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

Preliminary Final Report

Skilled Group Limited

Notes to the Preliminary Final Report
ABN 66 005 585 811
Results for Announcement to the Market

Financial Year Ended ('current period') – 30 June 2012
('previous corresponding period' – 30 June 2011)

				$AUD'000
Revenue	Up	3.9%	to	1,889,971
Statutory net profit after tax from continuing operations	Up	530%	to	44,878
Statutory net profit after tax attributable to members	Up	1,471%	to	49,319
Underlying net profit after tax from continuing operations[1]	Up	85.6%	to	52,383

Dividends (distributions)	**Amount per security**	**Franked amount per security**
Interim Dividend (Previous Year)	5.0¢ -	5.0¢ -
Final Dividend (Previous Year)	8.0¢ 3.0¢	8.0¢ 3.0¢
Record date for determining entitlements to the Dividend	26 September 2012	
Date for payment of Final Dividend	18 October 2012	
The Dividend Reinvestment Plan will remain suspended until further notice.		

Earnings Per Ordinary Fully Paid Share (EPS)	**Current period**	**Previous corresponding period**
Basic EPS	21.13¢	1.56¢
Diluted EPS	20.66¢	1.55¢
Basic EPS from continuing operations	19.23¢	3.54¢
Diluted EPS from continuing operations	18.80¢	3.52¢
Underlying basic EPS from continuing operations [1]	22.45¢	14.03¢
Underlying diluted EPS from continuing operations[1]	21.95¢	13.94¢

Net tangible asset backing	**Current period**	**Previous corresponding period**
Net tangible asset backing per ordinary security	25.3¢	10.4¢

Net asset backing	**Current period**	**Previous corresponding period**
Net asset backing per ordinary security	192.0¢	178.2¢

Notes to the Preliminary Final Report

[1] Statutory net profit after tax from continuing operations reconciles to underlying net profit after tax from continuing operations as follows:

	June 2012 $'000	June 2011 $'000
Statutory net profit after tax from continuing operations	44,878	7,121
Reconciling items as per financial statement note 36 - Segment Reporting:		
Redundancy and branch closure costs	2,598	6,027
Legal settlement	4,400	-
Amortisation of acquired intangibles	1,041	2,541
Notional Interest on earn out liabilities	472	1,022
Swan sale costs	-	939
Goodwill Impairment	-	10,727
Bank establishment fees write-off	-	4,096
Tax consolidation amendments	1,406	-
Income tax on reconciling items	(2,412)	(4,256)
Underlying net profit after tax from continuing operations	52,383	28,217

Underlying basic and diluted EPS from continuing operations is calculated using underlying net profit after tax from continuing operations.

The Appendix 4E is based on audited accounts.	
Annual General Meeting Place: State Library of Victoria Date: 25 October 2012 Time: 11.00 am	
Annual Report available (approximate date):	15 September 2012
For the profit commentary and other significant information needed by an investor to make an informed assessment of Skilled's results please refer to the accompanying Skilled Group Limited media release.	

Signed: .... Date: 22 August 2012
Tim Paine
Company Secretary

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 2012.

Directors'

The directors of the Company during the financial year (or, where indicated, during part of the year only) were:

Directors	Qualifications & experience	Other Listed Company Directorships
VA McFadden • Independent Non-executive Chairman • Chairman of the Nomination Committee • Member of the Audit & Risk Committee • Member of Remuneration Committee	BComm, LLB Director since September 2005. Broad experience in finance 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. Currently, a member of Takeovers Panel (since 2008), a member of the executive committee of the Australian School of Business at UNSW and a Director of Myer Family Company Holdings Pty Ltd.	-
MP McMahon • Chief Executive Officer and Managing Director	BEc, Harvard Business School Advanced Management Program (2009) Director since November 2010. 19 years with Shell both in Australia and overseas, including running the Australian retail business. Experience across national marketing, supply chain, IT and strategy roles. Managing Director of Coles Express between 2005 and 2009. Chief Operating Officer Coles from 2007 to 2009. Prior to joining SKILLED Group, senior Advisor with TPG Capital engaging on current and potential investments in the energy, retail and industrial sectors in Australia and overseas.	-
AM Cipa • Independent Non-Executive Director • Chairman of the Audit & Risk Committee	BBus, Grad Dip Accounting, CPA Director since April 2011. 20 years with CSL Limited in various senior finance roles, commencing prior to its float on the ASX in 1990. Chief Financial Officer between 1994 and 2000 and Finance Director from 2000 until 2010.	CSL Limited (from August 2000 to October 2010)
MJ Findlay • Independent Non-Executive Director • Member of the Audit & Risk Committee • Member of the Remuneration Committee • Member of the Nomination Committee	BEc Director since March 2010. Broad experience in services and manufacturing. 11 years with Australian Consolidated Industries, three years with Vinyl Clad (a division of Smith & Nephew) and five years with James Sephton Plastics. At Programmed Maintenance Services for over 20 years and held the positions of Business Development Manager, General Manager and 18 years as Managing Director.	EVZ Limited (from April 2008 to present) Redflex Holdings Limited (from November 2009 to present)
RN 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. Appointed by the Federal Government in April 2010 as Water Supplier Advocate.	-
TA Horton • Independent Non-Executive Director • Member of the Audit & Risk Committee • Member of the Nomination Committee	BEc (Hons), MBA Director since February 2011. Worked in Australia and in the United States as an economist, business analyst and management consultant in both the public and private sectors including significant periods at the Reserve Bank of Australia, based in Sydney and Bain & Company, based in San Francisco. Dean of The University of Western Australia Business School between February 2005 and August 2011. Extensive strategy development, performance improvement, business turnaround and leadership experience.	AHG Limited (from May 2012 to present) Navitas Limited (from June 2012 to present)

Directors' report continued

Directors	Qualifications & experience	Other Listed Company Directorships
TB Janes (retired as a Director 30 June 2012)	BComm, FCPA, CFTP, Wharton AMP Director between July 1998 and June 2012. Over 20 years' experience in a wide range of senior finance roles including as Chief Financial Officer for major operating divisions in the steel and minerals business at BHP. Chief Financial Officer of SKILLED Group for 14 years until his retirement from this role in April 2012.	-
GM Hargrave (retired 31 August 2011)	Director between August 2003 and August 2011. Joined SKILLED Group in 1998. Appointed National Marketing Manager and Business Development Manager in 2000. Appointed Chief Operating Officer in 2002and was Chief Executive Officer between August 2003 and November 2010. Broad business background with experience in property management and private investment.	-

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 were:

Directors	Fully paid ordinary shares	Shares under option/rights
VA McFadden	126,885	-
MP McMahon	667,501	3,088,217
AM Cipa	15,544	-
MJ Findlay	35,000	-
RN Herbert AM	13,054	-
TA Horton	-	-
TB Janes (retired 30 June 2012)	116,667	-
GM Hargrave (retired 31/8/2011)	30,158,636	-

The Remuneration Report set out at pages 5 to 16 of this Report forms part of this Directors' Report.

Company secretary

Tim Paine, BEc, LLB

Joined SKILLED Group in March 2010 and has over 20 years' experience in corporate counsel and company secretary roles, including at Symbion Health, Mayne Group, and ANZ Bank. Commenced career as a solicitor in private practice and has also managed his own consulting company. Extensive experience in major corporate transactions and litigations, both domestically and overseas.

Dividends

For the financial year ended 30 June 2012, a final dividend of 8.0 cents per share franked to 100% (at a corporate income tax rate of 30%) will be paid on 18 October 2012 to holders of fully paid ordinary shares. An interim dividend of 5.0 cents per share franked to 100% (at a corporate income tax rate of 30%) was paid on 17 April 2012.

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 $49,319,000 (2011: $3,139,000).

Review of operations

Sales revenue grew by 3.9% overall, despite the ongoing challenges in the economic environment.

Consistent demand for trades and skilled labour in the core Workforce Services business was underpinned by growth in the mining, resources and infrastructure sectors and was strongest in Western Australia, New South Wales and Queensland. This was offset by subdued activity levels in the manufacturing and related sectors especially in metropolitan areas and in South Eastern Australia.

Technical Professionals (formerly "Other Staffing Services") grew by 17.2% with Swan Contract Personnel continuing to benefit from the ongoing activity in mining & resources and oil & gas sectors. This was supported by strong growth in higher margin telecommunication training, Indigenous employment, Workforce Management Solutions and IT&T placements.

