps, 21.1 cps and 24.1 cps respectively).

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

Financial year	NPAT$ million	Earnings per share (cents)	Total dividends per share (cents)	Share price @ 30 June ($)
2013	56.2	24.1	16.0	2.57
2012	49.3	21.1	13.0	2.37
2011	3.1	1.6	3.0	2.24
2010	12.7	7.3	–	1.09
2009	28.3	23.0	10.5	1.23

Remuneration Report (cont.)

6. Senior executive contracts of employment

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

Contract Item	Terms
Length of contract	Open ended.
Fixed Remuneration	The fixed remuneration comprises cash salary, any salary sacrifice items and employer superannuation. Any fringe benefit tax liability with respect to benefits is borne by the employee and included as part of the fixed remuneration.
Executive Short-Term Incentive Plan (ESTI Plan)	Eligible to participate. Incentive criteria and award opportunities vary for each executive.
Executive Long-Term Incentive Plan (ELTI Plan)	Eligible to participate. Award opportunities may vary for each executive. • If a senior executive chooses to resign from SKILLED Group, any unvested grants of options, or performance rights or cash under the ELTI Plan will lapse, subject to Board discretion. For vested options, a senior executive has up to 30 days from departure (or the original date of expiry whichever is the earliest) to exercise the options or they will lapse. Vested performance rights will convert into shares in the Company. • In general if the exit is involuntary, by retirement or a company initiated termination (excluding termination for cause) the unvested grant of options, performance rights or cash under the ELTI Plan will continue. The award of options, performance rights or cash continues until three years from the date of grant and then if the performance conditions are met they will vest, subject to Board discretion, otherwise they will lapse. Should the options vest, the senior executive will have six months from date of vesting to exercise, otherwise they will lapse. Vested performance rights will convert into shares in the Company. If an employee is dismissed with cause, any unvested grant of option, performance rights and/or cash under the ELTI Plan will lapse. Refer to Section 4 for further details on the Executive Long-Term Incentive Plan.
Notice period	The Chief Executive Officer and Chief Financial Officer have a notice period up to twelve months, while senior executives have a notice period between three and six months.
Resignation	Employment may be terminated by giving notice consistent with the notice period.
Retirement	There are no financial entitlements due from the Company on the retirement of an executive. The Board does have discretion to make ex-gratia payments.
Termination on notice by the Company	The Company may terminate the employment agreement by providing notice consistent with the notice period or payment in lieu of the notice period.
Redundancy	Payments for redundancy are discretionary and determined having regard to the particular circumstances. While there are no contractual commitments to pay redundancy, the Remuneration Committee has adopted guidelines to ensure consistent and equitable practices are applied.
Death or total and permanent disablement	Same principles as for retirement. In addition, the Company currently has salary continuance insurance cover for senior executives. Any benefits paid under this policy will be provided to the executive or his/her estate.
Termination for serious misconduct	The Company may terminate the employment agreement at any time without notice, and the executive will be entitled to payment of fixed remuneration only up to the date of termination.

Chief Executive Officer – Mick McMahon

The following summary provides an outline of the contract details and remuneration package for the Chief Executive Officer, Mr McMahon, who commenced with SKILLED Group effective 8th November 2010.

Remuneration Item	Terms
Fixed Remuneration:	The annual fixed remuneration in respect of the 2013 financial year is $1,100,000 inclusive of superannuation. This is reviewed annually with any increases at the discretion of the Board. The CEO's fixed remuneration in the 2014 financial year will be $1,500,000 inclusive of superannuation in line with Mr McMahon's revised employment contract signed on 14 August 2013. The remuneration is effective 1 September 2013.
Short-Term Incentives:	The maximum short-term incentive payable in respect of the 2013 financial year is 100% of fixed annual remuneration; targets are set annually by the Board for target and stretch performance measures. For the 2013 financial year the CEO will not receive a short term incentive as target performance measures at a Group level were not met. In line with Mr McMahon's revised employment contract, no short-term incentive is available.

<table>
<tr>
<td>Long-Term Incentives</td>
<td>
The CEO is eligible to participate in the ELTI Plan. The Board determines the performance and vesting criteria for each grant. As announced in November 2010, Mr McMahon’s contract of employment included the original 2010 grant of options which was approved by shareholders at the 2011 Annual General Meeting.
2011 Financial Year Grant:
The total value of options granted was of equal value to 100% of fixed annual remuneration of $995,000. The exercise price of these options is $1.47 based on the volume weighted average share price of SKILLED Group ordinary shares for the five days commencing on the date of announcement of Mr McMahon’s appointment. The value of each option was determined by an external consultancy firm based upon a Black Scholes valuation and the number of options granted was 1,842,593.
In line with the contractual arrangements with Mr McMahon at commencement, the performance criteria of these options are based on EPS hurdles as set out in Section 5 and the Company’s debt levels not exceeding two times EBITDA over the period 1 July 2010 – 30 June 2013. Of the 1,842,593 options granted, 75% or 1,384,085 will vest in the 2014 financial year. Mr McMahon may exercise these options until the sixth anniversary of the grant date.
2012 Financial Year Grant:
Mr McMahon was issued with 569,948 performance rights in the 2012 financial year. The number of the performance rights was based on the volume weighted average share price of SKILLED Group ordinary shares over the five days commencing on 25 August 2011 (being one day after the announcement of the 2011 full year results).
The rights will vest upon achievement of two separate performance conditions, EPS and relative TSR, which operate independently under a 50/50 split. For relative TSR the peer group is the ASX200 excluding financial institutions and including key competitors. The applicable performance hurdles over the relevant performance period are set out in the tables below.
<table>
<tr><th>Performance level</th><th>3 year cumulative EPS
1 July 2011 – 30 June 2014</th><th>% to vest</th></tr>
<tr><td>Below threshold</td><td>Below 62 cents per share (cps)</td><td>0%</td></tr>
<tr><td>Threshold</td><td>62 cps</td><td>25%</td></tr>
<tr><td>Between threshold & target</td><td>Between 62 and 70 cps</td><td>Pro rata</td></tr>
<tr><td>Target</td><td>70 cps</td><td>50%</td></tr>
<tr><td>Between target & stretch</td><td>Between 70 and 76 cps</td><td>Pro rata</td></tr>
<tr><td>Stretch</td><td>76 cps</td><td>100% of grant assessed under EPS performance measure</td></tr>
</table>
<table>
<tr><th>Performance level</th><th>3 year relative total
shareholder returns (TSR)
1 July 2011 – 30 June 2014</th><th>% to vest</th></tr>
<tr><td>Below threshold</td><td>Below 50th Percentile</td><td>0%</td></tr>
<tr><td>Threshold</td><td>50th Percentile</td><td>50%</td></tr>
<tr><td>Between threshold & target</td><td>Between 50th and
75th Percentile</td><td>Pro rata</td></tr>
<tr><td>Target</td><td>75th Percentile</td><td>100% of grant assessed
under Relative TSR measure</td></tr>
</table>
</td>
</tr>
</table>

2013 Financial Year grant:

Mr McMahon was issued with 266,160 performance rights in the 2013 financial year. The number of the performance rights was based on the volume weighted average share price of SKILLED Group ordinary shares over the five days commencing on 23 August 2012 (being one day after the announcement of the 2012 full year results).

The applicable performance hurdles over the relevant performance period are set out in the tables below.

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

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

2014 Financial Year grant:

In line with Mr McMahon's revised employment contract, options or performance rights (comprising at least 50% options), will, subject to approval by shareholders at the 2013 AGM, be issued to Mr McMahon for a total value equalto133% of fixed annual remuneration of $1,500,000 representing the maximum vesting at stretch levels of performance.

The number of performance rights to be issued will be based on the volume weighted average share price of SKILLED Group ordinary shares over the five days commencing on 15 August 2013 (being one day after the announcement of the 2013 full year results) ("VWAP Calculation").

The number of options to be issued will be based on a Black Scholes option valuation methodology with the exercise price based on the VWAP Calculation. The options will have a term of six years from the date of issue, with vesting determined after the completion of the 3 year performance period.

The options and/or performance rights will vest upon achievement of two separate performance conditions, EPS and relative TSR.

Co-investment scheme:

To align the Chief Executive Officer's interests with those of shareholders, SKILLED Group established a CEO co-investment agreement. Pursuant to this agreement Mr McMahon purchased $1 million worth of SKILLED Group shares in November 2010.

In accordance with the terms of his employment contract, Mr McMahon was granted 675,676 performance rights (each being a right to one SKILLED Group ordinary share) and was determined by dividing the amount invested in SKILLED Group shares by the CEO by $1.48 being the five day volume weighted average share price prior to (and not including) the date of announcement of appointment as Chief Executive Officer.

The performance rights will vest as to 50% on 30 September 2013 provided that Mr McMahon still holds the shares he purchased and that the Company's three-year cumulative EPS from 1 July 2010 to 30 June 2013 equals, or is greater than, 51.8 cps, and as to the remaining 50% on 30 September 2014, provided that Mr McMahon still holds 50% of the shares he purchased and that the Company's three-year cumulative EPS from 1 July 2011 to 30 June 2014 equals, or is greater than, 70.0 cps. Failure to meet the co-investment conditions, employment conditions or the performance conditions will result in the performance rights lapsing.

The three year cumulative EPS from 1 July 2010 – 30 June 2013 was 58.2 cents per share as set out in section 5 and as such, 100% of the 337,838 performance rights eligible to vest on 30 September 2013 will vest, subject to any remaining conditions being satisfied.

7. Remuneration tables

The tables below are provided as per the disclosure requirements under the Corporations Act, Section 300A and the requirement of the accounting standards AASB 124. The remuneration tables below disclose the remuneration for the executive directors and key management personnel for the 2012 and 2013 financial years.

Current key management personnel:

Name	Title	Year	Short-term employee benefits: Fixed(i)	Short-term employee benefits: Short-term incentive	Short-term employee benefits: Non-monetary (ii)	Short-term employee benefits: Other short-term benefit	Super-annuation	Long-term employee benefits: Other long-term employee benefits	Long-term employee benefits: Equity settled share-based payment	Termi-nation benefits	Total	Proportion of total that is perform-ance related
Mick McMahon	Chief Executive Officer (Executive Director)	2013	1,115,856	–	13,594	–	19,404	–	810,407	–	1,959,261	41%
		2012	1,052,988	700,000	10,281	–	24,576	–	819,422	–	2,607,267	58%
Gary Kent	Chief Financial Officer	2013	555,945	–	3,766	–	32,882	–	57,694	–	650,287	9%
		2012	54,954	–	572	–	52,629	–	–	–	108,155	0%
David Timmel (iii)	Executive General Manager, Workforce Services	2013	357,328	–	1,366	10,496	22,557	–	35,547	–	427,294	8%
		2012	342,443	–	–	1,106	49,375	–	29,483	–	422,407	7%
John Watkinson	Executive General Manager, Technical Professionals	2013	367,767	–	535	–	16,470	(8,779)	29,479	–	405,472	5%
		2012	372,973	89,000	–	–	15,775	23,997	76,568	–	578,313	33%
Total		2013	2,396,896	–	19,261	10,496	91,313	(8,779)	933,127	–	3,442,314	
		2012	1,823,358	789,000	10,853	1,106	142,355	23,997	925,473	–	3,716,142	

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

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

(iii) David Timmel was appointed to the role of Executive General Manager (EGM), Workforce Services effective 15 April 2013, previously EGM for Western Region

Former key management personnel in continuing role(iii)

Name	Title	Year	Short-term employee benefits: Fixed(i)	Short-term employee benefits: Short-term incentive	Short-term employee benefits: Non-monetary (ii)	Short-term employee benefits: Other short-term benefit	Super-annuation	Long-term employee benefits: Other long-term employee benefits	Long-term employee benefits: Equity settled share-based payment	Termi-nation benefits	Total	Proportion of total that is perform-ance related
Matt Caulfield	Executive General Manager, Transformation	2013	320,694	–	3,964	–	16,470	(4,534)	37,721	–	374,315	9%
		2012	301,797	96,000	1,080	–	15,775	12,393	44,511	–	471,556	32%

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

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

(iii) Matt Caulfield elected to take a strategic commercial role within our ATIVO business effective 16 April 2013. Remuneration reflects the full year 1 July 2012 to 30 June 2013.

