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SKILLED Group

6 May 2010

Mr Darren Collins
Senior Adviser, Issuers and Accounting Policy
ASX Markets Supervision Pty Ltd
Level 45
Rialto South Tower
525 Collins Street
Melbourne VIC 3000

Dear Darren,

Skilled Group Limited (the "Company") – Market Update

I refer to your letter dated 4 May in relation to the Company's announcement dated 29 April 2010.

I respond to the questions on page 2 of your letter as follows:

1. Please advise when the Company first became aware that the Company's Profit Decrease would be as reported in the Market Update?

The Company first became aware, with any certainty, that the Profit Decrease would be as reported in the Market Update at around 9.00 am on Thursday 29 April 2010. By way of background:

- (a) The Company previously announced (in a market update released to the ASX on 4 December 2009) that it had been "operating at an underlying EBITDA dollar run rate modestly above that of the average 2H FY2009" and that it was "unlikely that the average analyst forecast for FY2010 of \$88m EBITDA will be reached". Thereafter, based on reports issued by various brokers in late February and early March 2010, the median analyst forecast for the Company's full year EBITDA reduced to \$70.8 million, which was in line with the Company's expectations until its board meeting held on Tuesday 27 April 2010.
- (b) At the Company's board meeting on Tuesday 27 April 2010, the board was informed that the Company's revised forecasts showed that the Group's consolidated earnings for the year ending 30 June 2010 were likely to be less than indicated by previous internal forecasts provided to the board. However the board was also informed that the revised forecasts were:
 - (1) still within a 10% range of the median of the most recently published analyst forecasts for EBITDA and (subject to resolution of certain outstanding matters) NPAT; and
 - (2) still subject to a number of factors (both positive and negative) that could affect the forecast results.
- (c) At that meeting, the board requested that management assemble further information in relation to the factors that could affect the forecast results, so that a forecast range of earnings for the year ending 30 June 2010 could be made with a reasonable degree of certainty.
- (d) At 6.00 pm on Wednesday 28 April 2010 the Company held a special purpose board meeting to consider the additional information compiled by management. At the conclusion of that board meeting, it was noted that a number of matters were still outstanding. Management was instructed to continue to finalise work on the forecast range of earnings. The board resolved that a sub-committee of the board be constituted to convene early the following day.

(e) At 9.00 am on Thursday 29 April 2010, the subcommittee of the board met to consider additional information provided by management and approved the revised forecast range of earnings. The Company released its Market Update announcement to the ASX immediately thereafter.

2. At the time that the Company became aware of the Profit Decrease, did the Company consider that the Profit Decrease was material to the Company?

See response to Question 1 above.

3. If, at the time that the Company became aware of the Profit Decrease the Company did not consider that it was material, please advise the basis on which the Company did not consider the Profit Decrease to be material to the Company.

Not applicable.

4. If the answer to question 2 is "yes" please identify an announcement from the Company earlier than the time of release of the Company's Market Update which disclosed the Profit Decrease.

See response to Question 1 above.

5. If there was no earlier announcement, and the Company became aware of the Profit Decrease prior to the release of the Market update, why was the information not released to the market at an earlier time? Please comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A.

See response to Question 1 above.

6. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

The Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Yours faithfully



Tim Paine

Company Secretary & Group General Counsel

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4 May 2010

Mr Tim Paine
Company Secretary
Skilled Group Limited
Level 15, 380 St Kilda Road
MELBOURNE VIC 3004

By email only

Dear Tim

Skilled Group Limited (the "Company") – Market Update

We refer to the following.

- The Company's announcement titled "SKILLED Group – Market Update" dated Thursday, 29 April 2010 ("Market Update") given to ASX Limited ("ASX") and which reported an expected EBITDA of approximately \$60-65 million, expected NPAT of approximately \$10-14 million and expected underlying NPAT of \$17-21 million for the year ended 30 June 2010 ("Profit Decrease") and which also reported the intention of Greg Hargrave, Managing Director and Chief Executive Officer of the Company to step down from his role following a strategic review.
- The change in the price of the Company's securities from a high of \$1.75 on Friday, 26 March 2010 to a low of \$1.23 on Thursday, 29 April 2010.

As you are aware listing rule 3.1 requires an entity, once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, to immediately tell ASX that information. The exceptions to this requirement are set out in listing rule 3.1A.

I would also like to draw your attention to the definition of "aware" in Chapter 19 of the listing rules. This definition states that:

"an entity becomes aware of information if a director or executive director (in the case of a trust, director or executive officer of the responsible entity or management company) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a director or executive officer of that entity."

Furthermore, paragraph 18 of Guidance Note 8 states:

"Once a director or executive officer becomes aware of information, he or she must immediately consider whether that information should be given to ASX. An entity cannot delay giving information to ASX pending formal sign-off or adoption by the board, for example."

Listing rule 3.1A sets out an exception from the requirement to make immediate disclosure, provided that each of the following are satisfied.

- "3.1A.1 A reasonable person would not expect the information to be disclosed.*
- 3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential.*
- 3.1A.3 One or more of the following applies.*
- It would be a breach of a law to disclose the information.*
 - The information concerns an incomplete proposal or negotiation.*
 - The information comprises matters of supposition or is insufficiently definite to warrant disclosure.*
 - The information is generated for the internal management purposes of the entity.*
 - The information is a trade secret."*

Paragraph 93 of ASX's Guidance Note 8 "Continuous Disclosure: Listing Rule 3.1" states the following:

"Listing Rule 3.1 provides examples of information that, if material, would require disclosure. One of those examples is a change in the entity's previously released financial forecast or expectation. As a general policy, a variation in excess of 10% to 15% may be considered material, and should be announced by the entity as soon as the entity becomes aware of the variation. If the entity has not made a forecast, a similar variation from the previous corresponding period will need to be disclosed. In certain circumstances a smaller variation will be disclosable."

Having regard to the above definition, listing rule 3.1 and Paragraph 93 of ASX's Guidance Note 8 "Continuous Disclosure: Listing Rule 3.1 ("Guidance Note 8"), we ask that you answer the following questions.

1. Please advise when the Company first became aware that the Company's Profit Decrease would be as reported in the Market Update?
2. At the time that the Company became aware of the Profit Decrease, did the Company consider that the Profit Decrease was material to the Company?
3. If, at the time that the Company became aware of the Profit Decrease the Company did not consider that it was material, please advise the basis on which the Company did not consider the Profit Decrease to be material to the Company.
4. If the answer to question 2 is "yes" please identify an announcement from the Company earlier than the time of release of the Company's Market Update which disclosed the Profit Decrease.
5. If there was no earlier announcement, and the Company became aware of the Profit Decrease prior to the release of the Market update, why was the information not released to the market at an earlier time? Please comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A.
6. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me by return e-mail. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, no later than 9.30am AEST on Thursday, 6 May 2010.

Please note that ASX reserves the right, under listing rule 18.7A, to release this letter and the Company's response to the market. Accordingly, it would be appreciated if you would prepare your response in a form suitable for release to the market and separately address each of the questions asked.

If you have any queries in relation to the above please let me know.

Yours sincerely

Sent by electronic means without signature

Darren Collins

Senior Adviser, Issuers and Accounting Policy