Earnings improvement in Engineering and Marine Services was supported by growth in OMS manning services, OMS International and OMSA JV, plus a strong contribution from ATIVO projects and maintenance. The overall revenue and earnings in this segment continued to be impacted by the planned exit from unprofitable vessel contracts, and the associated end of contract costs.

A reduction in operating costs during the year also contributed to the improved result.

Strong operating cashflow was a result of continued improvements in working capital management, including a 3 day reduction in average debtor days, the alignment of objectives across the business via balanced scorecards, and back office process improvements. This, along with the proceeds from non-core asset sales (Excelior and Tradeforce NZ), has resulted in a reduction in net debt to $27,406,000 as at 30 June 2012 (June 2011: $96,537,000).

Changes in state of affairs

There has been no significant change in the state of affairs of the consolidated entity.

Subsequent events

Subsequent to year end a legal dispute dating back to 2008 was adjudicated against SKILLED Group. The financial impact, being an expense of $4,400,000 before income tax, has been included in the financial statements as at 30 June 2012.

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, results of those operations, or the state of affairs of SKILLED Group in future financial years.

Future developments

In the opinion of the directors, the disclosure of any additional information 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.

Further details will be provided in the full 2012 Annual Report.

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.

Directors' report continued

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.

	Board		Audit & Risk Committee		Remuneration Committee		Nomination Committee	
Director	Held	Attended	Held	Attended	Held	Attended	Held	Attended
VA McFadden	10	10	6	6	5	5	1	1
MP McMahon	10	10	-	-	-	-	-	-
AM Cipa	10	9 [1]	6	6	-	-	-	-
MJ Findlay	10	10	6	6	5	5	1	1
RN Herbert AM	10	10	-	-	5	5	-	-
TA Horton	10	10	6	6	-	-	-	-
TB Janes (retired 30 June 2012)	10	10	-	-	-	-	-	-
GM Hargrave (retired 31/8/2011)	2	0 [2]	-	-	-	-	-	-

1 Mr Cipa's absence from this meeting was due to a commitment which pre-dated his appointment as a director of the Company.
2 Mr Hargrave was on a leave of absence during the time these meetings were held.

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 31 to the financial statements.

Auditor's independence declaration

The auditor's independence declaration is included on page 17.

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 2012. 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(i)	Chief Financial Officer
Paul McCormick	Executive General Manager Eastern Region
David Timmel	Executive General Manager Western Region
John Watkinson	Chief Sales and Marketing Officer
Matt Caulfield(ii)	Executive General Manager Transformation
Terry Janes(iii)	Chief Financial Officer, Executive Director
John Kempe(iv)	Chief Executive Officer Offshore Marine Services
Sue Healy(v)	Executive General Manager Recruitment Services

(i) Mr Kent commenced with SKILLED Group on 30 April 2012.

(ii) Mr Caulfield was included in the category of key management personnel in the 2012 financial year.

(iii) Mr Janes retired as Chief Financial Officer on 30 April 2012, retired from the Board of Directors on 30 June 2012 and will cease employment with SKILLED Group in July 2013.

(iv) Mr Kempe ceased employment with SKILLED Group effective 25 July 2012.

(v) Ms Healy ceased employment with SKILLED Group effective 2 July 2012.

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 2012 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 continually reviewed by the Committee to ensure it meets the needs of the Company.

Remuneration report continued

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.

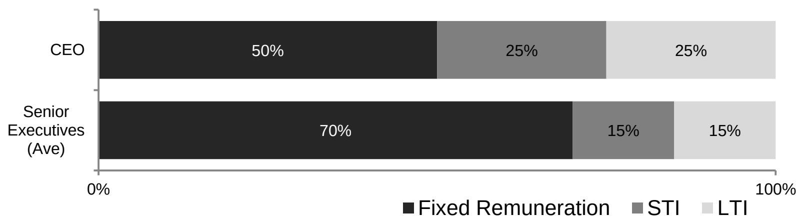
The key principles which govern the Company's remuneration framework are to:

- 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.
- 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 for the 2012 financial year are as follows:

	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 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 over a three year period. • Relative TSR performance

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 remuneration using the "at target" remuneration package for each group.



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 managing debt.
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 executive remuneration components for senior executives are outlined in this section. In reviewing the remuneration components information was sought from independent remuneration consultants on the structure of the remuneration packages applying to senior executives and other levels of staff and on the level of fixed pay increases in the market over the previous 12 months. Benchmarking is undertaken annually:

- 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.

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 who are committed to the on-going success of SKILLED Group and to create 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 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 options, performance rights and cash or a combination of those. 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 options or performance rights over SKILLED Group ordinary shares, cash or a combination of these awards. The options and performance rights 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 vesting of 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 options and performance rights and cash are made by the Board based on recommendations of the Remuneration Committee. For a list of share based arrangements in existence during the 2012 financial year, please refer to Note 23 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 2012, please refer to Note 30 of the financial statements.

5. Executive remuneration outcomes

The remuneration for senior executives for the year ended 30 June 2012 is set out below. Please refer to section 6 for further details regarding the remuneration structure for senior executives including the Chief Executive Officer and Chief Financial 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 October. 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. In 2012 a review of fixed remuneration was undertaken and the Company was competitive on fixed remuneration and as result very few increases will apply to key management personnel and other senior executives across the Company. The fixed remuneration for both the Chief Executive Officer and Chief Financial Officer will remain unchanged in the 2013 financial year.

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 2012 financial year, SKILLED Group exceeded its target performance measures, which will result in remuneration slightly above the target levels. In particular, several business units within SKILLED Group performed well above expectations and the senior executives for these business units will receive above target performance bonuses, as outlined in the table below. For business units that have not performed as well, the bonuses are less than target or will not be paid based on the results achieved against the business unit scorecard.

The following incentives were achieved in the 2012 financial year under the ESTI Plan for the executive directors and other key management personnel.

Executive Short-Term Incentive Plan	% of Fixed Remuneration		
	Achieved	Not achieved	Maximum that could be achieved
Mick McMahon	64%	36%	100%
Gary Kent	0%	0%	0%
Paul McCormick	32%	8%	40%
David Timmel	0%	40%	40%
Matt Caulfield	32%	8%	40%
John Watkinson	23%	17%	40%
Terry Janes	17%	43%	60%
John Kempe	0%	40%	40%
Sue Healy	0%	40%	40%

LONG-TERM INCENTIVES

During the 2012 financial year, 1,995,316 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 2011 through to 30 June 2014. 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 25 August 2011 (being one day after the announcement of the 2011 full year results).

A further 1,992,593 options and 800,605 performance rights were granted under the ELTI plan, the majority in relation to the CEO, Mr McMahon, as set out in Section 6 for the Chief Executive Officer.

For the 2013 financial year the two performance measures of EPS and relative TSR will continue to apply and the performance hurdles are outlined in the tables below.

For the EPS measures the targets set are based on a compound annual growth rate over the 3 year period of 10% at threshold, 12% at target and 14% at stretch. The Board has discretion to adjust for significant items (both positive and negative) when determining the EPS outcome. For the calculation of TSR, the peer group is the ASX200 excluding financial institutions and including key competitors.

The number of performance rights to be issued will be based on the volume weighted average share price of SKILLED Group ordinary shares for the five days commencing 23 August 2012 (being one day after the announcement of the 2012 full year results). The performance hurdles are set out 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

During the 2012 financial year, ELTI grants awarded in the 2006 year expired and ELTI grants awarded in the 2007 financial year 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 2012 are outlined in the table below.

2012	Balance at 1/7/2011 No.	Granted as compensation No.	Vested(ii) No.	Lapsed 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								
Mick McMahon	–	3,088,217	–	–	3,088,217	–	–	–
Terry Janes	1,168,000	139,896	–	(287,000)	1,020,896	81,000	81,000	–
Key management personnel								
Gary Kent	–	–	–	–	–	–	–	–
Paul McCormick	501,900	80,829	(25,000)	(144,000)	413,729	–	–	–
David Timmel	–	76,684	–	–	76,684	–	–	–
John Watkinson	244,300	81,244	(41,000)	–	284,544	–	–	–
Matt Caulfield	24,000	77,202	–	–	101,202	–	–	–
Former key management personnel								
John Kempe(i)	65,000	102,383	–	–	167,383	–	–	–
Sue Healy	–	65,078	–	–	65,078	–	–	–
Total	2,003,200	3,711,533	(66,000)	(431,000)	5,217,733	81,000	81,000	–

(i) Mr Kempe ceased employment with the SKILLED Group on 25 July 2012 and all ELTI grants lapsed as a result.