Remuneration Report (cont.)

Former executive director and key management personnel[i]

Name	Title	Year	Short-term employee benefits				Super-annuation	Long-term employee benefits		Termi-nation benefits	Total	Proportion of total that is performance related
			Fixed[ii]	Short-term incentive	Non-monetary	Other short-term benefit		Other long-term employee benefits	Equity settled share-based payment[iii]			
Paul McCormick[v]	Executive General Manager, Eastern Region	2013	573,367	-	23,588	34,351	112,683	(9,399)	27,971	-	762,561	2%
		2012	342,722	124,000	-	7,500	47,775	25,691	70,235	-	617,923	36%
Terry Janes[iv]	Chief Financial Officer (Former)	2013	-	-	-	-	-	-	-	-	-	-
		2012	694,354	100,000	102,871		72,055	391,405	105,880		1,466,565	41%
John Kempe[vi]	Chief Executive Officer Offshore Marine Services	2013	-	-	-	-	-	-	-	-	-	-
		2012	377,292	-	62,351	-	47,845	33,526	73,465	67,554	662,033	16%
Sue Healy[vii]	Executive General Manager, Recruitment	2013	-	-	-	-	-	-	-	-	-	-
		2012	244,488	-	46,783	-	15,775	-	25,021	116,752	448,819	6%
Total		2013	573,367	-	23,588	34,351	112,683	(9,399)	27,971	-	762,561	
		2012	1,658,856	224,000	212,005	7,500	183,450	450,622	274,601	184,306	3,195,340	

(i) Terry Janes, Paul McCormick, John Kempe, Sue Healy were disclosed as key management personnel in the remuneration tables for the 2012 financial year.
(ii) Fixed includes fixed cash and annual and long service leave accruals.
(iii) Long-term employee benefits that are negative amounts reflecting the write back of amortised ELTI Plan grants due to performance criteria no longer expected to be met.
(iv) Terry Janes retired as Chief Financial Officer on 30 April 2012, retired from the Board of Directors on 30 June 2012 and ceased employment with SKILLED Group in July 2013.
(v) Paul McCormick retired as Executive General Manager Eastern Region effective 3 June 2013 and will cease employment with SKILLED Group in October 2014.
(vi) John Kempe ceased employment with SKILLED Group effective 25 July 2012.
(vii) Sue Healy ceased employment with SKILLED Group effective 2 July 2012.

8. Non-Executive Directors’ remuneration

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

Non-executive directors’ fees are within the maximum aggregate limit of $900,000 per annum agreed to by shareholders at the Annual General Meeting held on 13 October 2007.

The fees paid to non-executive directors are:

Role	2013 Financial Year
Chairman	$200,000
Chairman of Audit and Risk Committee	$120,000
Chairman of Remuneration Committee	$100,000
Non-Executive Director	$100,000

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

Please see the Non-Executive Directors' Remuneration tables below which disclose the remuneration for the Non-Executive Directors for the financial years 2012 and 2013.

Name	Title	Year	Non-Executive director fees	Superannuation	Total
Non-Executive Directors					
Vickki McFadden	Chairman of the Board	2013	183,530	16,470	200,000
		2012	184,225	15,775	200,000
Bob Herbert AM	Non-Executive Director, Chairman Remuneration Committee	2013	100,000	–	100,000
		2012	100,000	–	100,000
Max Findlay	Non-Executive Director	2013	91,743	8,257	100,000
		2012	91,743	8,257	100,000
Tony Cipa	Non-Executive Director, Chairman Audit and Risk Committee	2013	110,092	9,908	120,000
		2012	110,092	9,908	120,000
Tracey Horton	Non-Executive Director	2013	91,743	8,257	100,000
		2012	91,743	8,257	100,000
Total		2013	577,108	42,892	620,000
		2012	577,803	42,197	620,000

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

On behalf of the directors,

VA McFadden
Chairman

MP McMahon
Chief Executive Officer
and Managing Director

Sydney, 14 August 2013

Auditor's independence declaration

EY

Building a better
working world

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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

In relation to our audit of the financial report of Skilled Group Limited for the financial year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Bruce Meehan

Bruce Meehan
Partner

14 August 2013

Independent audit report

EY
Building a better working world

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent auditor's report to the members of Skilled Group Limited

Report on the financial report

We have audited the accompanying financial report of Skilled Group Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial statements comply with *International Financial Reporting Standards.*

Auditor's responsibility

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

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

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

Independence

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

EY
Building a better working world

Opinion

In our opinion:

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

giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Skilled Group Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001.*

Ernst & Young

Bruce Meehan
Partner
Melbourne

14 August 2013

Director's declaration

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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

1. In the opinion of the directors:

   a) the financial statements and notes of Skilled Group Limited for the financial year ended 30 June 2013 are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of its financial position as at 30 June 2013 and its performance for the year ended on that date, and
      (ii) complying with Accounting Standards and Corporations Regulations 2001;

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

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

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

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

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

On behalf of the directors,

VA McFadden
Chairman

MP McMahon
Chief Executive Officer
and Managing Director

Sydney 14 August 2013

Financial statements

Contents: Consolidated statement of comprehensive income 35/ Consolidated statement of financial position 36/ Consolidated statement of cash flows 37/ Consolidated statement of changes in equity 38/ Notes to the financial statements 39

Consolidated statement of comprehensive income

For the financial year ended 30 June 2013	Note	2013 $'000	2012 $'000
Continuing Operations			
Revenue	4(a)	1,868,192	1,889,971
Equity-accounted income from an associate	4(b)	5,701	4,435
Other income	4(c)	325	405
Employee and sub-contractor related costs		(1,690,563)	(1,689,644)
Raw materials and consumables used		(6,332)	(10,376)
Office occupancy related costs		(11,670)	(12,342)
Profit from sale of assets	5	103	516
Marine vessel charter and related costs		(12,133)	(29,948)
Other expenses		(61,964)	(66,556)
Depreciation and amortisation expenses	4(d)	(10,379)	(13,385)
Finance costs	4(d)	(4,099)	(8,475)
Profit from continuing operations before income tax expense		77,181	64,601
Income tax expense from continuing operations	6	(21,022)	(19,723)
Profit from continuing operations		56,159	44,878
Discontinued operations			
Profit from discontinued operations after tax	22	–	4,441
Profit for the year		56,159	49,319
Other comprehensive income			
Items that may be reclassified subsequently to profit/(loss):			
Net movement on cash flow hedges	20(b)	509	1,076
Change in foreign currency translation reserve arising on translation of foreign operations and net investment in foreign subsidiaries	20(c)	1,171	(785)
Income tax on items that maybe reclassified subsequently to profit/(loss)	20(b)	(153)	(323)
Other comprehensive income for the year, net of tax		1,527	(32)
Total comprehensive income for the year		57,686	49,287
Profit attributable to members of the parent entity		56,159	49,319
Total comprehensive income attributable to members of the parent entity		57,686	49,287

Earnings per share			
Basic earnings per share (cents)	29	24.05	21.13
Diluted earnings per share (cents)	29	23.27	20.66
Basic earnings per share from continuing operations (cents)	29	24.05	19.23
Diluted earnings per share from continuing operations (cents)	29	23.27	18.80
Basic earnings per share from discontinuing operations (cents)	29	–	1.90
Diluted earnings per share from discontinuing operations (cents)	29	–	1.86

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

Consolidated statement of financial position

As at 30 June 2013	Note	2013 $'000	2012 $'000
Current assets			
Cash and short-term deposits	27	12,890	11,216
Receivables	8	210,849	237,842
Inventories		412	534
Other financial assets		–	20
Other assets	9	5,510	6,835
Total current assets		229,661	256,447
Non-current assets			
Receivables	8	1,688	1,031
Property, plant and equipment	10	18,085	11,135
Equity accounted investments	12	33,274	10,073
Intangibles	11	386,335	389,324
Deferred tax assets	13	15,677	21,511
Total non-current assets		455,059	433,074
Total assets		684,720	689,521
Current liabilities			
Payables	14	94,209	116,136
Borrowings	15	1,294	1,022
Current tax liabilities		4,163	18,217
Other financial liabilities		110	559
Provisions	16	43,616	51,460
Total current liabilities		143,392	187,394
Non-current liabilities			
Borrowings	15	56,413	37,600
Other financial liabilities		–	121
Provisions	16	13,009	16,115
Total non-current liabilities		69,422	53,836
Total liabilities		212,814	241,230
Net assets		471,906	448,291
Equity			
Issued capital	18	349,661	349,500
Reserves	20	2,138	92
Retained earnings		120,107	98,699
Total equity		471,906	448,291

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

Consolidated statement of cash flow

For the financial year ended 30 June 2013	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Profit before taxation – continuing operations		77,181	64,601
Profit before taxation – discontinued operations		–	4,019
Depreciation and amortisation – continuing operations		10,379	13,385
Depreciation and amortisation – discontinued operations		–	662
Interest revenue	4(c)	(325)	(405)
Interest expense	4(d)	4,099	8,475
Earnings before interest, tax, depreciation and amortisation from continuing and discontinued operations		91,334	90,737
Non Cash Items			
Share based payments		814	2,231
Gain on disposal of property, plant and equipment	5	(103)	(516)
Gain on divestment of businesses	22	–	(5,618)
Non-cash equity accounted income from an associate	12	(5,701)	(4,435)
		86,344	82,399
Increase/Decrease in assets and liabilities excluding effects of acquisitions and divestments:			
Decrease/(Increase) in receivables		25,073	(2,038)
Decrease in inventories		122	282
Decrease/(Increase) in other assets		1,325	(245)
Decrease/(Increase) in payables		(12,225)	17,650
Decrease/(Increase) in provisions		(10,949)	11,867
Cash generated from operations		89,690	109,915
Income taxes paid		(27,783)	(8,117)
Net cash provided by operating activities		61,907	101,798
Cash flows from investing activities			
Payments for property, plant and equipment		(9,786)	(2,608)
Payments for intangibles		(1,480)	(5,569)
Proceeds from the divestment of businesses (net of sale costs)	22	1,200	10,682
Payments for purchase of equity-accounted investments	12	(17,500)	–
Payments for purchase of businesses	27	(9,508)	(10,186)
Proceeds from sale of property, plant and equipment		992	1,100
Net cash used in investing activities		(36,082)	(6,581)
Cash flows from financing activities			
Proceeds from borrowings		485,674	377,038
Repayment of borrowings		(471,338)	(448,223)
Interest received		190	405
Interest paid		(4,093)	(9,517)
Net proceeds from issues of equity		222	352
Dividends paid	7	(35,046)	(18,674)
Net cash used in financing activities		(24,391)	(98,619)
Net Increase/(Decrease) in cash and cash equivalents		1,434	(3,402)
Cash and cash equivalents at the beginning of the financial year		10,532	13,931
Effects of exchange rate changes on cash held in foreign currencies		295	3
Cash and cash equivalents at the end of the financial year	27	12,261	10,532

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

Consolidated statement of changes in equity

For the financial year ended 30 June 2013	Issued capital	Foreign currency translation reserve	Hedging reserve	Employee equity-settled benefits reserve	Retained earnings	Total
2013						
Balance at 1 July 2012	349,500	(2,467)	(421)	2,980	98,699	448,291
Profit for the year	–	–	–	–	56,159	56,159
Exchange differences arising on translation of foreign operations	–	1,171	–	–	–	1,171
Net gain on cash flow hedges	–	–	509	–	–	509
Income tax relating to components of other comprehensive income	–	–	(153)	–	–	(153)
Total comprehensive income for the year	–	1,171	356	–	56,159	57,686
Issue of shares (net of costs)	161	–	–	–	–	161
Amortisation of executive share options and performance rights	–	–	–	814	–	814
Lapse of Executive Long Term Incentive plan	–	–	–	(295)	295	–
Payment of dividends	–	–	–	–	(35,046)	(35,046)
Balance at 30 June 2013	349,661	(1,296)	(65)	3,499	120,107	471,906
2012						
Balance at 1 July 2011	348,943	(1,682)	(1,174)	2,083	67,137	415,307
Profit for the year	–	–	–	–	49,319	49,319
Exchange differences arising on translation of foreign operations	–	(785)	–	–	–	(785)
Net gain on cash flow hedges	–	–	1,076	–	–	1,076
Income tax relating to components of other comprehensive income	–	–	(323)	–	–	(323)
Total comprehensive income for the year	–	(785)	753	–	49,319	49,287
Issue of shares (net of costs)	557	–	–	–	–	557
Amortisation of executive share options and performance rights	–	–	–	1,814	–	1,814
Lapse of Executive Long Term Incentive plan	–	–	–		917	–
Payment of dividends	–	–	–	–	(18,674)	(18,674)
Balance at 30 June 2012	349,500	(2,467)	(421)		98,699	448,291

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

Notes to the financial statement

For the financial year ended 30 June 2013

1. Corporate information

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

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

The consolidated financial statements of the Consolidated Entity for the year ended 30 June 2013 were authorised for issue by the directors on 14 August 2013.

