

**SKILLED Group Limited
2010 Annual General Meeting
25 October 2010**

Address by Mr Ken Loughnan AO, Chairman, SKILLED Group Limited

Slide 2: Banner

At last year's AGM, I confirmed that I would be standing down as Chairman of your Board at today's AGM.

After so many years of reporting good news to you about real growth in shareholder value, I'm therefore very disappointed that at my 16th and final AGM, I have to report to you a less than satisfactory performance of your company in the 2009/10 financial year.

The global financial crisis continued to have an impact on our revenue and margins across almost all of our business units for most of last financial year. I will speak to you more on this shortly and Greg Hargrave will take you through an analysis of each of our business units.

The good news though is that the rebuild phase has commenced and we are confident that this, coupled with an improvement in operational activity across all of our business units, will deliver increasing returns for our shareholders.

Slide 3: Key appointments

With my retirement as Chairman of SKILLED Group Ltd, your Board has unanimously resolved to appoint Vickki McFadden, as Chairman of the Board.

Vickki joined the SKILLED Group Board as a Non-Executive Director in September 2005 and has been the Chair of the Audit Committee and a member of the Risk Committee and Nomination Committee.

Prior to joining the SKILLED Board in 2005, Vickki was Managing Director, Investment Banking, at Merrill Lynch Australia and a Principal/Director of Centaurus Corporate Finance. With a background in law, Vickki has extensive experience in corporate finance and mergers and acquisitions and has led and managed several merger and acquisition transactions on

behalf of major companies. Prior to her career in investment banking, Vickki was a solicitor at Allen & Hemsley. She has been a Member of the Takeovers Panel since 2008 and a member of the Advisory Board and Executive Committee of the Australian School of Business at the University of New South Wales since August 2000.

Since being appointed in 2005, Vickki has made an outstanding contribution to the Board and we are confident that she will be an excellent Chairman of your company.

In April this year, Greg Hargrave announced that he will be stepping down as Chief Executive Officer and Managing Director of SKILLED. Greg has made a significant contribution since his appointment and on behalf of the Board I would like to thank Greg for his leadership, passion and commitment to SKILLED in his role as CEO for the past 7 years.

After conducting an extensive executive search for a candidate with the appropriate skills and experience to rebuild and grow the business, I am pleased to announce the appointment of Michael McMahon as the new Chief Executive Officer. Mick has an outstanding record of success in Australia and Europe in growing businesses and improving profitability at the Coles Group and Shell over the last 25 years.

He is a very well regarded top level executive known for his business acumen and strategic thinking ability.

This appointment is an important step in positioning SKILLED Group for its next growth phase. I am very confident that Mick, along with a strong management team, will lead the company through this rebuild and growth phase and deliver increasing returns for our shareholders. Mick will be appointed as an Executive Director on the Board.

Mick is here with us today. Can I please ask Mick to stand up?

Mick commences as CEO on 15 November 2010. An announcement on Mick's appointment was made to the ASX before the commencement of trading this morning. A copy is available for shareholders which can be collected by the exit door after the meeting.

Slide 4: Continuing process of board renewal

Max Findlay was appointed to the Board in March 2010. Max has had a long and distinguished career in services and manufacturing. He was the Managing Director of the listed company Programmed Maintenance Services for over 18 years, where he successfully grew that business from a \$30m painting contractor to an \$800m diversified multi-service

provider. Max has made a solid contribution to the Board since his appointment. After the AGM, Max will assume the role as Chairman of the Board's Risk Committee.

Kerry Hughes, who as I have mentioned could not be with us today, will retire as Non-Executive Director at the end of today's Annual General Meeting. Kerry was appointed to the Board in May 1994 as an Executive Director until his retirement as an executive of the Company in August 2005 when he became a Non-Executive Director of the SKILLED Board. He has been Chairman of the Risk Committee.

Kerry has been an outstanding contributor to the company and the Board. He acted as safety ambassador for the company and he actively promoted SKILLED's OHS commitment and leadership position to both internal and external stakeholders. He has been instrumental in helping us achieve our outstanding safety record. We all wish Kerry the very best in his retirement.

In line with the Board's commitment to a continuing process of Board renewal, it is planned to appoint two new independent non-executive directors to the Board. This will lead to a significant majority of independent directors. The appointment of the first of the two new non executive directors will be completed shortly with the second appointment to be completed by March 2011.

Slide 5: Key governance initiatives

The SKILLED Board fully supports the ASX Governance Principles and now complies with all principles, including a majority of independent Directors on the Board. The proposed appointment of a further two independent Directors, to which I have just referred, will further strengthen the independence of the Board.

In the past, we have had a combined Audit & Risk Committee. During the reporting period, the Board constituted separate Audit & Risk Committees to oversee management's approach to identifying key operational risk areas and to ensure that programs are in place to manage those risks, and to monitor the Company's financial management and reporting activities.

In December 2009, the ASX Corporate Governance Council announced that it was proposing to make various amendments to its ASX Governance Principles, including the inclusion of a new recommendation that a listed entity establish a diversity policy that includes measurable objectives as set by the entity's Board. It is intended that reporting

requirements for these amendments be in place for the 2011/12 financial year. In light of these amendments, SKILLED is developing an Equality and Diversity Policy which is expected to be finalised and adopted by the second half of the 2010/11 financial year.

The appointment of a new Chairman, a new Chief Executive Officer and the planned appointment of two new independent non-executive directors will give the company a strong platform to deliver increasing returns for our shareholders.

Slide 6: Another challenging year

Now moving to our results.