Remuneration report continued

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 ($)
2012	49.3	21.1	8.0	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
2008	39.3	34.5	23.0	3.00

6. Senior executive contracts of employment

The general details of the contracts for senior executives (including the Chief Executive Officer and Chief Financial Officer) 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, performance rights and/or cash under the ELTI Plan will lapse. 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. • If the exit is involuntary, by retirement or a company initiated termination (excluding termination for cause) the unvested grant of options, performance rights and/or cash under the ELTI Plan will continue. The award of options, performance rights and/or cash continue until three years from the date of grant and then if the performance conditions are met they will vest, 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 (current and former) have a notice period up to twelve months, while senior executives have a notice period up to three 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 Remuneration 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.

<table>
<tr><th>Remuneration Item</th><th>Terms</th></tr>
<tr><td>Fixed Remuneration:</td><td>The annual fixed remuneration 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 will not change in the 2013 financial year.</td></tr>
<tr><td>Short-Term Incentives:</td><td>The maximum short-term incentive payable is 100% of fixed annual remuneration; targets are set annually by the Board for target and stretch performance measures. For the 2012 financial year the CEO will receive a bonus of $572,000.This bonus was calculated taking into account both individual and company performance.</td></tr>
<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.
2010 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. If the performance hurdles are satisfied, the options will vest and may be exercised by Mr McMahon until the sixth anniversary of the grant date. The options will vest upon achievement of two separate performance conditions:

EPS - Based on the company's EPS growth over the period 1 July 2010 to 30 June 2013 using reported EPS for the year ended 30 June 2010 as the base, the options will vest as outlined in the table below.
<table>
<tr><th>Average annual
% EPS growth</th><th>Equivalent 3 year cumulative EPS
1 July 2010 – 30 June 2013</th><th>% to vest</th></tr>
<tr><td>Below 40%</td><td>Below 44.4 cps</td><td>0%</td></tr>
<tr><td>40%</td><td>44.4 cps</td><td>25%</td></tr>
<tr><td>50%</td><td>51.8 cps</td><td>50%</td></tr>
<tr><td>65%</td><td>64.5 cps</td><td>100%</td></tr>
</table>
Note: There is a pro-rata allocation for EPS growth between 40%-50% and 50%-65%.
Gearing ratio - Over the period 1 July 2011 to 30 June 2013, the Company's debt levels must not exceed two times EBITDA.

2011 grant:
Mr McMahon was issued with 569,948 performance rights in the 2012 financial year. The value 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>
</td></tr>
</table>

Remuneration report continued

<table>
<tr><th>Remuneration Item</th><th>Terms</th></tr>
<tr><td></td><td>
<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>
<tr><td>Co-investment scheme:</td><td>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.</td></tr>
</table>

Chief Financial Officer – Gary Kent

Mr Kent joined the Company in April 2012 as the Chief Financial Officer. His remuneration package is set out as follows:

Remuneration Item	Terms
Fixed Remuneration:	The fixed remuneration for Mr Kent for the period 1 July 2012 until 30 June 2013 is $580,000.
Short-Term Incentives:	For the 2012 financial year, Mr Kent is not eligible for a short-term incentive payment. For the 2013 financial year, Mr Kent will be eligible to participate in the plan. Any bonus will take into account both individual and company performance.
Long-Term Incentives:	In the 2013 financial year, Mr Kent will be eligible to participate in the long-term incentive plan.

Former Chief Financial Officer – Terry Janes

Mr Janes retired as Chief Financial Officer on 30 April 2012, retired from the Board of Directors on 30 June 2012 and will cease employment with SKILLED Group in July 2013. Mr Janes’ remuneration disclosed in this report includes remuneration for the 2012 financial year and the portion of his notice period payable in the 2013 financial year. At the conclusion of Mr Janes’ service with the Company, the Board will exercise discretion on any unvested long-term incentive grants held. His remuneration package is set out as follows:

Remuneration Item	Terms
Fixed Remuneration:	The fixed remuneration for Mr Janes for the period 1 July 2011 until 30 June 2012 was $600,000.
Short-Term Incentives:	For the period 1 July 2011 until 30 June 2012 Mr Janes will receive a short-term incentive cash bonus of $100,000. This bonus was calculated taking into account both individual and company performance.
Long-Term Incentives:	Mr Janes has been a participant in the ELTI Plan. No further long-term incentive grants will be made to Mr Janes. At the conclusion of Mr Janes’ employment with the Company, the Board will exercise its discretion to determine the outcome of any unvested grants previously made under the ELTI Plan.
Retirement:	Mr Janes retired as Chief Financial Officer on 30 April 2012, retired from the Board of Directors on 30 June 2012 and will cease employment with SKILLED Group in July 2013.
Directors Fees:	During his service on the Board, Mr Janes did not receive any Directors' Fees. Mr Janes retired from the Board effective 30 June 2012.

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 2011and 2012 financial years.

Current key management personnel

			Short-term employee benefits					Long-term employee benefits				
Name	Title	Year	Fixed(i)	Short-term incentive	Non-monetary (ii)	Other short-term benefit	Super-annuation	Other long-term employee benefits	Equity settled share-based payment	Termi-nation benefits	Total	Proportion of total that is perform-ance related
Mick McMahon(iii)	Chief Executive Officer (Executive Director)	**2012**	1,052,988	700,000	10,281	–	24,576	–	819,422	–	2,607,267	58%
		2011	667,514	–	5,389	–	13,800	–	345,957	–	1,032,660	34%
Gary Kent(iv)	Chief Financial Officer	**2012**	54,954	–	572	–	52,629	–	–	–	108,155	0%
		2011	–	–	–	–	–	–	–	–	–	–
Paul McCormick	Executive General Manager, Eastern Region	**2012**	342,722	124,000	–	7,500	47,775	25,691	70,235	–	617,923	36%
		2011	325,761	117,000	10,291	–	47,199	2,933	27,394	–	530,578	28%
David Timmel	Executive General Manager, Western Region	**2012**	342,443	–	–	1,106	49,375	–	29,483	–	422,407	7%
		2011	155,612	–	–	–	21,600	–	–	–	177,212	0%
John Watkinson	Chief Sales and Marketing Officer	**2012**	372,973	89,000	–	–	15,775	23,997	76,568	–	578,313	33%
		2011	357,775	–	–	–	15,199	3,218	42,916	–	419,108	11%
Matt Caulfield(v)	Executive General Manager, Transformation	**2012**	301,797	96,000	1,080	–	15,775	12,393	44,511	–	471,556	32%
		2011	–	–	–	–	–	–	–	–	–	–
Total		**2012**	2,467,877	1,009,000	11,933	8,606	205,905	62,081	1,040,219	–	4,805,621	–
		2011	1,506,662	117,000	15,680	–	97,798	6,151	416,267	–	2,159,558	–

(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) Mr McMahon commenced with SKILLED Group on 11 November 2010.

(iv) Mr Kent commenced with SKILLED Group on 30 April 2012.

(v) Mr Caulfield was included in the category of key management personnel in the 2012 financial year.

Remuneration report continued

Former executive director and key management personnel [(i)]

Name	Title	Year	Short-term employee benefits					Long-term employee benefits				
			Fixed[(ii)]	Short-term incentive	Non-monetary	Other short-term benefit	Super-annuation	Other long-term employee benefits	Equity settled share-based payment[(iii)]	Termi-nation benefits	Total	Proportion of total that is perform-ance related
Terry Janes[(iv)]	Chief Financial Officer (Former)	**2012**	694,354	100,000	102,871	–	72,055	391,405	105,880	–	1,466,565	41%
		2011	511,003	–	34,859	–	48,559	171,162	9,966	–	775,549	23%
J Kempe[(v)]	Chief Executive Officer Offshore Marine Services	**2012**	377,292	–	62,351	–	47,845	33,526	73,465	67,554	662,033	16%
		2011	388,546	95,000	66,492	45,000	38,399	9,530	9,585	–	652,552	17%
S Healy[(vi)]	Executive General Manager, Recruitment	**2012**	244,488	–	46,783	–	15,775	–	25,021	116,752	448,819	6%
		2011	93,997	–	–	–	5,012	–	–	–	99,009	0%
Greg Hargrave[(vii)]	Chief Executive Officer and Managing Director	2011	443,991	–	12,600	–	7,789	(26,167)	(28,962)	629,855	1,039,106	(5)%
Damian Johnson[(viii)]	CEO Staffing Services	2011	535,199	–	1,080	–	15,199	6,335	170,021	366,916	1,094,750	16%
Damian Bridge[(ix)]	Executive General Manager, Southern Region	2011	309,186	–	29,369	–	15,176	3,424	22,891	235,380	615,426	4%
Total		**2012**	1,316,134	100,000	212,005	–	135,675	424,931	204,366	184,306	2,577,417	
		2011	2,281,922	95,000	144,400	45,000	130,134	164,284	183,501	1,232,151	4,276,392	

(i) Mr Greg Hargrave, Mr Damian Johnson, Mr Damian Bridge were disclosed as key management personnel in the remuneration tables for the 2011 financial year prior to their departure from the Company during the 2011 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) Mr Janes retired as Chief Financial Officer on 30 April 2012, retired from the Board of Directors on 30 June 2012 and will cease employment with SKILLED Group in July 2013. Please refer to Section 6 for further details.