2. Significant accounting policies

2.1 Basis of preparation

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

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

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

2.2 Statement of compliance

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

2.3 New accounting standards and interpretations

PRESENTATION OF TRANSACTIONS RECOGNISED IN OTHER COMPREHENSIVE INCOME

The Consolidated Entity has adopted the following amending Accounting Standards, which became applicable from 1 July 2012:

- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income.

The adoption of the standard did not have any effect on the financial position or performance of the Consolidated Entity.

EARLY ADOPTION OF AASB 10, AASB 11 AND AASB 12

The Group has early adopted the following standards, together with the consequential amendments as at 1 July 2012:

AASB 10 AASB 10 Consolidated Financial Statements establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.

Consequential amendments were also made to AASB 127 and to other standards via AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.

AASB 11 AASB 11 Joint Arrangements replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly-controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition, it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement.

Notes to the financial statement (cont.)

2. Significant accounting policies (cont.)

2.3 New accounting standards and interpretations (cont.)

EARLY ADOPTION OF AASB 10, AASB 11 AND AASB 12 (CONT.)

Joint operations that give the parties a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the parties a right to the net assets is accounted for using the equity method.

Consequential amendments were also made to AASB 128 Investments in Associates and Joint Ventures and to other standards via AASB 2011-7.

AASB 12 AASB 12 Disclosure of Interests in Other Entities includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about certain joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

The Consolidated Entity has applied the above standards retrospectively.

The Group has re-evaluated its involvement in its only joint arrangement and has reclassified the investment from jointly controlled entity to joint venture. Notwithstanding the reclassification, the investment continues to be recognised by applying the equity method.

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

ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Consolidated Entity for the annual reporting period ended 30 June 2013 are outlined in the table below. These standards and amendments are not expected to have a material impact on the Consolidated Entity's financial position or performance; however, increased disclosure may be required.

Reference	Title	Effective / Application date of Standard for Group
AASB 9	Financial Instruments	1 July 2015
AASB 13	Fair Value Measurement	1 July 2013
AASB 119	Employee Benefits	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	1 July 2014
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle	1 July 2013

2. Significant accounting policies (cont.)

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

(A) BASIS OF CONSOLIDATION

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

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

(B) BUSINESS COMBINATIONS

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

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

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

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

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

(C) JOINT ARRANGEMENTS

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

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

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

(D) BORROWING COSTS

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

Notes to the financial statement (cont.)

2. Significant accounting policies (cont.)

(E) CASH AND CASH EQUIVALENTS
Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

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

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

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

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

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

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the Consolidated Entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

2. Significant accounting policies (cont.)

(H) INCOME TAX (CONT.)

Current and deferred tax for the period

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

(I) INVENTORIES

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

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

(J) FINANCIAL ASSETS

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

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

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

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

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

(K) FINANCIAL LIABILITIES

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

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

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

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

2. Significant accounting policies (cont.)

(K) FINANCIAL LIABILITIES (CONT.)

Derecognition

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

Offsetting of financial instruments

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

(L) FINANCIAL INSTRUMENTS ISSUED BY THE CONSOLIDATED ENTITY

Debt and equity instruments

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

Transaction costs on the issue of equity instruments

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

Interest and dividends

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

(M) DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedge instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Consolidated Entity designates derivatives as hedges of highly probable forecast transactions (cash flow hedges). The fair value of hedging derivatives is classified as a non-current asset or a non- current liability if the remaining term of the hedge relationship is more than 12 months and as a current asset or current liability if the remaining term of the hedge relationship is less than 12 months.

Hedge accounting

The Consolidated Entity designates certain derivative instruments as cash flow hedges. At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Consolidated Entity documents whether the hedging instrument that is used in the hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item. Note 28contains details of the fair values of the derivative instruments used for hedging purposes.

Movements in the hedging reserve in equity are also disclosed in the consolidated statement of changes in equity.

Cash flow hedge

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

2. Significant accounting policies (cont.)

(N) PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

(O) LEASED ASSETS

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

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

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

Lease incentives

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

(P) GOODWILL

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

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

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

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

(Q) OTHER INTANGIBLES

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

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

Trademarks and brand names

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

Notes to the financial statement (cont.)

2. Significant accounting policies (cont.)

(Q) OTHER INTANGIBLES (CONT.)

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

Software and licences

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

Other acquired intangibles - Non-compete agreements, contracts and bareboat charters

Non-compete agreements, contracts and bareboat charters 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/contract/charter on a straight-line basis.

(R) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

The recoverable amount is the higher of fair value less costs 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.

(S) EMPLOYEE BENEFITS

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

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

(T) FOREIGN CURRENCY

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

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

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

2. Significant accounting policies (cont.)

(T) FOREIGN CURRENCY (CONT.)
Exchange differences are recognised in profit or loss in the period in which they arise, except for:

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

(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.

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

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

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

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

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

Notes to the financial statement (cont.)

2. Significant accounting policies (cont.)

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

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

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

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

3. Critical accounting judgments and key sources of uncertainty

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

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

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

(B) KEY SOURCES OF ESTIMATION UNCERTAINTY
Below are the key assumptions concerning the future, and other key sources of estimation uncertainty at balance sheet date, that have significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year:

Employee Benefits
The provision recognised for long service leave includes estimates of employees' length of tenure, the timing of future leave payments and the anticipated effects of salary and wage increases, which are discounted to a present value at balance date. The carrying amount of the provision for long service leave at the balance date was $14,802,000 (2012: $14,785,000).

Goodwill impairment testing
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 at the balance sheet date was $340,550,000 (2012:$335,632,000). Further details of the impairment testing are provided in note 11.

Restoration costs
A provision has been made for the present value of anticipated costs of the future restoration of leased property and marine vessels. These calculations include estimates of the future cost estimates associated with replacing office fit outs, dry docking and hand back costs. This uncertainty may result in the future actual expenditure differing from the amounts currently provided. The provisions recognised are assessed based on the condition and actual costs incurred for similar works carried out in the past. Changes to the estimated future costs are recognised in the statement of financial position by adjusting both the asset and provision. The carrying amount of the provision for restoration costs at balance date was $2,925,000 (2012:$3,167,000).

Workers compensation self-insurance
A provision has been made for the anticipated costs to settle reported and incurred but not reported workplace injury claims in regions where the Consolidated Entity self-insures. The provision for workers compensation is based on a third party actuarial valuation, except for components of seafarers insurance, which is based on historical results in settling claims and open cases at balance date. The carrying amount of the provision for workers compensation self-insurance at balance date was $1,606,000 (2012: $1,740,000).

4. Profit from continuing operations

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

	2013 $'000	2012 $'000
(A) REVENUE		
Sales revenue:		
Rendering of services	1,868,192	1,889,971
(B) EQUITY-ACCOUNTED INCOME FROM AN ASSOCIATE		
Income from OMS Alliance joint venture	5,701	4,435
(C) OTHER INCOME		
Interest income	325	405
(D) EXPENSES		
Depreciation and amortisation:		
Depreciation:		
Plant and equipment	2,816	2,819
Leasehold improvements	1,208	2,575
Assets under finance lease	325	343
	4,349	5,737
Amortisation:		
Software and licences	5,951	6,607
Trademarks and brand names	55	563
Other acquired intangibles	24	478
	6,030	7,648
Total depreciation and amortisation expense	10,379	13,385
Finance costs:		
Interest and other costs paid to other entities	3,973	7,845
Finance lease charges	126	158
Notional interest on deferred acquisition payments	–	472
	4,099	8,475
Net bad and doubtful debts expense	647	1,300
Operating lease rental expenses:		
Properties	10,190	10,374
Computer equipment	1,958	1,726
Marine vessels under bareboat charter	5,576	15,228
	17,724	27,328

During the current year, the Group modified the statement of comprehensive income classification of certain costs to reflect more appropriately their nature. Comparative amounts were reclassified for consistency, which resulted in:

- $14,720,000 being reclassified from other expenses to marine vessel charter and related costs; and
- $16,721,000 being reclassified from other expenses to employee and sub-contractor related costs.

The reclassifications did not have any effect on the consolidated statement of financial position of the Group.

5. Sale of assets

	2013 $'000	2012 $'000
Sale of assets in the ordinary course of business have given rise to the following:		
Net profit/(loss) on disposal of property, plant and equipment	103	516

Notes to the financial statement (cont.)

6. Income tax

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

	2013 $'000	2012 $'000
The income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit before tax from continuing operations	77,181	64,601
Profit before tax from discontinued operations	–	4,019
Profit from operations	77,181	68,620
Income tax expense calculated at 30%	23,154	20,586
Non-deductible items	358	1,098
Foreign income tax rate differential	(1,072)	(1,726)
Research and development concession	(74)	–
Equity-accounted income from joint venture	(1,710)	(1,331)
Non-assessable profit on divestment of businesses	–	(1,627)
Restatement of deferred tax balances	–	1,177
Tax-consolidation amendments	–	1,406
Other	54	(194)
Under/(over) provision of income tax in previous year	312	(88)
Income tax expense	21,022	19,301
Income tax expense comprises:		
Current tax expense	14,257	25,194
Adjustments recognised in the current year in relation to the current tax of prior years	55	(184)
Deferred tax expense relating to the origination and reversal of temporary differences	6,710	(5,709)
Total tax expense	21,022	19,301
Continuing operations	21,022	19,723
Discontinued operations (note 22)	–	(422)
	21,022	19,301

Tax-consolidation system

The company and all its wholly owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. SKILLED Group Limited is the head entity in the tax-consolidated group.

Nature of tax-funding arrangements and tax-sharing agreements

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

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

7. Dividends

	2013 Cents per share	2013 Total $'000	2012 Cents per share	2012 Total $'000
(A) RECOGNISED AMOUNTS				
Final fully franked dividend	8.0	18,679	3.0	6,997
Interim fully franked dividend	7.0	16,367	5.0	11,677
	15.0	35,046	8.0	18,674
(B) UNRECOGNISED AMOUNTS				
Final 2013 dividend fully franked at a tax rate of 30%	9.0	21,018		
Final 2012 dividend fully franked at a tax rate of 30%			8.0	18,679
	9.0	21,018	8.0	18,679

	2013 $'000	2012 $'000
Franking account balance	74,650	63,470

The impact on the franking account of a dividend not yet recognised as a liability at year end will be a reduction in the franking account of $9,008,000 (2012: $8,005,000).

8. Receivables

	2013 $'000	2012 $'000
Current		
Trade receivables(i)	207,612	236,064
Allowance for doubtful debts	(332)	(6,074)
	207,280	229,990
Goods and services tax receivable	1,855	2,769
Other receivables(ii)	1,714	5,083
	210,849	237,842
Non- Current		
Claims recoveries	1,530	843
Other receivables	158	188
	1,688	1,031

(i) Trade receivables are non-interest bearing and are on a variety of trading terms that average approximately 32 days from the date of billing.

(ii) Other receivables do not contain any individually significant balances and there are no significant concentrations of credit risk. At 30 June 2013 no amounts are considered past due or impaired (2012: $nil).

<u>Movement in the allowance for doubtful debts:</u>

	2013 $'000	2012 $'000
Balance at the beginning of the year	(6,074)	(5,040)
Amounts written off during the year	6,305	230
Increase in allowance recognised in profit or loss	(563)	(1,264)
Balance at end of the year	(332)	(6,074)

Notes to the financial statement (cont.)