It has been a challenging 2 years for the SKILLED Group. The first half on the 2008/9 financial year was the strongest performance for a half year for SKILLED in its history. This was then followed by a widespread decline in demand as the global financial crisis impacted right across the economy. We experienced some signs of recovery with increased activity levels in the first half of the 2009/10 financial year, only to be faced with a slower than expected rate of improvement in the second half. The volatility across the economy had a direct impact on our revenue and margins. We started to see some recovery in many of the sectors right towards the end of the 2009/10 financial year, and it is pleasing to note that the trend to recovery has strengthened over the first three months of this financial year.

During the reporting year, we responded quickly to this volatile environment by continuing to reduce our cost base to a sustainable level and decreasing the overall net debt across the group from around \$258 million to \$184 million. We acknowledge that this level of debt is still too high for our business and we will continue to reduce debt to our desired level of 2 times EBITDA over time.

Like all our shareholders, we the Board were disappointed by the results

EBITDA Reported EBITDA for the year was \$62.1m down 28% and Underlying EBITDA was \$69.1 million, down 22% on last year

The Underlying figure here adjusts EBITDA for 1 off charges such as redundancy & branch closure costs of \$5.3m and goodwill impairment of \$1.7m

NPAT Reported NPAT was down 55% to \$12.7m and Underlying NPAT was \$19.2m down 44%

Sales Revenue was down 13% from \$1.9 billion to \$1.7 billion

- EPS** Reported Earnings per Share was 7.3 cents down from 23 cents per share
- Dividend** Given our need to maintain a focus on conserving cash and reducing debt, the Board has decided not to declare a final dividend. We will resume the payment of dividends as soon as our profitability and level of debt return to more acceptable levels.
- Cash Flow** SKILLED delivered a positive operating cash flow of approximately \$29 million
- Debt** I have already mentioned the significant reduction in debt levels during the year. This reduction was achieved by applying the majority of the proceeds of the share placement and share purchase plans to repay debt
- Costs** Management continues to place real efforts on managing our cost base as we move into the recovery phase

Slide 7: Strategic Review

In April this year, the Board initiated a strategic review of our business portfolio, performance and growth prospects. We engaged Goldman Sachs to lead the review. The review assessed a range of business portfolio and capital structure options in the context of the impact of the global financial crisis on the Group's financial profile and our objectives to improve performance and grow the business.

The results of the review confirmed that the fundamental elements of the company were strong but the debt level which is at about 3 times EBITDA is high given the company's profile and operating requirements. As mentioned earlier, we believe that the desired debt level for the Group should be around 2 times EBITDA.

The Board has decided to divest Swan Contract Personnel (Swan) with the sale proceeds to be applied to the Group's debt. A number of shareholders have raised concerns about our decision to sell a good performing asset. We acquired Swan in January 2007 and since the acquisition, Swan has performed well and delivered increased returns each year for the Group. The reason Swan was chosen as the most appropriate asset to divest was based on the fact that we would be able to get a good price for this asset given its performance and exposure in the growing oil and gas and mining sectors. Following the sale of Swan, over 40% of the Group's business will be in the oil and gas and mining sectors. The sale process is continuing.

Slide 8: Strong safety performance

The safety of our people remains our core value. Whilst the LTIFR dropped to 1.02 for the year ending June 2010, a 54% reduction to the previous year, - You can see the massive gains achieved in our LTIFR since 1997 charted against our growth in revenue.

Whilst we ended the financial year on a good note -

It is with deep regret that I report that we had two fatalities over the last two months – one fatality happened on a client's site in Western Australia and the other was a road fatality in New South Wales as one of our employees was on his way home after a shift.

Our condolences go out to the families, friends and colleagues of these employees. We will continue to provide support and counselling to the families and our people.

These fatalities reinforce the need for us to work even harder to achieve our goal of zero harm. As an organisation we remain committed to the very highest standards of Occupational Health and Safety

Slide 9: Positioned for a recovery in demand

Whilst the impact of the global financial crisis is still being felt around the World, with many advanced economies experiencing flat or negative growth, Australia's economy is on the rebound with the Reserve Bank predicting the economy to strengthen further in 2011.

GDP growth is returning to pre-downturn levels and we are seeing a buoyant labour market. Total employment has grown more than 3% over the last 12 months, while total hours worked have recovered at a similar rate. The strong outlook for the resources sector continues, driven by strong overseas demand for Australia's commodities and new expenditure by some of the major mining companies. High levels of investment are also anticipated in the oil and gas sector, partly due to the ongoing Gorgon project and other major projects in the pipeline. This bodes well for continued demand for labour both in the resources industry and those sectors which service it.

As mentioned earlier, we began to see improvement in the levels of activity towards the latter part of last financial year and the trend has continued over the last three months.

So with the economy heading in the right direction, improved levels of activity across most of our businesses, a new CEO who will be strongly focussed on performance, and a renewed Board, I feel confident that SKILLED is in a strong position to move forward.

Slide 10: Banner

At the 2007 AGM, I made a farewell speech, so I'm not going to repeat all that again today

Suffice to say that today as I leave SKILLED I'm truly proud that, as a company, we set the agenda for flexible employment in Australia. In 1964, Frank Hargrave AO pioneered the concept of providing Australian companies with a flexible workforce. Today, the flexible workforce concept is core to the competitiveness of Australian industry - particularly in the mining, oil and gas and manufacturing sectors.

I do though want to again thank Frank Hargrave for giving me the opportunity to join the Board of his then private company back in August 1993

I would like to thank the Board, the management team (in particular Greg Hargrave) and all SKILLED staff and employees for their support and friendship over the past 16 years. Most importantly, I would like to thank you, our shareholders, for your continued support of our Company – as I look around the room I can see many shareholders who have been with us for the entire journey – a special thank you to you for your resilience!

SKILLED has a great and positive future

I look forward to joining you in a seat out there at next year's AGM

Thank you