(v) Mr Kempe ceased employment with SKILLED Group effective 25 July 2012

(vi) Ms Healy ceased employment with SKILLED Group effective 2 July 2012

(vii) Mr Hargrave ceased employment with SKILLED Group effective 31 December 2011

(viii) Mr Johnson ceased employment with SKILLED Group effective 30 June 2011

(ix) Mr Bridge ceased employment with SKILLED Group effective 30 June 2011

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, Ernst and Young. 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. Consistent with the minimal movement for fixed remuneration across the key management personnel and senior executives, the non-executive directors' fees will not be increased in the 2013 financial year

The current fees paid to non-executive directors are:

Role	Current fee
Chairman	$200,000
Chairman of Audit, Risk and Compliance Committee	$120,000
Chairman of Rem Committee and 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 2011 and 2012.

Name	Title	Year	Non-Executive director fees	Superannuation	Total
Non-Executive Directors					
Vickki McFadden	Chairman of the Board	**2012**	184,225	15,775	200,000
		2011	128,914	11,602	140,516
Bob Herbert AM	Non-Executive Director, Chairman Remuneration Committee	**2012**	100,000	–	100,000
		2011	75,900	–	75,900
Max Findlay	Non-Executive Director	**2012**	91,743	8,257	100,000
		2011	69,600	6,300	75,900
Tony Cipa	Non-Executive Director, Chairman Audit Committee	**2012**	110,092	9,908	120,000
		2011	19,267	1,734	21,001
Tracey Horton	Non-Executive Director	**2012**	91,743	8,257	100,000
		2011	27,151	1,789	28,940
Total		**2012**	577,803	42,197	620,000
		2011	320,832	21,425	342,257

Remuneration report continued

Name	Title	Year	Non-Executive director fees	Superannuation	Total
Former Non-Executive Directors					
KV Loughnan AO(i)	Former Chairman of the Board	2011	125,929	(18)	125,911
KW Hughes(ii)	Non-Executive Director	2011	25,300	–	25,300
PA Gregg(iii)	Non-Executive Director	2011	40,619	4,700	45,319
Total		2011	191,848	4,682	196,530

(i) Mr KV Loughnan resigned as Chairman of the Board on 25 October 2010.

(ii) Mr KW Hughes resigned from the Board on 25 October 2010.

(iii) Mr PA Gregg resigned from the Board on 10 February 2011.

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

Melbourne, 22 August 2012

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8 Exhibition Street
Melbourne VIC 3000 Australia
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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 2012, 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

BPM

Bruce Meehan
Partner
Melbourne
22 August 2012

Ernst & Young Building
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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 2012, 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.

Opinion

In our opinion:

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

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 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 pages 5 to 16 of the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

BM

Bruce Meehan
Partner
Melbourne
22 August 2012

Directors' declaration

For the financial year ended 30 June 2012

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

1. In the opinion of the directors:

   a) the financial statements and notes of Skilled Group Limited are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of its financial position as at 30 June 2012 and its performance for the year ended on that date, and

      (ii) compliance 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 29 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

Melbourne, 22 August 2012

Financial statements

Consolidated statement of comprehensive income

For the financial year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Continuing Operations			
Revenue	4(a)	1,889,971	1,819,783
Equity-accounted income from an associate	4(b)	4,435	3,700
Other income	4(c)	405	496
Employee and sub-contractor related costs		(1,672,923)	(1,601,714)
Raw materials and consumables used		(10,376)	(11,456)
Office occupancy related costs		(12,342)	(12,156)
Profit/(Loss) from sale of assets	5	516	(119)
Impairment of goodwill		–	(10,727)
Marine vessel charter costs		(15,228)	(33,035)
Other expenses		(97,997)	(89,656)
Depreciation and amortisation expenses	4(d)	(13,385)	(24,702)
Finance costs	4(d)	(8,475)	(28,808)
Profit from continuing operations before income tax expense		64,601	11,606
Income tax expense from continuing operations	6	(19,723)	(4,485)
Profit from continuing operations		44,878	7,121
Discontinued operations			
Profit/(loss) from discontinued operations after tax	26	4,441	(3,982)
Profit for the year		49,319	3,139
Other comprehensive income			
Gain on cash flow hedges taken to equity	24(b)	1,076	3,767
Income tax on items taken directly to equity		(323)	(1,130)
Change in foreign currency translation reserve arising on translation of foreign operations and net investment in foreign subsidiaries	24(c)	(785)	(566)
Other comprehensive income for the year, net of tax		(32)	2,071
Total comprehensive income for the year		49,287	5,210
Profit attributable to members of the parent entity		49,319	3,139
Total comprehensive income attributable to members of the parent entity		49,287	5,210

Earnings per share			
Basic earnings per share (cents)	35	21.13	1.56
Diluted earnings per share (cents)	35	20.66	1.55
Basic earnings per share from continuing operations (cents)	35	19.23	3.54
Diluted earnings per share from continuing operations (cents)	35	18.80	3.52
Basic earnings per share from discontinuing operations (cents)	35	1.90	(1.98)
Diluted earnings per share from discontinuing operations (cents)	35	1.86	(1.97)

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 2012	Note	2012 $'000	2011 $'000
Current assets			
Cash and cash equivalents	32	11,216	13,931
Receivables	8	237,842	240,176
Inventories	10	534	816
Other financial assets	9	20	1,193
Other assets	11	6,835	6,752
Total current assets		256,447	262,868
Non-current assets			
Receivables	8	1,031	2,035
Property, plant and equipment	12	11,135	13,231
Equity accounted investments	14	10,073	5,638
Intangibles	13	389,324	391,068
Deferred tax assets	15	21,511	17,887
Total non-current assets		433,074	429,859
Total assets		689,521	692,727
Current liabilities			
Payables	16	116,136	99,834
Borrowings	17	1,022	509
Current tax liabilities		18,217	1,702
Other financial liabilities	18	559	1,958
Provisions	20	51,460	43,652
Total current liabilities		187,394	147,655
Non-current liabilities			
Payables	16	-	7,222
Borrowings	17	37,600	109,959
Other financial liabilities	18	121	623
Provisions	20	16,115	11,961
Total non-current liabilities		53,836	129,765
Total liabilities		241,230	277,420
Net assets		448,291	415,307
Equity			
Issued capital	22	349,500	348,943
Reserves	24	92	(773)
Retained earnings		98,699	67,137
Total equity		448,291	415,307