8. Receivables (cont.)

Ageing of trade receivables:

	2013 $'000 Gross	2013 $'000 Allowance	2012 $'000 Gross	2012 $'000 Allowance
Not past due	182,566	–	204,312	–
Past due 1 – 30 days	14,562	–	15,298	–
Past due 31 – 60 days	5,623	–	7,716	–
Past due 61 – 90 days	3,066	(10)	1,036	(2)
Past due 91 days	1,795	(322)	7,702	(6,072)
Total	207,612	(332)	236,064	(6,074)

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

9. Other assets

	2013 '000	2012 $'000
Prepayments	5,510	6,835

10. Property, plant and equipment

	Land& buildings $'000	Leasehold improvements $'000	Plant & equipment $'000	Assets under finance lease $'000	Total $'000
Gross carrying amount					
Balance as at 30 June 2012	4	13,044	29,677	1,857	44,582
Additions	–	2,951	6,006	–	8,957
Disposals	–	(3,210)	(8,497)	(10)	(11,717)
Other(i)	–	2,191	1,102	–	3,293
Balance as at 30 June 2013	4	14,976	28,288	1,847	45,115
Accumulated depreciation and impairment					
Balance as at 30 June 2012	(4)	(9,877)	(23,206)	(360)	(33,447)
Disposals	–	3,097	7,766	4	10,867
Depreciation expense(ii)	–	(1,208)	(2,816)	(325)	(4,349)
Other(i)	–	(59)	(43)	1	(101)
Balance as at 30 June 2013	(4)	(8,047)	(18,299)	(680)	(27,030)
Net book value					
As at 30 June 2012	–	3,167	6,471	1,497	11,135
As at 30 June 2013	–	6,929	9,989	1,167	18,085
Gross carrying amount					
Balance as at 30 June 2011	4	19,265	31,694	7,403	58,366
Additions	–	1,415	3,466	664	5,545
Disposals	–	(3,484)	(4,133)	(4,610)	(12,227)
Divestment of businesses	–	(5,897)	(2,686)	–	(8,583)
Other(i)	–	1,745	1,336	(1,600)	1,481
Balance as at 30 June 2012	4	13,044	29,677	1,857	44,582
Accumulated depreciation and impairment					
Balance as at 30 June 2011	(4)	(15,168)	(25,962)	(4,001)	(45,135)
Disposals	–	3,432	4,088	3,984	11,504
Divestment of businesses	–	4,473	1,738	–	6,211
Depreciation expense(ii)	–	(2,865)	(3,092)	(343)	(6,300)
Other(i)	–	251	22	–	273
Balance as at 30 June 2012	(4)	(9,877)	(23,206)	(360)	(33,447)
Net book value					
As at 30 June 2011	–	4,097	5,732	3,402	13,231
As at 30 June 2012	–	3,167	6,471	1,497	11,135

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

(ii) Depreciation expense in relation to continuing operations (2013: $4,349,000, 2012: $5,737,000) is included in the line item 'Depreciation and amortisation expense' in the Statement of Comprehensive Income (refer also note 4). Depreciation in relation to discontinued operations (2013: $nil, 2012: $563,000) is included within Expenses in note 22 Divestment of Businesses.

Notes to the financial statement (cont.)

11. Intangibles

	Goodwill $'000	Databases $'000	Software and licences $'000	Trademarks and brand names $'000	Other acquired intangibles(iii) $'000	Total $'000
Gross carrying amount						
Balance as at 30 June 2012	346,359	17,850	82,424	23,892	9,237	479,762
Additions	–	–	1,235	–	–	1,235
Disposals	–	–	(526)	–	(9,237)	(9,763)
Other(i)	4,918	–	(3,091)	(18)	–	1,809
Balance as at 30 June 2013	351,277	17,850	80,042	23,874	–	473,043
Accumulated amortisation						
Balance as at 30 June 2012	(10,727)	(17,850)	(42,822)	(9,826)	(9,213)	(90,438)
Disposals	–	–	526	–	9,237	9,763
Amortisation expense(ii)	–	–	(5,951)	(55)	(24)	(6,030)
Other(i)	–	–	(3)	–	–	(3)
Balance as at 30 June 2013	(10,727)	(17,850)	(48,250)	(9,881)	–	(86,708)
Net book value						
As at 30 June 2012	335,632	–	39,602	14,066	24	389,324
As at 30 June 2013	340,550	–	31,792	13,993	–	386,335
Gross carrying amount						
Balance as at 30 June 2011	348,777	17,850	78,226	23,951	9,237	478,041
Additions	–	–	5,569	–	–	5,569
Adjustment for change in deferred consideration	2,496	–	–	–	–	2,496
Disposals	–	–	(13)	–	–	(13)
Divestment of businesses	(3,379)	–	(1,335)	(42)	–	(4,756)
Other(i)	(1,535)	–	(23)	(17)	–	(1,575)
Balance as at 30 June 2012	346,359	17,850	82,424	23,892	9,237	479,762
Accumulated amortisation						
Balance as at 30 June 2011	(14,106)	(17,850)	(36,966)	(9,316)	(8,735)	(86,973)
Disposals	–	–	13	–	–	13
Divestment of businesses	3,379	–	653	42	–	4,074
Amortisation expense(ii)	–	–	(6,706)	(563)	(478)	(7,747)
Other(i)	–	–	184	11	–	195
Balance as at 30 June 2012	(10,727)	(17,850)	(42,822)	(9,826)	(9,213)	(90,438)
Net book value						
As at 30 June 2011	334,671	–	41,260	14,635	502	391,068
As at 30 June 2012	335,632	–	39,602	14,066	24	389,324

(i) Other represents the impact of foreign exchange translation and transfers between asset classes.
(ii) Amortisation expense in relation to continuing operations (2013: $6,030,000, 2012: $7,648,000) is included in the line item 'depreciation and amortisation expense' in the Statement of Comprehensive Income (refer also note 4). Depreciation in relation to discontinued operations (2013: $nil, 2012: $99,000) is included within Expenses in note 22 Divestment of Businesses.
(iii) Other acquired intangibles include customer contracts, bareboat charters and restraints.

11. Intangibles (cont.)

Allocation of goodwill to cash-generating units

In response to ongoing integration of acquired business and other business restructures undertaken during the year, the following changes to the composition of cash-generating units to which goodwill is allocated have occurred:

- The Workforce Services cash-generating unit comprises the previously separate Workforce Services Western, Workforce Services Eastern and Unallocated Workforce Services cash-generating units.
- The Technical Professionals cash-generating unit comprises the previously separate Mosaic, Technology Solutions and Skilled Healthcare (formerly Origin Healthcare) cash-generating units.
- The OMS Group cash-generating unit comprises the previously separate OMS Australia/OMS New Zealand and OMS International/UK cash-generating units.

Goodwill allocated to the Workforce Services, Technical Professionals and OMS Group cash-generating units respectively is equal to the goodwill previously allocated to the former cash-generating units that they each now comprise.

The cash-generating units are aligned to the Chief Operating decision makers reporting structure, the structure for which budgets and strategic plans are prepared, the day-to-day management of the business and the level at which goodwill is monitored. The carrying amount of goodwill allocated to cash-generating units that are significant individually or in aggregate is set out below. Goodwill allocated to cash-generating units as at 30 June 2012 has been re-presented based upon the new cash-generating units adopted during 2013.

Cash Generating Units	2013 $'000	2012 $'000
Workforce Services	102,549	102,549
Technical Professionals	24,302	24,302
Swan Contract Personnel	36,820	36,820
ATIVO	8,465	8,465
OMS Group	168,414	163,496
Total Goodwill	340,550	335,632

Allocation of other intangibles to cash-generating units

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

	2013 $'000	2012 $'000
SKILLED Group trademark and brand name	14,000	14,000

Indefinite life intangibles of $14,000,000 (2012: $14,000,000) consist of the SKILLED trademark and brand name. The trademark and brand name were acquired externally and are protected by legal rights that are renewable at an insignificant cost.

Key assumptions

The key assumptions used in the value-in-use calculations for the various significant cash-generating units are as follows:

The recoverable amount of the cash-generating units is determined based on a value-in-use calculation which uses cash flow projections based on financial forecasts approved by management covering a three-year period, then a constant growth rate of 2.5% (2012: 2.5%) for two years, then 2.5% (2012: 2.5%) into perpetuity and discount rates applied to each cash-generating unit of between 13.5% and 14.5% (2012: 14.22%).

The discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated into the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its CGUs and is derived from its weighted average cost of capital (WACC) which takes into account both debt and equity.

Notes to the financial statement (cont.)

11. Intangibles (cont.)

Impact of possible changes in key assumptions

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based, would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of these cash-generating units.

12. Equity accounted investments

Offshore Marine Services Alliance Pty Ltd (OMSA), a company incorporated in Australia, is engaged in the provision of marine logistics services to Australia's offshore oil and gas industry and supports the Group's position as a leader in the provision of offshore marine staffing and vessel chartering and management services.

OMSA is structured as a separate vehicle and provides the Consolidated Entity rights to the net assets of the entity. Accordingly, the Consolidated Entity has classified the investment in OMSA as a joint venture.

OMSA was established in 2009 between the Consolidated Entity, Ezion Investment Pte Ltd ("Ezion"), and PB Sea-Tow Holdings (BVI) Limited ("PB Sea-Tow") with each partner having an equal interest in the equity ownership of the venture. During the year, Ezion offered its shareholding for sale and on 29 February 2013 the Consolidated Entity and PB Sea-Tow each exercised their rights under the OMSA Shareholder Agreement to increase their shareholding from 33.3% to 50.0% respectively for $17,500,000.

A performance guarantee has been provided by the Consolidated Entity to third parties in respect of the operations of the joint venture. It is intended the joint venture be self-funding, however, the joint venture has a call option for debt and equity funding from its shareholders. This call option has not been exercised over the life of the joint venture. There were no other contingent liabilities or commitments for expenditure at 30 June 2013 (2012: nil).

Summarised financial information in respect of OMSA is as follows:

	2013 $'000	2012 $'000
Current assets[1]	71,398	67,664
Non-current assets	18,147	5,381
Current liabilities[2]	(21,746)	(33,367)
Non-current liabilities	(12,101)	(9,105)
Net assets	55,698	30,573
Revenue	304,029	255,365
Expenses	(277,932)	(233,676)
Depreciation and amortisation	(7,128)	(2,964)
Interest revenue	518	442
Profit before tax	19,487	19,167
Income tax expense	(5,869)	(5,742)
Profit after tax and total comprehensive income	13,618	13,425
Cash dividends received by the Consolidated Entity	–	–

1 Includes cash and cash equivalents amounting to $22,997,000 (2012: $5,484,000).

2 Includes financial liabilities (other than trade and other payables and provisions) amounting to $49,000 (2012: $1,195,000).

The summarised financial information presented is the amounts included in the financial statements of the joint venture, adjusted for acquisition fair value adjustments and for differences in accounting policies. The fair value adjustments principally relate to goodwill and identifiable intangible assets. Identifiable intangible assets are being amortised over 2.5 years. All operations are continuing.

12. Equity accounted investments (cont.)

A reconciliation of the summarised financial information to the carrying amounts of OMSA is detailed below:

	2013 $'000	2012 $'000
Group share of 50.0% (2012: 33.3%) of net assets excluding fair value adjustments on acquisition	22,424	10,073
Goodwill and intangible assets on acquisition less accumulated amortisation	10,850	–
Share of net assets	33,274	10,073
Profit and total comprehensive income excluding fair value adjustments	14,248	13,425
Amortisation of identifiable intangible assets on acquisition	(630)	–
Profit and total comprehensive income	13,618	13,425
Share of profit and total comprehensive income (50.0% shareholding)	3,852	–
Share of profit and total comprehensive income (33.3% shareholding)	1,849	4,435
Share of profit and total comprehensive income	5,701	4,435

13. Deferred tax assets and liabilities

	2013 $'000	2012 $'000
RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES		
Deferred tax assets comprise:		
Temporary differences	15,677	21,511
The deferred tax asset has been reduced by the provision for deferred income tax attributable to temporary differences	3,848	3,788

Taxable and temporary differences comprise the following:

2013	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Closing balance $'000
Gross deferred tax liabilities				
Intangible and other assets	(3,474)	1,971	–	(1,503)
Property, plant and equipment	(314)	(2,031)	–	(2,345)
	(3,788)	(60)	–	(3,848)
Gross deferred tax assets				
Provisions and accruals	21,834	(3,051)	–	18,783
Doubtful debts	1,821	(1,697)	–	124
Other	1,644	(1,904)	878	618
Gross deferred tax liabilities	25,299	(6,652)	878	19,525
	21,511	(6,712)	878	15,677

Notes to the financial statement (cont.)

13. Deferred tax assets and liabilities (cont.)

2012	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Closing balance $'000
Gross deferred tax liabilities				
Intangible and other assets	(6,326)	2,852	–	(3,474)
Property, plant and equipment	3,348	(3,662)	–	(314)
	(2,978)	(810)	–	(3,788)
Gross deferred tax assets				
Provisions and accruals	17,371	4,463	–	21,834
Doubtful debts	1,486	335	–	1,821
Other	2,008	(41)	(323)	1,644
Gross deferred tax liabilities	20,865	4,757	(323)	25,299
	17,887	3,947	(323)	21,511

Unrecognised deferred tax assets

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

	2013 $'000	2012 $'000
Tax losses (revenue in nature)	129	126
Tax losses (capital in nature)	152	–
	281	126

14. Payables

	2013 $'000	2012 $'000
Current		
Trade payables and accruals	77,866	88,297
Deferred purchase consideration	––	9,508
Goods and services tax payable	16,343	18,331
	94,209	116,136

Terms and conditions of the above financial liabilities:

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

15. Borrowings

	2013 $'000	2012 $'000
Current		
Bank overdraft[(i)]	629	684
Finance lease liabilities[(iii)]	665	338
	1,294	1,022
Non-Current		
Bank debt facilities[(ii)]	55,896	36,418
Finance lease liabilities[(iii)]	517	1,182
	56,413	37,600

(i) Secured by fixed and floating charge over all the assets of the Consolidated Entity, or standby letter of credit.
(ii) Secured by fixed and floating charge over all the assets of the Consolidated Entity.
(iii) Secured over the assets leased, the current market value of which exceeds the value of the finance lease liability

16. Provisions

	2013 $'000	2012 $'000
Current		
Employee benefits	36,529	41,553
Litigation	721	4,031
Workers compensation self-insurance	1,606	1,740
Provision for restoration	2,925	3,167
Other	1,835	969
	43,616	51,460
Non-Current		
Employee benefits	5,270	5,366
Workers compensation self-insurance	6,801	7,184
Provision for restoration	938	2,903
Other	–	662
	13,009	16,115

Notes to the financial statement (cont.)

16. Provisions (cont.)

	Employee benefits $'000	Litigation(i) $'000	Workers Compensation $'000	Provision for restoration $'000	Other $'000	Total $'000
Balance as at 30 June 2012	46,919	4,031	8,924	6,070	1,631	67,575
Additional provisions recognised	19,271	418	–	–	118	19,807
Reductions arising from payments/ other sacrifices of future economic benefits	(24,391)	(3,934)	(2,671)	(2,207)	(222)	(33,425)
Changes resulting from the re-measurement of the estimated future sacrifice of the settlement of the provision without cost to the Consolidated Entity	–	206	2,154	–	308	2,668
Balance as at 30 June 2013	41,799	721	8,407	3,863	1,835	56,625
Included in the financial statements as:						
Current	36,529	721	1,606	2,925	1,835	43,616
Non-current	5,270	–	6,801	938	–	13,009
	41,799	721	8,407	3,863	1,835	56,625

(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.

17. Leases

	2013 $'000	2012 $'000
(A) FINANCE LEASES		
Finance lease commitments:		
Not later than 1 year	748	464
Later than 1 year and not later than 5 years	547	1,295
Minimum finance lease payments	1,295	1,759
Deduct future finance charges	(113)	(239)
Present value of finance lease liabilities	1,182	1,520
Disclosed in the financial statements as:		
Borrowings:		
Current (note 15)	665	338
Non-current (note 15)	517	1,182
	1,182	1,520

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

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

17. Leases (cont.)

	2013 $'000	2012 $'000
(B) OPERATING LEASES		
Non-cancellable operating leases:		
Not later than 1 year	11,007	15,850
Later than 1 year but not later than 5 years	23,326	23,905
Later than 5 years	13,601	14,876
	47,934	54,631

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

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

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

18. Issued capital

	2013 $'000	2012 $'000
233,533,526 fully paid ordinary shares (2012: 233,487,276)	349,661	349,500

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

(A) FULLY PAID ORDINARY SHARES

	2013 No. '000	2013 $'000	2012 No. '000	2012 $'000
Balance at the beginning of the financial year	233,487	349,500	233,089	348,943
Issue of shares under Employee Share Acquisition Plan(i)	46	161	84	141
Issue of shares under long term incentive plan	–	–	314	416
Balance at the end of the financial year	233,533	349,661	233,487	349,500

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

(i) Net of issuance costs of $nil (2012: $6,051).

(B) SHARES HELD BY SUBSIDIARIES

Allskills Pty Ltd, a fully owned subsidiary, held 418,500 (2012: 418,500) shares in SKILLED Group Limited at 30 June 2013. These shares were held for the benefit of the SKILLED Group Limited Employee Share Acquisition Plan.

Notes to the financial statement (cont.)

19. Share-based payments

The Executive Long-Term Incentive Plan ('ELTI Plan') provides flexibility in delivering long-term incentive awards to executives in the form of performance rights, options and cash or a combination of those. The ELTI Plan is a method of retaining key skills and aligning the interests of participants with the interests of the Company and shareholders.

Performance Rights and Options
The vesting of awards granted under the ELTI Plan in the 2011 financial year and in prior years was subject to performance conditions based on Earnings per Share ('EPS'). In the 2012 financial year, a second independent performance measure, relative Total Shareholder Return ('TSR'),was introduced to enhance the performance conditions used in the ELTI Plan. The two performance measures – EPS and relative TSR –operate independently under a 50/50 split. Relative TSR was favoured as it provides a comparison of relative performance in a range of market conditions with other listed companies. The peer group for the TSR measure is the ASX200 excluding financial institutions and including key competitors.

Granted at the discretion of the Board, the shares, under performance rights or options, will vest three years from the grant date contingent upon achieving the EPS and relative TSR performance criteria. Once vested, the options may be exercised at any time over the following three years (six years after the date granted). Each performance right or option converts to one SKILLED Group Limited ordinary share on exercise. The options will lapse if not exercised before the last permitted exercise date.

During the 2013 financial year, the number of performance rights issued was calculated by reference to the volume weighted average share price of SKILLED Group ordinary shares for the five days commencing on 23 August 2012 (being one day after the announcement of the 2012 full year results). The performance hurdles are set out below.

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

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

The number of options and performance rights granted in prior years under the ELTI Plans are subject to a performance based formula approved by the Board.

19. Share-based payments (cont.)

Retention Performance Rights
In the 2011 and 2012 financial years, the Board granted retention performance rights which vest three years from grant date should the executive remain employed by the Company at this time.

Valuation methodology for performance rights and share options
Performance rights granted during the year were valued using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non- transferability, exercise restrictions, and behavioural considerations. Expected volatility is based on the historical share price volatility over the past three years.

The following table lists the inputs to the models used for grants of performance rights under the LTIP Plan for the years ended 30 June 2013 and 30 June 2012 respectively.

	Performance Rights	
	2013	2012
Grant date share price ($)	2.30	1.74
Expected volatility (%)	35.0	37.5
Right life (years)	3	3
Dividend yield (%)	6.0	4.5
Risk free interest rate (%)	2.62	3.10

Notes to the financial statement (cont.)

19. Share-based payments (cont.)

SHARE OPTIONS

Grant date	Exercise price $	Expiry date	Balance at start of year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of year Number	Fair value $
2013								
15/11/2006	5.81	14/11/2012	81,000	-	-	81,000	-	1.62
2/11/2007	5.29	1/11/2013	309,000	-	-	309,000	-	1.47
21/10/2008	2.52	20/10/2014	1,253,000	-	-	-	1,253,000	0.71
19/11/2009	2.28	18/11/2015	346,000	-	-	346,000	-	0.72
23/11/2010	1.47	23/11/2016	2,419,593	-	-	-	2,419,593	0.54
12/08/2011	2.28	18/11/2015	50,000	-	-	50,000	-	0.72
			4,458,593	-	-	786,000	3,672,593	
WAEP(i)			2.18	-	-	3.83	1.83	
2012								
5/04/2006	4.92	4/04/2012	263,000	-	-	263,000	-	1.18
15/11/2006	5.81	14/11/2012	474,000	-	-	393,000	81,000	1.62
2/11/2007	5.29	1/11/2013	309,000	-	-	-	309,000	1.47
21/10/2008	2.52	20/10/2014	4,069,000	-	-	2,816,000	1,253,000	0.71
19/11/2009	2.28	18/11/2015	346,000	-	-	-	346,000	0.72
23/11/2010	1.47	23/11/2016	527,000	1,892,593	-	-	2,419,593	0.54
12/08/2011	2.52	20/10/2014	-	50,000	-	50,000	-	0.71
12/08/2011	2.28	18/11/2015	-	50,000	-	-	50,000	0.72
			5,988,000	1,992,593	-	3,522,000	4,458,593	
WAEP(i)			2.92	1.52	-	3.07	2.18	

(i) Denotes weighted average exercise price

The share options outstanding at 30 June 2013 have an exercise price in the range of $1.47 to $2.52 (2012: $1.47 to $5.81) and a weighted average contractual life of 6 years.

19. Share-based payments (cont.)

PERFORMANCE RIGHTS

Grant date	Expiry date	Balance at start of year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of year Number	Fair value $
2013							
19/11/2009	18/11/2012	374,600	-	-	374,600	-	2.11
23/11/2010	23/11/2013	841,929	-	-	65,000	776,929	1.47
20/10/2011	30/09/2013	337,838	-	-	-	337,838	1.47
20/10/2011	30/09/2014	337,838	-	-	-	337,838	1.47
20/10/2011	20/10/2014	54,404	-	-	-	54,404	1.60
22/12/2011	22/12/2014	945,378	-	-	60,481	884,897	1.54
22/12/2011	22/12/2014	945,379	-	-	60,482	884,897	0.89(i)
30/11/2012	29/11/2015	-	771,080	-	12,500	758,580	1.95
30/11/2012	29/11/2015	-	771,080	-	12,500	758,580	1.23(i)
		3,837,366	1,542,160	-	585,563	4,793,963	
2012							
19/11/2009	18/11/2012	374,600	-	-	-	374,600	2.11
23/11/2010	23/11/2013	768,000	103,929	-	30,000	841,929	1.47
23/11/2010	23/11/2011	159,000	-	139,000	20,000	-	1.60
12/08/2011	23/11/2011	-	21,000	21,000	-	-	1.60
20/10/2011	30/09/2013	-	337,838	-	-	337,838	1.47
20/10/2011	30/09/2014	-	337,838	-	-	337,838	1.47
20/10/2011	20/10/2014	-	54,404	-	-	54,404	1.60
22/12/2011	22/12/2014	-	970,456	-	25,078	945,378	1.54
22/12/2011	22/12/2014	-	970,456	-	25,077	945,379	0.89 (i)
		1,301,600	2,795,921	160,000	100,155	3,837,366	

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

The performance rights outstanding at 30 June 2013 have a weighted average contractual life of 3 years.

20. Reserves

	2013 $'000	2012 $'000
Employee equity-settled benefits reserve	3,499	2,980
Hedging reserve	(65)	(421)
Foreign currency translation reserve	(1,296)	(2,467)
	2,138	92

(A) EMPLOYEE EQUITY-SETTLED BENEFITS RESERVE

	2013 $'000	2012 $'000
Balance at the beginning of the financial year	2,980	2,083
Share-based payments – amortisation of executive share options and performance rights	519	897
Balance at the end of the financial year	3,499	2,980

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

(B) HEDGING RESERVE

	2013 $'000	2012 $'000
Balance at the beginning of the financial year	(421)	(1,174)
Foreign currency forward contracts	–	(396)
Interest rate swaps	565	1,416
Income tax related to gains/losses recognised in equity	(170)	(306)
Transferred to profit or loss:		
Interest rate swaps	(56)	56
Income tax related to amounts transferred to profit or loss	17	(17)
Balance at the end of the financial year	(65)	(421)

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

20. Reserves (cont.)

(C) FOREIGN CURRENCY TRANSLATION RESERVE

	2013 $'000	2012 $'000
Balance at the beginning of the financial year	(2,467)	(1,682)
Translation of foreign operations	1,171	(785)
Balance at the end of the financial year	(1,296)	(2,467)

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

21. Contingent liabilities

	2013 $'000	2012 $'000
Bank guarantees for various contracts	34,113	29,000

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

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

Notes to the financial statement (cont.)