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

Consolidated statement of cash flows

For the financial year ended 30 June 2012	Note	2012 $'000	2011 $'000
Cash flows from operating activities			
Profit before taxation – continuing operations		64,601	11,606
Profit/(loss) before taxation – discontinued operations		4,019	(4,950)
Depreciation and amortisation – continuing operations		13,385	24,702
Depreciation and amortisation – discontinued operations		662	3,027
Interest revenue	4(c)	(405)	(496)
Interest expense	4(d)	8,475	28,808
Earnings before interest, tax, depreciation and amortisation from continuing and discontinued operations		90,737	62,697
Non Cash Items			
Share based payments	4	2,231	633
Loss/(gain) on disposal of property, plant and equipment	5	(516)	119
Loss/(gain) on divestment of businesses	26	(5,618)	–
Impairment of goodwill	13	–	12,449
Non-cash equity accounted income from an associate	14	(4,435)	(3,700)
		82,399	72,198
Increase/Decrease in assets and liabilities excluding effects of acquisitions and divestments:			
(Increase)/Decrease in receivables		(2,038)	12,632
(Increase)Decrease in inventories		282	95
(Increase)/Decrease in other assets		(245)	2,002
Increase/(Decrease) in payables		17,650	(16,857)
Increase/(Decrease) in provisions		11,867	8,954
Cash generated from operations		109,915	79,024
Income taxes (paid)/received		(8,117)	(3,288)
Net cash provided by operating activities		101,798	75,736
Cash flows from investing activities			
Payments for property, plant and equipment		(2,608)	(3,634)
Payments for intangibles		(5,569)	(3,574)
Proceeds from the divestment of businesses (net of sale costs)	26	10,682	–
Payments for purchase of businesses	32	(10,186)	(20,329)
Proceeds from sale of property, plant and equipment		1,100	151
Net cash used in investing activities		(6,581)	(27,386)
Cash flows from financing activities			
Proceeds from borrowings		377,038	565,328
Repayment of borrowings		(448,223)	(646,590)
Interest received		405	496
Interest paid		(9,517)	(20,658)
Net proceeds from issues of equity		352	69,191
Dividends paid	7	(18,674)	–
Net cash used in financing activities		(98,619)	(32,233)
Net Increase/(Decrease) in cash and cash equivalents		(3,402)	16,117
Cash and cash equivalents at the beginning of the financial year	32	13,931	(2,470)
Effects of exchange rate changes on cash held in foreign currencies		3	284
Cash and cash equivalents at the end of the financial year	32	10,532	13,931

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 2012

	Issued capital \$'000	Foreign currency translation reserve \$'000	Hedging reserve \$'000	Employee equity-settled benefits reserve \$'000	Retained earnings \$'000	Total \$'000
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)	917	–
Payment of dividends	–	–	–	–	(18,674)	(18,674)
Balance at 30 June 2012	349,500	(2,467)	(421)	2,980	98,699	448,291
2011						
Balance at 1 July 2010	279,129	(1,116)	(3,811)	1,450	63,998	339,650
Profit for the year	–	–	–	–	3,139	3,139
Exchange differences arising on translation of foreign operations	–	(566)	–	–	–	(566)
Net gain on cash flow hedges	–	–	3,767	–	–	3,767
Income tax relating to components of other comprehensive income	–	–	(1,130)	–	–	(1,130)
Total comprehensive income for the year	–	(566)	2,637	–	3,139	5,210
Issue of shares (net of costs)	69,814	–	–	–	–	69,814
Amortisation of executive share options and performance rights	–	–	–	633	–	633
Payment of dividends	–	–	–	–	–	–
Balance at 30 June 2011	348,943	(1,682)	(1,174)	2,083	67,137	415,307

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

Notes to the financial statements

For the financial year ended 30 June 2012

1. Corporate information

SKILLED Group Limited ("SKILLED") 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 the Group are described in the directors' report.

The consolidated financial statements of SKILLED Group Limited for the year ended 30 June 2012 were authorised for issue by the directors on 22 August 2012.

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, dated 10 July 1998, 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

The following standards and interpretations have been adopted by SKILLED for the first time during the year, which became applicable from 1 July 2011:

Reference	Title
AASB 124	*Related Party Disclosures*
AASB 1048	Interpretation of Standards
AASB 1054	Australian Additional Disclosures
AASB 2009-12	Amendments to Australian Accounting Standards
AASB 2010-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project
AASB 2010-5	Amendments to Australian Accounting Standards
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets
AASB 2011-1	Australian Additional Disclosures - Trans-Tasman Convergence Project

Australian Accounting Standards or International Financial Reporting Standards that have been recently issued or amended but are not yet effective have not been applied to the financial report. The following amendments are not expected to have a material impact on SKILLED'S financial position or performance; however, increased disclosure may be required:

Reference	Title	Effective / Application date of Standard for Group
AASB 9	*Financial Instruments* Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.	1 July 2015
AASB 10	*Consolidated Financial Statements* Consequential amendments were also made to other standards via AASB 2011-7	1 July 2013
AASB 11	*Joint Arrangements* Consequential amendments were also made to other standards via AASB 2011-7	1 July 2013
AASB 12	*Disclosure of Interests in Other Entities*	1 July 2013
AASB 13	*Fair Value Measurement* Consequential amendments were also made to other standards via AASB 2011-8.	1 July 2013
AASB 119	*Employee Benefits* Consequential amendments were also made to other standards via AASB 2011-10.	1 July 2013
2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets	1 July 2012
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	1 July 2013
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income	1 July 2012
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 2015
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle	1 July 2013

2. Significant accounting policies continued

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 entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by other members of the consolidated entity. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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 and 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 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 and loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit and loss, where such treatment would be appropriate if that interest was disposed of.

The 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) INVESTMENT IN AN ASSOCIATE

Jointly controlled entities

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

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

(D) BORROWING COSTS

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

(E) CASH AND CASH EQUIVALENTS

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

(F) DERIVATIVE FINANCIAL INSTRUMENTS

The consolidated entity enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk. Further details of derivative financial instruments are disclosed in note 33 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 33 contains details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also disclosed in note 24.

Cash flow hedge

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

(G) ACQUISITION OF ASSETS

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

(H) REVENUE RECOGNITION

Sale of goods and disposal of assets

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

Rendering of services

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

Interest income

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

2. Significant accounting policies continued

(I) INCOME TAX

Tax consolidation

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

Due to the existence of tax-funding arrangements between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangements. Further information about the tax-funding arrangements is detailed in note 6 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

Current tax

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

Deferred tax

Deferred tax is accounted for using the 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.

Current and deferred tax for the period

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

(J) 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.

(K) FINANCIAL ASSETS

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

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

(L) PROPERTY, PLANT AND EQUIPMENT

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

(M) LEASED ASSETS

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

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

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

Lease incentives

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

(N) IMPAIRMENT OF ASSETS

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

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

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.

(O) 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.

2. Significant accounting policies continued

(O) GOODWILL (CONTINUED)

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.

(P) OTHER INTANGIBLES

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

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

Trademarks and brand names

Trademarks and brand names 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 amortisation is therefore required.

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.

Databases

Databases are acquired and are recorded at cost less accumulated amortisation and any impairment write down, and amortised over a maximum of 10 years on a straight-line basis.

Software and licences

Costs associated with the development of computer systems are acquired and are capitalised and then expensed over the future periods to which the economic benefits of the expenditure are expected to be recoverable. Computer software is recorded at cost less accumulated amortisation, and amortised over periods ranging from three to 12 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.

(Q) BORROWINGS

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

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

(R) FINANCIAL INSTRUMENTS ISSUED BY THE 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.

Financial guarantee contract liabilities

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

(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.

Exchange differences are recognised in profit or loss in the period in which they arise, except for:

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer note 2(F));
- exchange differences on monetary items receivable or payable to a foreign operation for which settlement is neither planned 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.

2. Significant accounting policies continued

(V) PROVISIONS (CONTINUED)

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

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

3. Critical accounting judgments and key sources of uncertainty

(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.

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 $335,632,000 (2011: $334,671,000). Further details of the impairment testing are provided in note 13.

4. Profit from continuing operations

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

	2012 $'000	2011 $'000
(A) REVENUE		
Sales revenue:		
Rendering of services	1,889,971	1,819,783
(B) EQUITY-ACCOUNTED INCOME FROM AN ASSOCIATE		
Income from OMS Alliance joint venture	4,435	3,700
(C) OTHER INCOME		
Interest income	405	496
(D) EXPENSES		
Depreciation and amortisation:		
Depreciation:		
Plant and equipment	2,819	3,593
Leasehold improvements	2,575	2,677
Assets under finance lease	343	536
	5,737	6,806
Amortisation:		
Databases	–	7,997
Software and licences	6,607	7,358
Brand names	563	721
Other acquired intangibles	478	1,820
	7,648	17,896
Total depreciation and amortisation expense	13,385	24,702
Finance costs:		
Interest and other costs paid to other entities	7,845	27,491
Finance lease charges	158	295
Notional interest on deferred acquisition payments	472	1,022
	8,475	28,808
Net bad and doubtful debts expense	1,300	1,296
Operating lease rental expenses:		
Properties	10,374	12,969
Computer equipment	1,726	1,373
Marine vessels under bareboat charter	15,228	33,035
Other	466	98
	27,794	47,475
Equity-settled share-based payments (amortisation of executive share options and performance rights)	2,231	633

5. Sale of assets

	2012 $'000	2011 $'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	516	(119)

Notes to the financial statements

For the financial year ended 30 June 2012

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:

	2012 $'000	2011 $'000
The income tax expense/(benefit) for the year can be reconciled to the accounting profit/(loss) as follows:		
Profit before tax from continuing operations	64,601	11,606
Profit/(loss) before tax from discontinued operations	4,019	(4,950)
Profit from operations	68,620	6,656
Income tax expense calculated at 30%	20,586	1,997
Non-deductible items including entertainment, notional interest on deferred acquisition payments and amortisation of executive share options and performance rights	1,098	734
Foreign income tax rate differential	(1,726)	(1,476)
Research and development concession	–	(237)
Equity-accounted income from joint venture	(1,331)	(1,110)
Goodwill impairment	–	3,735
Non-assessable profit on divestment of businesses	(1,627)	–
Restatement of deferred tax balances	1,177	–
Tax-consolidation amendments	1,406	–
Other	(194)	(166)
Under/(Over) provision of income tax in previous year	(88)	40
Income tax expense	19,301	3,517
Income tax expense comprises:		
Current tax expense	25,194	10,444
Adjustments recognised in the current year in relation to the current tax of prior years	(184)	(1,573)
Deferred tax expense relating to the origination and reversal of temporary differences	(5,709)	(5,354)
Total tax expense	19,301	3,517
Continuing operations	19,723	4,485
Discontinued operations (note 26)	(422)	(968)
	19,301	3,517

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

	2012 Cents per share	2012 Total $'000	2011 Cents per share	2011 Total $'000
(A) RECOGNISED AMOUNTS				
Final 2011 dividend fully franked at a tax rate of 30%	3.0	6,997		
Interim 2012 dividend fully franked at a tax rate of 30%	5.0	11,677		
Final 2010 dividend fully franked at a tax rate of 30%			–	–
Interim 2011 dividend fully franked at a tax rate of 30%			–	–
	8.0	18,674	–	–
(B) UNRECOGNISED AMOUNTS				
Final 2012 dividend fully franked at a tax rate of 30%	8.0	18,679		
Final 2011 dividend fully franked at a tax rate of 30%			3.0	6,997
	8.0	18,679	3.0	6,997

	2012 $'000	2011 $'000
Franking account balance	63,470	65,000

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 $8,005,000 (2011: $2,999,000).

8. Receivables

	2012 $'000	2011 $'000
Current		
Trade receivables(i)	236,064	239,568
Allowance for doubtful debts	(6,074)	(5,040)
	229,990	234,528
Goods and services tax receivable	2,769	1,765
Other receivables(ii)	5,083	3,883
	237,842	240,176
Non- Current		
Claims recoveries	843	1,758
Other receivables	188	277
	1,031	2,035

(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 2012 no amounts are considered past due or impaired (2011: $nil).

Movement in the allowance for doubtful debts:

	2012 $'000	2011 $'000
Balance at the beginning of the year	(5,040)	(3,814)
Amounts written off during the year	230	372
Increase in allowance recognised in profit or loss	(1,264)	(1,598)
Balance at end of the year	(6,074)	(5,040)

8. Receivables continued

Ageing of trade receivables:

	2012 $'000 Gross	2012 $'000 Allowance	2011 $'000 Gross	2011 $'000 Allowance
Not past due	204,312	–	207,360	(27)
Past due 1 – 30 days	15,298	–	13,957	(62)
Past due 31 – 60 days	7,716	–	4,102	(62)
Past due 61 – 90 days	1,036	(2)	601	(5)
Past due 91 days	7,702	(6,072)	13,548	(4,884)
Total	236,064	(6,074)	239,568	(5,040)

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 customer base being large and unrelated. 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 financial assets

	2012 $'000	2011 $'000
Derivatives designated and effective as hedging instruments carried at fair value:		
Foreign currency forward contracts	20	1,193
Disclosed in the financial statements as:		
Current	20	1,193
Non-Current	–	–
	20	1,193

10. Inventories

	2012 $'000	2011 $'000
Raw materials and stores at cost	534	816

11. Other assets

	2012 '000	2011 $'000
Prepayments	6,835	6,752

12. 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 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	–	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
Gross carrying amount					
Balance as at 30 June 2010	4	18,794	33,731	6,291	58,820
Additions	–	1,128	2,506	1,112	4,746
Disposals	–	(803)	(3,903)	–	(4,706)
Other	–	146	(640)	–	(494)
Balance as at 30 June 2011	4	19,265	31,694	7,403	58,366
Accumulated depreciation and impairment					
Balance as at 30 June 2010	(4)	(12,521)	(24,713)	(3,465)	(40,703)
Disposals	–	697	3,746	–	4,443
Depreciation expense (ii)	–	(3,419)	(5,739)	(536)	(9,694)
Other	–	75	744	–	819
Balance as at 30 June 2011	(4)	(15,168)	(25,962)	(4,001)	(45,135)
Net book value					
As at 30 June 2010	–	6,273	9,018	2,826	18,117
As at 30 June 2011	–	4,097	5,732	3,402	13,231

(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 (2012: $5,737,000, 2011: $6,806,000) is included in the line item 'depreciation and amortisation expense' in the Statement of Comprehensive Income (refer also note 4). Deprecation in relation to discontinued operations (2012: $563,000, 2011: $2,888,000) is included within Expenses in note 26 Divestment of Businesses.

Notes to the financial statements

For the financial year ended 30 June 2012

13. Intangibles

	Goodwill $'000	Databases $'000	Software and licences $'000	Trademarks and brand names $'000	Other acquired $'000	Total $'000
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	(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
Impairment losses	–	–	–	–	–	–
Amortisation expense(i)	–	–	(6,706)	(563)	(478)	(7,747)
Other	–	–	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
Gross carrying amount						
Balance as at 30 June 2010	345,508	17,850	74,670	23,990	9,241	471,259
Additions	–	–	3,574	–	–	3,574
Adjustment for change in deferred consideration	5,741	–	–	–	–	5,741
Disposals	–	–	(20)	–	–	(20)
Net foreign currency exchange differences	(2,472)	–	–	–	–	(2,472)
Other	–	–	2	(39)	(4)	(41)
Balance as at 30 June 2011	348,777	17,850	78,226	23,951	9,237	478,041
Accumulated amortisation						
Balance as at 30 June 2010	(1,657)	(9,853)	(29,482)	(8,626)	(6,917)	(56,535)
Disposals	–	–	13	–	–	13
Impairment losses	(12,449)	–	–	–	–	(12,449)
Amortisation expense(i)	–	(7,997)	(7,497)	(721)	(1,820)	(18,035)
Other	–	–	–	31	2	33
Balance as at 30 June 2011	(14,106)	(17,850)	(36,966)	(9,316)	(8,735)	(86,973)
Net book value						
As at 30 June 2010	343,851	7,997	45,188	15,364	2,324	414,724
As at 30 June 2011	334,671	–	41,260	14,635	502	391,068

(i) Amortisation expense in relation to continuing operations (2012: $7,648,000, 2011: $17,896,000 is included in the line item 'depreciation and amortisation expense' in the Statement of Comprehensive Income (refer also note 4). Deprecation in relation to discontinued operations (2012: $99,000, 2011: $139,000) is included within Expenses in note 26 Divestment of Businesses.

(ii) Other acquired intangibles include customer contracts, bareboat charters and restraints.

Indefinite life intangibles of $14,000,000 (2011: $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.

Allocation of goodwill to cash-generating units

In response to ongoing integration of acquired businesses and other business restructures undertaken during the year, the consolidated entity has reallocated goodwill of $4,500,000 from the Origin Healthcare cash-generating unit to the OMS Australia/OMS New Zealand cash generating unit. The reallocation was determined using the relative values approach. The cash-generating units are aligned to the Board 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 as follows:

	2012 $'000	2011 $'000
Workforce Services Western	12,552	12,552
Workforce Services Eastern	43,365	43,365
Unallocated Workforce Services	46,632	46,632
Mosaic	9,729	9,729
Technology Solutions	477	477
Origin Healthcare	14,096	18,596
Swan Contract Personnel	36,820	36,820
Ativo	8,465	8,465
OMS Australia/OMS New Zealand	137,077	132,401
OMS International/UK	26,419	25,634
Total Goodwill	335,632	334,671

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:

	2012 $'000	2011 $'000
SKILLED Group	14,000	14,000

Impairment losses recognised in the year

During the previous reporting period, the consolidated entity assessed the recoverable amount of goodwill and determined that goodwill associated with the following businesses was impaired:

	2012 $'000	2011 $'000
Workforce Services New Zealand	–	1,722
Workforce Services Eastern (Longhill)	–	2,733
Workforce Services Western (Extraman)	–	7,994

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% (2011: 2.5%) for two years, then 2.5% (2011: 2.5%) into perpetuity and an average pre-tax discount rate of 14.22% (2011: 14.22%).