22. Divestment of Businesses

On 31 October 2011, SKILLED sold its contact centre business, Excelior Pty Ltd (“Excelior”). Cash proceeds of $8,511,000 were received and a further $1,200,000 of deferred consideration was received during September 2012 through an earn-out arrangement that was subject to revenue targets.

On 30 January 2012, SKILLED completed the sale of its New Zealand based blue collar labour hire business, Tradeforce NZ. Cash proceeds of $3,365,000 were received. The divestment resulted in a net profit before tax of $1,813,000.

The results of the discontinued operations which have been included in the consolidated statement of comprehensive income are as follows.

	2013 $'000	2012 $'000
Financial Performance		
Revenue	–	22,856
Expenses	–	(24,455)
Loss before income tax	–	(1,599)
Attributable income tax benefit	–	480
Loss after income tax	–	(1,119)
Gain on divestment of businesses	–	5,618
Attributable income tax	–	(58)
Gain on divestment of businesses after income tax	–	5,560
Profit/(loss) from discontinued operations	–	4,441
Cash flows		
Net cash from operating activities	–	(226)
Net cash from investing activities	–	(812)
Net cash from financing activities	–	–
Total net cash flows	–	(1,038)
Book value of net assets sold:		
Receivables	–	6,364
Other assets	–	162
Deferred tax assets	–	1,457
Plant and equipment	–	2,372
Intangible assets	–	682
Payables	–	(2,429)
Provisions and accruals	–	(1,796)
Net assets disposed	–	6,812
Less costs of disposal	–	(1,194)
Net gain on disposal	–	5,618
Earnings per share – cents per share:		
Basic from discontinued operations (cents)	–	1.90
Diluted from discontinued operations (cents)	–	1.86

22. Divestment of Businesses (cont.)

The consideration for disposal of the divested businesses is detailed below:

	2013 $'000	2012 $'000	Total $'000
Cash consideration	–	11,876	11,876
Deferred consideration	1,200	–	1,200
Inflow of cash on disposal	1,200	11,876	13,076

23. Superannuation contributions

	2013 $'000	2012 $'000
Superannuation contributions provided for employees via the following superannuation funds:		
Complying superannuation funds[(i)]	107,034	107,805

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

24. Subsidiaries

			Ownership interest	
Name of entity	Note	Country of incorporation	2013 %	2012 %
Parent entity				
SKILLED Group Limited	(a)	Australia		
Controlled entities				
Allskills Pty Ltd	(b)	Australia	100	100
ATIVO Pty Ltd	(b)	Australia	100	100
Catalyst Recruitment Systems Pty Ltd	(c)	Australia	100	100
ACN 101 075 512 Pty Ltd	(b)	Australia	100	100
Catalyst Quality Service Pty Ltd	(b)	Australia	100	100
Jet Tasmania Pty Ltd	(b)	Australia	100	100
Mosaic Recruitment Pty Ltd	(c)	Australia	100	100
The Green & Green Group Pty Ltd	(b)	Australia	100	100
Extra Group Pty Ltd	(c)	Australia	100	100
Extraman (NT) Pty Ltd	(b)	Australia	100	100
Extraman (HR) Pty Ltd	(b)	Australia	100	100
Offshore Marine Services Pty Ltd	(e)	Australia	100	100
Australia Offshore Marine Services Pte Ltd	(a)	Singapore	100	100
Skilled Healthcare Holdings Pty Ltd	(c)	Australia	100	100
Nursing Australia Pty Ltd	(b)	Australia	100	100
HR Link No. 2 Pty Ltd	(b)	Australia	100	100
HR Link No. 1 Pty Ltd	(b)	Australia	100	100
Nursing (Australia) Holdings Pty Ltd	(b)	Australia	100	100
Locumitis Pty Ltd	(b)	Australia	100	100
Mantech Systems Pty Ltd	(c)	Australia	100	100
Medistaff Pty Ltd	(b)	Australia	100	100

Notes to the financial statement (cont.)

24. Subsidiaries (cont.)

Name of entity	Note	Country of incorporation	Ownership interest 2013 %	Ownership interest 2012 %
Origin Education Services Pty Ltd	(b)	Australia	100	100
Origin Health Support Services Pty Ltd	(b)	Australia	100	100
Skilled Healthcare Pty Ltd	(c)	Australia	100	100
ProSafe Personnel Pty Ltd	(b)	Australia	100	100
PeopleCo. Pty Ltd	(c)	Australia	100	100
SKILLED Group International Pty Ltd	(c)	Australia	100	100
Offshore Marine Services Ltd	(e)	Malaysia	100	100
OMS DMCEST	(e)	Dubai	100	100
Offshore Marine Services FZ LLC	(e)	Dubai	100	100
Offshore Marine Holdings (Malta) Limited	(e)	Malta	100	100
Offshore Marine Services (Malta) Limited	(e)	Malta	100	100
Point 2 Point Travel Limited	(e)	Malta	100	–
SKILLED Group NZ Holdings Limited	(a)	New Zealand	100	100
SKILLED Group NZ Limited	(a)	New Zealand	–	–
Offshore Marine Services (NZ) Ltd	(a)	New Zealand	100	100
SKILLED International Sourcing Pty Ltd	(b)	Australia	100	100
SKILLED Group UK Ltd	(e)	United Kingdom	100	100
Offshore Marine Services UK Ltd	(e)	United Kingdom	100	100
SKILLED Maritime Services Pty Ltd	(b)	Australia	100	100
SKILLED Operations (WA) Pty Ltd	(b)	Australia	100	100
SKILLED Rail Services Pty Ltd	(a)	Australia	100	100
SKILLED Resources Pty Ltd	(b)	Australia	100	100
SKILLED Offshore Pty Ltd	(b)	Australia	100	100
SKILLED Workforce Solutions (NSW) Pty Ltd	(b)	Australia	100	100
Swan Contract Personnel Pty Ltd	(c)	Australia	100	100
TESA Group Pty Ltd	(c)	Australia	100	100
TESA Mining (QLD) Pty Limited	(b)	Australia	100	100
TESA Mining (NSW) Pty Limited	(c)	Australia	100	100
TESA Mining (U/G) Pty Limited	(b)	Australia	100	100
Damstra Mining Services Pty Ltd	(b)	Australia	100	100
HVA (Qld) Pty Limited	(b)	Australia	100	100
HVA Support Services Pty Limited	(b)	Australia	100	100
HVA Technical Services Pty Limited	(b)	Australia	100	100
Waycon Services Pty Limited	(c)	Australia	100	100
Workforce Solutions (No 1) Pty Ltd	(b)	Australia	100	100

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

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

Legend:

(a) Audited by Ernst & Young

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

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

(d) Entity in liquidation

(e) Audited by Ernst & Young International.

24. Subsidiaries (cont.)

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

	2013 $'000	2012 $'000
Income statement		
Revenue	1,440,382	1,504,514
Other revenue	315	163
Dividends Received	26,346	55,739
Gain/(loss) on sale of businesses and fixed assets	163	3,968
Employee and sub-contractor related costs	(1,274,773)	(1,368,459)
Raw materials and consumables used	(5,347)	(8,340)
Office occupancy related costs	(11,980)	(12,046)
Depreciation and amortisation expense	(7,577)	(9,024)
Finance costs	(4,051)	(7,683)
Other expenses	(111,836)	(93,485)
Profit/(loss) before income tax expense	51,642	65,347
Income tax (expense)/benefit	(10,378)	(20,839)
Profit/(loss) attributable to members of the parent entity	41,264	44,508

	2013 $'000	2012 $'000
Balance sheet		
Current assets		
Cash and cash equivalents	10,855	4,860
Receivables	212,349	162,332
Inventories	145	120
Other financial assets	–	20
Other	3,674	3,943
Total current assets	227,023	171,275
Non-current assets		
Receivables	1,690	1,030
Property, plant and equipment	15,034	6,990
Goodwill	166,313	166,313
Other intangibles	45,293	51,813
Other financial assets	170,635	166,290
Deferred tax assets	7,376	13,166
Total non-current assets	406,341	405,602
Total assets	633,364	576,877

Notes to the financial statement (cont.)

24. Subsidiaries (cont.)

	2013 $'000	2012 $'000
Current liabilities		
Payables	129,430	128,800
Borrowings	665	338
Current tax liabilities	12,742	15,445
Other financial liabilities	110	559
Provisions	28,887	35,463
Total current liabilities	171,834	180,605
Non-current liabilities		
Payables	41,438	2,960
Borrowings	42,950	26,709
Other financial liabilities	–	121
Provisions	12,225	9,621
Total non-current liabilities	96,613	39,411
Total liabilities	268,447	220,016
Net assets	364,917	356,861
Equity		
Issued capital	349,661	349,500
Reserves	3,941	2,559
Retained earnings	11,315	4,802
Total equity	364,917	356,861
Retained earnings		
Balance at the beginning of the financial year	4,802	(21,034)
Net profit	41,264	44,508
Dividends provided for or paid	(35,046)	(18,672)
Movements in other comprehensive income	295	–
Balance at the end of the financial year	11,315	4,802

25. Related party disclosures

(A) EQUITY INTERESTS IN SUBSIDIARIES

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

(B) KEY MANAGEMENT PERSONNEL COMPENSATION (INCLUDING DIRECTORS)

	2013 $	2012 $
Short-term employee benefits	3,959,725	5,703,358
Post-employment benefits	263,358	383,777
Share-based payments	998,819	1,244,585
Termination benefits	–	184,306
Other long-term employee benefits	(22,712)	487,012
	5,199,190	8,003,038

25. Related party disclosures (cont.)

(C) DIRECTORS' AND OTHER KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS

(i) Fully paid ordinary shares issued by SKILLED Group Limited held by directors and other key management personnel including their personally related parties:

2013	Balance 1/7/2012 No.	Granted as compen-sation No.	Received on exercise of options/rights No.	Net other change No.	Balance at 30/6/2013 No.	Balance held nominally No.
Directors						
MP McMahon	667,501	–	–	–	667,501	–
VA McFadden	126,885	–	–	–	126,885	–
RN Herbert AM	13,054	–	–	–	13,054	–
MJ Findlay	35,000	–	–	–	35,000	–
AM Cipa	15,544	–	–	–	15,544	–
TA Horton	–	–	–	–	–	–
TB Janes (retired 30/06/2012)(ii)	116,667	–	–	(116,667)	–	
	974,651	–	–	(116,667)	857,984	–
Other key management personnel						
G Kent	20,000	–	–	–	20,000	–
PR McCormick(i)	27,754	–	–	(27,754)	–	–
D Timmel	–	–	–	–	–	–
J Watkinson	41,000	–	–	–	41,000	–
M Caulfield(i)	65,757	–	–	(65,757)	–	–
J Kempe(ii)	2,000	–	–	(2,000)	–	
	156,511	–	–	(95,511)	61,000	–

2012	Balance 1/7/2011 No.	Granted as compen-sation No.	Received on exercise of options/rights No.	Net other change No.	Balance at 30/6/2012 No.	Balance held nominally No.
Directors						
MP McMahon	667,501	–	–	–	667,501	–
VA McFadden	126,885	–	–	–	126,885	–
RN Herbert AM	13,054	–	–	–	13,054	–
MJ Findlay	35,000	–	–	–	35,000	–
AM Cipa	–	–	–	15,544	15,544	–
TA Horton	–	–	–	–	–	–
TB Janes (retired 30/06/2012)(ii)	146,992	–	–	(30,325)	116,667	–
GM Hargrave (resigned 31/08/2011)(ii)	55,303,305	–	–	(55,303,305)	–	–
	56,292,737	–	–	(55,318,086)	974,651	–
Other key management personnel						
G Kent	–	–	–	20,000	20,000	–
PR McCormick(i)	2,754	–	25,000	–	27,754	–
D Timmel	–	–	–	–	–	–
J Watkinson	–	–	41,000	–	41,000	–
M Caulfield(i)	65,757	–	–	–	65,757	–
J Kempe(ii)	1,000	–	–	1,000	2,000	–
S Healy(ii)	–	–	–	–	–	–
	69,511	–	66,000	21,000	156,511	–

(i) These employees ceased to be key management personnel during 2013.
(ii) These employees ceased to be key management personnel during 2012.