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, with the exception of the Origin Healthcare CGU where a reduction in cash flow projections to a level representing 0% growth may result in an impairment.

14. Equity accounted investments

	2012 $'000	2011 $'000
Investment in Offshore Marine Services Alliance Pty Ltd	10,073	5,638

The consolidated entity has a 33.3% shareholding, with equivalent voting rights, in Offshore Marine Services Alliance Pty Ltd, a joint venture established in Australia. A capital contribution of $100 was made on formation of the joint venture, representing 100 shares. A performance guarantee has been provided by the consolidated entity to third parties in respect of the operations of the joint venture. There were no contingent liabilities or commitments for expenditure at 30 June 2012.

The summarised financial information of the joint venture representing the consolidated entity's share is as follows:

	2012 $'000	2011 $'000
Assets and liabilities		
Current assets	22,555	26,543
Non-current assets	1,794	939
Current liabilities	11,122	20,635
Non-current liabilities	3,035	2,000
Results		
Revenue	85,122	70,469
Expenses	80,687	66,769

15. Deferred tax assets and liabilities

	2012 $'000	2011 $'000
RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES		
Deferred tax assets comprise:		
Temporary differences	21,511	17,887
The deferred tax asset has been reduced by the provision for deferred income tax attributable to temporary differences	3,788	6,326

Taxable and temporary differences comprise the following:

2012	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Other $'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
	20,865	4,757	(323)	–	25,299
	17,887	3,947	(323)	–	21,511

2011	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Other $'000	Closing balance $'000
Gross deferred tax liabilities					
Intangible and other assets	(8,791)	2,476	–	(11)	(6,326)
Gross deferred tax assets					
Provisions and accruals	13,443	3,928	–	–	17,371
Doubtful debts	1,130	356	–	–	1,486
Property, plant and equipment	3,091	257	–	–	3,348
Other	4,057	(1,700)	(344)	(5)	2,008
	21,721	2,841	(344)	(5)	24,213
	12,930	5,317	(344)	(16)	17,887

Unrecognised deferred tax assets

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

	2012 $'000	2011 $'000
Tax losses (revenue in nature)	126	151
Tax losses (capital in nature)	–	119
	126	270

16. Payables

	2012 $'000	2011 $'000
Current		
Trade payables and accruals	88,297	75,794
Deferred purchase consideration	9,508	9,692
Goods and services tax payable	18,331	14,348
	116,136	99,834
Non-Current		
Deferred purchase consideration	–	7,222

17. Borrowings

	2012 $'000	2011 $'000
Current		
Bank overdraft(i)	684	–
Finance lease liabilities(iii) (note 21)	338	509
	1,022	509
Non - Current		
Bank debt facilities(ii)	36,418	109,075
Finance lease liabilities(iii) (note 21)	1,182	884
	37,600	109,959

(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

18. Other financial liabilities

	2012 $'000	2011 $'000
Derivatives that are designated and effective as hedging instruments carried at fair value		
Foreign currency forward contracts	–	467
Interest rate swaps	602	2,074
	602	2,541
Financial liabilities carried at fair value through profit or loss (FVTPL)		
Held for trading derivatives that are not designated in hedge accounting		
Foreign currency forward contracts	22	40
Interest rate swaps	56	–
	680	2,581
Disclosed in the financial statements as:		
Current	559	1,958
Non-current	121	623
	680	2,581

19. Assets pledged as security

In accordance with the security arrangements of borrowings, as disclosed in notes 17, the consolidated entity's syndicated bank debt facilities are secured by a fixed and floating charge over all the rights, property and undertakings of the consolidated entity. The consolidated entity's finance lease arrangements are secured by a fixed charge over the specific asset financed.

20. Provisions

	2012 $'000	2011 $'000
Current		
Employee benefits	41,553	36,060
Litigation	4,031	915
Workers compensation self insurance	1,740	2,935
Provision for restoration	3,167	2,184
Other	969	1,558
	51,460	43,652
Non- Current		
Employee benefits	5,366	4,004
Workers compensation self insurance	7,184	5,318
Provision for restoration	2,903	1,179
Other	662	1,460
	16,115	11,961

	Employee benefits $'000	Litigation(i) $'000	Workers Compensation $'000	Provision for restoration $'000	Other $'000	Total $'000
Balance as at 30 June 2011	40,064	915	8,253	3,363	3,018	55,613
Divestment of businesses	(1,806)	–	–	–	–	(1,806)
Additional provisions recognised	20,861	4,236	3,412	4,684	1,213	34,406
Reductions arising from payments/ other sacrifices of future economic benefits	(12,200)	(698)	(2,741)	(1,977)	–	(17,616)
Changes resulting from the re-measurement of the estimated future sacrifice of the settlement of the provision without cost to the consolidated entity	–	(422)	–	–	(2,600)	(3,022)
Balance as at 30 June 2012	46,919	4,031	8,924	6,070	1,631	67,575
Included in the financial statements as:						
Current	41,553	4,031	1,740	3,167	1,569	52,060
Non-current	5,366	–	7,184	2,903	62	15,515
	46,919	4,031	8,924	6,070	1,631	67,575

(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.

21. Leases

	2012 $'000	2011 $'000
(A) FINANCE LEASES(i)		
Finance lease commitments:		
Not later than 1 year	464	578
Later than 1 year and not later than 5 years	1,295	1,001
Minimum finance lease payments	1,759	1,579
Deduct future finance charges	(239)	(186)
Present value of finance lease liabilities	1,520	1,393
Disclosed in the financial statements as:		
Borrowings:		
Current (note 17)	338	509
Non-current (note 17)	1,182	884
	1,520	1,393

(i) Leasing arrangements

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.

Notes to the financial statements
For the financial year ended 30 June 2012
21. Leases continued

	2012 $'000	2011 $'000
(B) OPERATING LEASES(ii)		
Non-cancellable operating leases:		
Not later than 1 year	15,850	15,814
Later than 1 year but not later than 5 years	23,905	15,057
Later than 5 years	14,876	526
	54,631	31,397

(ii) Leasing arrangements

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.

22. Issued capital

	2012 $'000	2011 $'000
233,487,276 fully paid ordinary shares (2011: 233,089,776)	349,500	348,943

(A) FULLY PAID ORDINARY SHARES

	2012 No. '000	2012 $'000	2011 No. '000	2011 $'000
Balance at the beginning of the financial year	233,089	348,943	190,738	279,129
Issue of shares under Employee Share Acquisition Plan(i)	84	141	126	228
Issue of shares under share placement and share purchase plan(ii)	–	–	42,225	69,586
Issue of shares under long term incentive plan	314	416	–	–
Balance at the end of the financial year	233,487	349,500	233,089	348,943

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

(i) Net of issuance costs of $6,051 (2011: $13,962).

(ii) Net of issuance costs of $1,695,260 (net of tax) in 2011.

(B) SHARES HELD BY SUBSIDIARIES

Allskills Pty Ltd, a fully owned subsidiary, held 418,500 (2011: 418,500) shares in SKILLED Group Limited at 30 June 2012. These shares were held for the benefit of the SKILLED Group Limited Employee Share Acquisition Plan.

23. 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 options, performance rights 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.

The vesting of awards granted under the ELTI Plan in 2009 and 2010 were subject to performance conditions based on Earnings per Share ('EPS'). In the 2011 grant 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 – will 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 option or rights, will vest three years from the grant date contingent upon achieving the performance criteria outlined below. Once vested, the options may be exercised at any time over the following three years (six years after the date granted). Each option or right converts to one SKILLED Group Limited ordinary share on exercise. The options will lapse if not exercised before the last permitted exercise date.

In the 2011 grant year the Board granted retention performance rights which vest three years from grant date should the executive remain employed by the Company at this time.

ELTI Plan 2011

For the FY12 grant the two performance measures – EPS and relative TSR – will operate independently under a 50/50 split. For relative TSR the peer group is the ASX200 excluding financial institutions and including key competitors. In FY12, the number of performance rights to be issued is based on the volume weighted average share price of SKILLED Group ordinary shares for the five days commencing on 25 August 2011 (being one day after the announcement of the 2011 full year results).