Notes to the financial statement (cont.)

25. Related party disclosures (cont.)

(ii) Executive share options and performance rights issued by SKILLED Group Limited

2013	Balance at 1/7/2012 No.	Granted as compen-sation No.	Vested No.	Other changes No.	Balance at 30/6/2013 No.	Balance vested at 30/6/2013 No.	Balance exercisable at 30/6/2013 No.	Options vested during year No.
Directors								
MP McMahon	3,088,217	266,160	–	–	3,354,377	–	–	–
TB Janes (retired 30/06/2012)(i)	1,020,896	–	–	(1,020,896)	–	–	–	–
Total	4,109,113	266,160	–	(1,020,896)	3,354,377	–	–	–
Other key management personnel								
G Kent	–	176,000	–	–	176,000	–	–	–
PR McCormick(ii)	413,729	59,000	–	(472,729)	–	–	–	–
D Timmel	76,684	56,000	–	–	132,684	–	–	–
J Watkinson	284,544	61,000	–	(26,300)	319,244	–	–	–
M Caulfield(ii)	101,202	62,000	–	(163,202)	–	–	–	–
J Kempe(i)	167,383	–	–	(167,383)	–	–	–	–
S Healy(i)	65,078	–	–	(65,078)	–	–	–	–
Total	1,108,620	414,000	–	(894,692)	627,928	–	–	–

2012	Balance at 1/7/2011 No.	Granted as compen-sation No.	Vested No.	Other changes No.	Balance at 30/6/2012 No.	Balance vested at 30/6/2012 No.	Balance exercisable at 30/6/2012 No.	Options vested during year No.
Directors								
MP McMahon	–	3,088,217	–	–	3,088,217	–	–	–
TB Janes (retired 30/06/2012)(i)	1,168,000	139,896	–	(287,000)	1,020,896	–	–	–
Total	1,168,000	3,228,113	–	(287,000)	4,109,113	–	–	–
Other key management personnel								
G Kent	–	–	–	–	–	–	–	–
PR McCormick(ii)	501,900	80,829	(25,000)	(144,000)	413,729	–	–	–
D Timmel	–	76,684	–	–	76,684	–	–	–
J Watkinson	244,300	81,244	(41,000)	–	284,544	–	–	–
M Caulfield(ii)	24,000	77,202	–	–	101,202	–	–	–
J Kempe(i)	65,000	102,383	–	–	167,383	–	–	–
S Healy(i)	–	65,078	–	–	65,078	–	–	–
Total	835,200	483,420	(66,000)	(144,000)	1,108,620	–	–	–

(i) These employees ceased to be key management personnel during 2013.
(ii) These employees ceased to be key management personnel during 2012.

All executive performance rights issued during the financial year were made in accordance with the provisions of the Executive Long-Term Incentive Plan. No amounts are paid or payable by the recipient on receipt of the right. Each executive performance right converts to one SKILLED Group Limited ordinary share on exercise.

During the financial year $nil (2012: $416,000) was recognised in issued capital arising from the exercise of options or vesting of performance rights by directors and other key management personnel of the Consolidated Entity. Further details of the options and performance rights granted during the year are contained in note 19 to the financial statements.

25. Related party disclosures (cont.)

(D) TRANSACTIONS WITH OTHER RELATED PARTIES:

Related party	Type of transaction	2013	2012	Class of related party	2013 $	2012 $
Offshore Marine Services Alliance Pty Ltd	Offshore marine staffing	Normal commercial terms and conditions	Normal commercial terms and conditions	Joint Venture	83,663,986	56,800,000

VA McFadden was appointed to the Board of Leighton Holdings Ltd in June 2013. Leighton Holdings Ltd is a SKILLED Group customer and transacts on normal commercial terms and conditions.

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

26. Remuneration of auditors

	2013 $	2012 $
Amounts received or due and receivable by Ernst & Young (Australia)		
Audit and review of the financial report	530,177	486,646
Other assurance services	32,500	–
Tax and employment-related services	40,692	251,413
	603,369	738,059
Amounts received or due and receivable by Ernst & Young (International)		
Audit and review of the financial report	49,323	43,354
Other assurance services	–	8,892
	49,323	52,246

Notes to the financial statement (cont.)

27. Notes to the cash flow statement

(A) RECONCILIATION OF CASH

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

	2013 $'000	2012 $'000
Cash and short-term deposits	12,890	11,216
Bank overdraft	(629)	(684)
Cash assets/(liabilities)	12,261	10,532

(B) 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 $nil (2012: $664,000)

(ii) Acquired plant and equipment and leasehold improvements with an aggregate value of $998,000 (2012: $2,272,000) which did not generate a cash flow in the 2013 year and were included within current payable as at 30 June 2013.

(C) FINANCING FACILITIES

	2013 $'000	2012 $'000
Bank overdraft facility, payable at call:		
Amount used	629	684
Amount unused	10,185	9,618
	10,814	10,302
Syndicated bank debt facility and market rate advance facility subject to periodic roll-over:		
Amount used	56,074	36,418
Amount unused	123,926	143,582
	180,000	180,000

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 2013, the syndicated bank debt facility was $160 million in total comprising two tranches, being $60 million (maturing in August 2013) and $100 million (maturing in August 2014). The market rate advance facility is $20 million (maturing in August 2014).

(D) BUSINESSES ACQUIRED

During the financial year, the Consolidated Entity did not make any acquisitions (2012: nil).

	2013 $'000	2012 $'000
Net outflow of cash for prior year acquisitions		
Payment of deferred consideration	9,508	10,186

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

28. Financial instruments

Capital risk management

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

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

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

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

	2013 $'000	2012 $'000
Leverage		
(Net debt/EBITDA[(i)])	0.5	0.3
Interest cover		
(EBITDA[(i)]/Net interest expense[(i)])	25.2	12.2
Gearing		
(Net debt/Net debt + equity)	9%	6%

(i) EBITDA and net interest expense is based on continuing operations as disclosed in note 30 Segment Reporting.

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

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

Notes to the financial statement (cont.)

28. Financial instruments (cont.)

Financial risk management

The Consolidated Entity's financial risks include market risk (including interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Consolidated Entity's overall strategy relating to financial risk management remains unchanged from 2012.

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

	2013 $'000	2012 $'000
Financial assets		
Cash and cash equivalents	12,890	11,216
Current and non-current receivables	212,537	238,873
Derivatives held for trading	–	20

	2013 $'000	2012 $'000
Financial liabilities		
Loans and payables	151,916	154,758
Derivatives held for trading	16	78
Derivatives in hedge relationships	94	602

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

Interest rate risk

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

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

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

The current interest rate risk management policy, unchanged since 2012, is as follows:

- no additional interest rate hedging to be entered into for the time being although the existing interest rate hedge book will be allowed to run to maturity; and
- no minimum level of fixed rate debt is prescribed.

The Consolidated Entity's non-derivative exposure to interest rate risk as at 30 June 2013 is as follows:

- Cash (weighted average interest rate 1.5-2.5%). Refer consolidated statement of financial position.
- Bank overdraft (weighted average interest rate 4.0-6.0%). Refer note 15.
- Bank loans (weighted average interest rate 2.0-6.0%) excluding the effect of interest rate derivatives outlined below. Refer note 15.
- Lease liabilities (weighted average interest rate 10.0-11.0%). Refer note 15.

28. Financial instruments (cont.)

Interest rate sensitivity

The Consolidated Entity's sensitivity to a 200 basis point increase or decrease in interest rates is less than $800,000 (2012:$400,000). This level represents management's assessment of the possible changes in interest rates.

Interest rate derivatives

Under interest rate swap contracts, the Consolidated Entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Consolidated Entity to mitigate the risk of fluctuating interest rates on the cash flow exposure under its variable rate borrowings by exchanging floating rate amounts for the fixed rate amounts. The interest rate swap contracts settle on a quarterly basis based upon the difference between the fixed rate under each contract and Australian Dollar (bank bill swap rate) BBSY. These differences are settled on a net basis.

Hedging activities are reviewed regularly to align with the Consolidated Entity's interest rate risk management policy and are reported to the Board.

The Consolidated Entity adopts the hedge accounting provisions of AASB 139 in respect of its interest rate hedges and does not enter into or trade derivative financial instruments for speculative purposes.

The following table details the interest rate swap contracts outstanding as at reporting date:

Maturity	Average contracted fixed interest		Notional principal amount		Fair value	
	2013 %	2012 %	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Less than 1 year	8.0%	8.0%	10,000	40,000	(94)	(27)
1 to 5 years	–	8.0%	–	10,000	–	(631)

The fair value of interest rate swaps and forward rate agreement contracts is included in the balance of other financial liabilities.

Foreign exchange risk

Foreign exchange risk is the effect on either the financial performance or capital value of the Consolidated Entity arising from movements in foreign exchange rates. The Consolidated Entity manages its foreign exchange risk in accordance with Board-approved policy and its overall strategy relating to foreign exchange risk management remains unchanged from 2012.

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

The foreign currency exposure is not greater than A$700,000 (2012:A$500,000) for any one currency or $1,200,000 in aggregate (2012: $700,000)

Liquidity risk management

Liquidity risk is the risk that the Consolidated Entity will not have sufficient funds available to meet its financial commitments as and when they fall due. The Consolidated Entity manages its liquidity risk in accordance with Board-approved policy and its overall strategy relating to liquidity risk management remains unchanged from 2012.

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

Notes to the financial statement (cont.)

28. Financial instruments (cont.)

Liquidity risk management (cont.)

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

	Weighted average interest rate %	0-1 year $'000	1-2 years $'000	3-5 years $'000	Total $'000
2013					
Bank loans – A$	4.7%	667	703	15,884	17,254
Bank loans – NZD (in A$)	4.4%	340	371	8,995	9,706
Bank loans – EUR (in A$)	1.7%	441	481	28,294	29,216
Bank loans – GBP (in A$)	2.0%	102	102	5,129	5,333
Finance lease liabilities	10.0%	748	476	71	1,295
2012					
Bank loans – A$	4.6%	589	636	10,239	11,464
Bank loans – NZD (in A$)	4.3%	418	498	7,967	8,883
Bank loans – EUR (in A$)	2.9%	628	722	16,076	17,426
Bank loans – GBP (in A$)	2.6%	99	128	3,094	3,321
Finance lease liabilities	10.0%	853	652	281	1,786

Credit risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity's overall credit risk management strategy of only dealing with creditworthy counter-parties, remains unchanged from 2012. The Consolidated Entity measures credit risk on a fair value basis. The Consolidated Entity limits credit risk on liquid funds and derivative instruments by only dealing with banks that have high credit-ratings assigned by international credit-rating agencies.

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

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

The Consolidated Entity does not have any significant credit risk exposure to any single counter-party or any group of counter-parties having similar characteristics.

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

Fair value

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

- financial assets and financial liabilities with standard terms and conditions that are traded on active liquid markets are determined with reference to quoted market prices; and
- the value of all other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The fair value of foreign currency forward contracts are derived using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

28. Financial instruments (cont.)

The fair value of interest rate swaps and forward rate agreement contracts are derived at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

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

Fair value measurements recognised in the statement of financial positions are categorised as:

- level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities
- level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Consolidated Entity records all its derivative financial instruments at fair value, measured using the techniques outlined in level 2.

29. Earnings per share

	2013 Cents	2012 Cents
Basic earnings per share	24.05	21.13
Diluted earnings per share	23.27	20.66
Basic earnings per share from continuing operations	24.05	19.23
Diluted earnings per share from continuing operations	23.27	18.80
Basic earnings per share from discontinuing operations	–	1.90
Diluted earnings per share from discontinuing operations	–	1.86

Basic earnings per share

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

	2013 $'000	2012 $'000
Earnings	56,159	49,319
Earnings from continuing operations	56,159	44,878
Earnings from discontinuing operations	–	4,441

	2013 No. '000	2012 No. '000
Weighted average number of shares	233,500	233,357

29. Earnings per share (cont.)

Diluted earnings per share

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

	2013 $'000	2012 $'000
Earnings	56,159	49,319
Earnings from continuing operations	56,159	44,878
Earnings from discontinuing operations	–	4,441

	2013 No. '000	2012 No. '000
Weighted average number of shares(i)	241,366	238,696
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:		
Weighted average number of shares used in the calculation of basic earnings per share	233,500	233,357
Shares deemed to be issued for no consideration in respect of:		
Executive share options and performance rights(ii)	7,866	5,339
	241,366	238,696

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

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

30. Segment reporting

Segment descriptions

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

Workforce Services	Provision of supplementary labour hire. Revenue from this segment is earned predominantly from the provision of blue-collar labour hire to clients in the industrial, mining and resources sectors. Brands in this segment include SKILLED and TESA.
Technical Professionals	Provision of engineering and technical professional, white collar, and nursing staff. Brands in this segment include Swan, Skilled Technical Professionals, Mosaic, PeopleCo, Damstra Mining Services and Skilled Healthcare (formerly Origin Healthcare).
Engineering and Marine Services	Provision of contract maintenance and engineering services and offshore marine staffing and vessel chartering and management services. Brands in this segment include ATIVO and Offshore Marine Services.
Business Services	As detailed in note 22 the business relating to the provision of customer contact solutions for third-party clients provided through our Excelior brand was sold on 31 October 2011 and is classified as a discontinued operation.
Other disclosures	The Consolidated Entity predominantly operates in one geographical segment, being Australia. Inter-segment pricing is on a normal commercial basis.

30. Segment reporting (cont.)

Segment revenues and results

2013 Segment result	Workforce Services $'000	Technical Professionals $'000	Engineering & Marine Services $'000	Business Services $'000	Un-allocated & eliminations $'000	Total $'000
Revenue	918,323	488,914	463,057	–	(2,102)	1,868,192
Other income	–	–	5,701	–	325	6,026
EBITDA	40,824	26,795	41,321	–	(13,857)	95,083
Depreciation and amortisation	(5,020)	(2,978)	(1,987)	–	(394)	(10,379)
Earnings before interest and tax	35,804	23,817	39,334	–	(14,251)	84,704
Net interest expense	–	–	–	–	(3,774)	(3,774)
Profit before tax before reconciling items						80,930
Reconciliation of profit						
Redundancy and branch closure costs						(2,505)
Amortisation of intangibles						(630)
Acquisition costs						(614)
Profit before tax						77,181
Income tax expense						(21,022)
Profit for the period from continuing operations						56,159
Segment assets and liabilities						
Assets	263,089	113,241	279,524	–	28,866	684,720
Liabilities	75,577	27,368	47,906	–	61,963	212,814
Other segment information						
Share of profit of jointly controlled entities	–	–	5,701	–	–	5,701
Carrying value of investments accounted for using the equity method	–	–	33,274	–	–	33,274
Acquisition of segment assets	6,441	1,859	1,892	–	–	10,192

.

Notes to the financial statement (cont.)

30. Segment reporting (cont.)

Segment revenues and results

2012 Segment result	Workforce Services $'000	Technical Professionals $'000	Engineering & Marine Services $'000	Business Services $'000	Un-allocated & eliminations $'000	Total $'000
Revenue	933,457	507,369	452,060	–	(2,915)	1,889,971
Other income	–	–	4,435	–	405	4,840
EBITDA	46,162	29,068	36,524	–	(18,700)	93,054
Depreciation and amortisation	(5,664)	(4,086)	(1,808)	–	(786)	(12,344)
Earnings before interest and tax	40,498	24,982	34,716	–	(19,486)	80,710
Net interest expense					(7,598)	(7,598)
Profit before tax before reconciling items						73,112
Reconciliation of profit						
Redundancy and branch closure costs						(2,598)
Legal settlement						(4,400)
Amortisation of acquired intangibles						(1,041)
Notional Interest on earn outs						(472)
Profit before tax						64,601
Income tax expense						(19,723)
Profit for the period from continuing operations						44,878
Segment assets and liabilities						
Assets	258,867	126,850	269,495	–	34,309	689,521
Liabilities	73,296	34,184	76,231	–	57,519	241,230
Other segment information						
Profit from discontinued operations after tax	1,747	–	–	2,694	–	4,441
Share of profit of jointly controlled entities	–	–	4,435	–	–	4,435
Carrying value of investments accounted for using the equity method	–	–	10,073	–	–	10,073
Acquisition of segment assets	4,658	2,722	2,947	787	–	11,114

31. Parent company disclosures

	2013 $'000	2012 $'000
Current assets	199,088	125,612
Total assets	612,891	531,570
Current liabilities	181,311	96,951
Total liabilities	249,931	188,243
Net assets	362,960	343,327
Equity		
Issued capital	349,661	349,500
Hedge reserve	(65)	(421)
Employee equity-settled benefits reserve	3,499	2,980
Retained earnings	9,865	(8,732)
Total equity	362,960	343,327
Profit/(loss) for the year	53,348	36,702
Other comprehensive income	295	753
Total comprehensive income	53,643	37,455
Contingent liabilities		
Bank guarantees for various contracts	33,171	28,249
As detailed in note 24, the Company has entered into a deed of cross guarantee with certain wholly owned controlled entities. The extent to which an outflow of funds will be required is dependent on the future operations of the entities that are party to the deed of cross guarantee being more or less favourable than currently expected. The deed of cross guarantee will continue to operate indefinitely. Total liabilities of these wholly owned entities (excluding amounts owed to the Company)	53,190	30,216
	86,361	58,465

Commitments for expenditure

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

32. Subsequent events

Acquisition of Broadsword Marine Contractors Pty Limited

On 3 July 2013, the Consolidated Entity acquired 100% of the equity interest in Broadsword Marine Contractors Pty Limited ("Broadsword") for consideration totalling $75.5 million, comprising initial cash consideration of $48.8 million and deferred consideration of $26.7 million payable over 3 years. A further contingent amount up to a maximum of $24.5 million may be payable if three-year EBITDA growth exceeds agreed stretch targets and is expected to be finalised within four months from the end of the financial year ending 30 June 2016.

Broadsword provides inshore and offshore 'shallow water' services with a fleet of small to medium vessels and has an established presence in the Northern Territory, Western Australia and Queensland. This acquisition is highly complementary to the existing manning and marine logistics services provided by the Consolidated Entity's growing Offshore Marine Services business and the OMSA joint venture.

This transaction had no impact on the Consolidated Entity's financial results or financial position presented in this financial report.

Notes to the financial statement (cont.)

32. Subsequent events (cont.)

Acquisition of Broadsword Marine Contractors Pty Limited (cont.)

At the reporting date, the status of the acquisition accounting is incomplete due to the following reasons:

- the balance sheet at the date of completion is not due to be finalised until September 2013; and
- the valuation of assets acquired (including vessel assets) has not been completed.

Accordingly, disclosure of the fair values of consideration transferred, the assets and liabilities acquired and other related financial information as at the acquisition date cannot be made.

Refinancing of the Group's Revolving Credit Facility

On 14 August 2013, the Group refinanced its Syndicated Revolving Credit Facility. The new $230 million facility is on improved terms and expires in two tranches of $100 million on 31 August 2015 and $130 million on 31 August 2016.

Other Matters

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

Shareholder Information

Number of shareholders

As at 31 August 2013, 5,824 shareholders held the Company's 233,533,526 fully paid ordinary shares.

Voting rights of ordinary shares

The Company's Constitution provides for votes to be cast:

- on show of hands – 1 vote for each shareholder; and
- on a poll – 1 vote for each fully paid ordinary share held

Substantial shareholders

The names of substantial holders in the Company, and the number of shares in which each substantial holder and the substantial holder's associates have a relevant interest, as disclosed in substantial holding notices given to the Company as at 31 August 2013, are as follows:

	Date of notice	Fully paid ordinary shares
Gregory MacKenzie Hargrave	21.02.2013	27,520,731
Commonwealth Bank of Australia	12.07.2013	14,522,430
Invesco Australia Limited	28.09.2012	14,296,852
Thorney Holdings Pty Ltd	05.08.2013	14,072,353
Vinva Investment Management	14.03.2013	12,079,020
Celeste Funds Management Ltd	16.05.2013	12,307,266
Westpac Banking Corporation Group	14.06.2013	12,040,775

Shareholder Information (cont.)

20 Largest holders of ordinary shares as at 31 August 2013

Name	Fully paid ordinary shares	
	Number of shares	Percentage
National Nominees Limited	38,700,874	16.57%
HSBC Custody Nominees (Australia) Limited	35,198,247	15.07%
J P Morgan Nominees Australia Limited	32,720,483	14.01%
Hedonsax Pty Ltd	16,210,000	6.94%
J P Morgan Nominees Australia Limited<Cash Income A/C>	12,323,931	5.28%
Citicorp Nominees Pty Limited	11,937,437	5.11%
Thorney Holdings Pty Ltd	11,321,902	4.85%
Larkfield Nominees Pty Ltd	9,144,796	3.92%
BNP Paribas Nominees Pty Ltd	8,446,102	3.62%
Citicorp Nominees Pty Ltd	4,547,059	1.95%
AMP Life Limited	3,164,991	1.36%
Junere Holdings Pty Ltd	2,010,000	0.86%
CS Fourth Nominees Pty Ltd	1,742,165	0.75%
QIC Limited	1,047,088	0.45%
R A T Investments Pty Ltd	1,000,000	0.43%
Merrill Lynch (Australia) Nominees Pty Limited	854,980	0.37%
Rixi Pty Ltd	844,437	0.36%
Buttonwood Nominees Pty Ltd	743,127	0.32%
Brispot Nominees Pty Ltd	699,978	0.30%
Mr Michael Peter McMahon	667,501	0.29%
	193,325,098	82.78%

Options

As at 31 August 2013, 5 individual option holders held 1,679,938 options.

Distribution of holdings as at 31 August 2013

Range	No. of holders	
	Ordinary shares	Options
1 – 1000	1,737	-
1,001 – 5,000	2,423	-
5,001 – 10,000	807	-
10,001 – 100,000	795	3
100,001 to max	62	2
Total:	5,824	5

As at 31 August 2013, there were 415 holdings of ordinary shares of less than a marketable parcel.

2013 Corporate Directory

Directors

VA McFadden

MP McMahon

AM Cipa

MJ Findlay

RN Herbert AM

TA Horton

Secretary

SA Page

Registered office

SKILLED GROUP LIMITED

2 Luton Lane
Hawthorn
Victoria 3122

ACN 005 585 811
ABN 66 005 585 811

Telephone 61 3 8646 6444
Facsimile 61 3 8646 6441

Share registry

COMPUTERSHARE INVESTOR

SERVICES PTY LTD

YarraFalls, 452 Johnston Street
Abbotsford
Victoria 3067
Shareholders enquiries:
1300 850 505

Auditors

ERNST & YOUNG
8 Exhibition Street
Melbourne
Victoria 3000

Bankers

AUSTRALIA AND NEW ZEALAND

BANKING GROUP LIMITED

100 Queen Street
Melbourne
Victoria 3000

NATIONAL AUSTRALIA BANK LIMITED
500 Bourke Street
Melbourne
Victoria 3000

WESTPAC BANKING CORPORATION
360 Collins Street
Melbourne
Victoria 3000

COMMONWEALTH BANK OF AUSTRALIA
385 Bourke Street
Melbourne
Victoria 3000

Exchange on which shares are listed

Australian Securities Exchange
Level 4, North Tower, Rialto
525 Collins Street
Melbourne
Victoria 3000

www.skilled.com.au

SKILLED Group Limited
ACN 005 585 811

2 Luton Lane
Hawthorn Victoria 3122
Telephone 61 3 8646 6444
Facsimile 61 3 8646 6441

www.skilled.com.au