Performance level	3 year cumulative EPS 1 July 2011 – 30 June 2014	% to vest
Below threshold	Below 62 cents per share (cps)	0%
Threshold	62 cps	25%
Between threshold & target	Between 62 and 70 cps	Pro rata
Target	70 cps	50%
Between target & stretch	Between 70 and 76 cps	Pro rata
Stretch	76 cps	100% of grant assessed under EPS performance measure

Performance level	3 year relative total shareholder returns (TSR) 1 July 2011 – 30 June 2014	% 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.

23. Share-based payments continued

Valuation methodology for share options and performance rights

Options and 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 four years.

Inputs into the model:

	Share options					
	23/11/10(ii)	19/11/09	21/10/08(i)	02/11/07	15/11/06	05/04/06
Grant date share price ($)	1.66	2.38	2.47	5.28	5.50	4.80
Exercise price ($)	1.47	2.28	2.52	5.29	5.81	4.92
Expected volatility (%)	40	40	40	34	37	30
Option life (years)	6	6	6	6	6	6
Dividend yield (%)	4.0	4.0	4.0	4.0	3.4	3.7
Risk free interest rate (%)	5.24	5.08	4.80	6.60	5.77	5.43

(i) Additional options issued under this plan on 12/08/2011
(ii) Additional options issued under this plan on 20/10/2011

	Performance rights					
	22/12/11(iv)	14/10/11(iii)	23/11/10(ii)	23/11/10(i)	01/07/10	19/11/09
Grant date share price ($)	1.74	1.80	1.66	1.66	1.07	2.38
Exercise price ($)	–	–	–	–	–	–
Expected volatility (%)	37.5	37.5	40	40	40	40
Right life (years)	3	3	3	1	1	3
Dividend yield (%)	4.5	4.5	4.0	3.5	3.0	4.0
Risk free interest rate (%)	3.10	3.80	5.10	4.72	4.44	5.08

(i) Additional rights issued under this plan on 12/08/2011
(ii) Additional rights issued under this plan on 12/08/2011 and 20/10/2011 including 337,838 rights in relation to the CEO co-investment scheme.
(iii) Additional rights issued under this plan on 20/10/2011
(iv) Additional rights issued under this plan on 23/02/2012 and 20/10/2011 including 337,838 rights in relation to the CEO co-investment scheme.

	2012		2011	
Share options	No. of shares under option/right	Weighted average exercise price $	No. of shares under option/right	Weighted average exercise price $
Balance at the beginning of the financial year(I)	5,988,000	2.92	10,150,000	3.50
Granted during the financial year(II)	1,992,593	1.52	527,000	1.47
Exercised during the financial year(III)	–	–	–	–
Lapsed during the financial year(IV)	(3,522,000)	3.07	(4,689,000)	4.38
Balance at the end of the financial year(V)	4,458,593	2.18	5,988,000	2.92
Performance rights				
Balance at the beginning of the financial year(I)	1,301,600	–	472,500	–
Granted during the financial year(II)	2,795,921	–	1,118,000	–
Vested during the financial year(III)	(160,000)	–	(154,000)	–
Lapsed during the financial year(IV)	(100,155)	–	(134,900)	–
Balance at the end of the financial year(V)	3,837,366	–	1,301,600	–

Notes (I) – (V): Refer following pages

(I) BALANCE AT THE BEGINNING OF THE FINANCIAL YEAR

Grant date	No. of shares under option	Expiry date	Exercise price $	Fair value $
Share options				
2012				
05/04/2006	263,000	04/04/2012	4.92	1.18
15/11/2006	81,000	14/11/2012	5.81	1.62
15/11/2006	393,000	14/11/2012	5.81	1.62
02/11/2007	309,000	01/11/2013	5.29	1.47
21/10/2008	4,069,000	20/10/2014	2.52	0.71
19/11/2009	346,000	18/11/2015	2.28	0.72
23/11/2010	527,000	23/11/2016	1.47	0.54
	5,988,000			
2011				
05/04/2006	398,000	04/04/2012	4.92	1.18
15/11/2006	327,000	14/11/2012	5.81	1.62
15/11/2006	1,265,000	14/11/2012	5.81	1.62
02/11/2007	2,049,000	01/11/2013	5.29	1.47
21/10/2008	5,387,000	20/10/2014	2.52	0.71
19/11/2009	724,000	18/11/2015	2.28	0.72
	10,150,000			

Grant date	No. of shares under PR	Vested No.	Unvested No.	Expiry date	Exercise price $	Fair value $
Performance rights						
2012						
19/11/2009	374,600	–	374,600	18/11/2012	–	2.11
23/11/2010	768,000	–	768,000	23/11/2013	–	1.47
23/11/2010	159,000	–	159,000	23/11/2011	–	1.60
	1,301,600		1,301,600			
2011						
19/11/2009	472,500	–	472,500	18/11/2012	–	2.11

23. Share-based payments continued

(II) GRANTED DURING THE FINANCIAL YEAR

Grant date	No. of shares under option/PR	Expiry date	Exercise price $	Fair value $
Share options				
2012				
12/08/2011	50,000	20/10/2014	2.52	0.71
12/08/2011	50,000	18/11/2015	2.28	0.72
12/08/2011	50,000	23/11/2016	1.47	0.54
20/10/2011	1,842,593	23/11/2016	1.47	0.54
	1,992,593			
2011				
23/11/2010	527,000	23/11/2016	1.47	0.54
Performance rights				
2012				
12/08/2011	103,929	23/11/2013	–	1.47
12/08/2011	21,000	23/11/2011	–	1.60
20/10/2011	337,838	30/09/2013	–	1.47
20/10/2011	337,838	30/09/2014	–	1.47
20/10/2011	54,404	20/10/2014	–	1.60
22/12/2011	948,969	22/12/2014	–	1.54
22/12/2011	948,969	22/12/2014	–	0.89 (i)
23/02/2012	21,487	22/12/2014	–	1.54
23/02/2012	21,487	22/12/2014	–	0.89 (i)
	2,795,921			
2011				
01/07/2010	154,000	30/06/2011	–	1.04
23/11/2010	805,000	23/11/2013	–	1.47
23/11/2010	159,000	23/11/2011	–	1.60
	1,118,000			

(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.

(III) EXERCISED/VESTED DURING THE FINANCIAL YEAR

Share options

There were no share options exercised during the financial year (2011:nil).

Performance rights

Grant date	No. of shares under PR	Expiry date	Exercise price $	Fair value $
2012				
23/11/2010	139,000	23/11/2011	–	1.60
12/08/2011	21,000	23/11/2011	–	1.60
	160,000			
2011				
01/07/2010	154,000	30/06/2011	–	1.04

(IV) EXPIRED DURING THE FINANCIAL YEAR

Share options

Grant date	2012 No. of shares under option	2011 No. of shares under option	Exercise price $	Fair value $
05/04/2006	263,000	135,000	4.92	1.18
15/11/2006	–	246,000	5.81	1.62
15/11/2006	393,000	872,000	5.81	1.62
02/11/2007	–	1,740,000	5.29	1.47
21/10/2008	2,816,000	1,318,000	2.52	0.71
19/11/2009	–	378,000	2.28	0.72
12/08/2011	50,000	–	2.52	0.71
	3,522,000	4,689,000		

Performance rights

Grant date	2012 No. of shares under PR	2011 No. of shares under PR	Exercise price $	Fair value $
19/11/2009	–	97,900	–	2.11
23/11/2010	30,000	37,000	–	1.47
23/11/2010	20,000	–	–	1.60
22/12/2011	25,078	–	–	1.54
22/12/2011	25,077	–	–	0.89
	100,155	134,900		

(V) BALANCE AT THE END OF THE FINANCIAL YEAR

Share options

Grant date	No. of shares under option	Vested No.	Unvested No.	Expiry date	Exercise price $	Fair value $
2012						
05/04/2006	–	–	–	04/04/2012	4.92	1.18
15/11/2006	81,000	81,000	–	14/11/2012	5.81	1.62
15/11/2006	–	–	–	14/11/2012	5.81	1.62
02/11/2007	309,000	–	309,000	01/11/2013	5.29	1.47
21/10/2008	1,253,000	–	1,253,000	20/10/2014	2.52	0.71
19/11/2009	346,000	–	346,000	18/11/2015	2.28	0.72
23/11/2010	527,000	–	527,000	23/11/2016	1.47	0.54
12/08/2011	50,000	–	50,000	18/11/2015	2.28	0.72
12/08/2011	50,000	–	50,000	23/11/2016	1.47	0.54
20/10/2011	1,842,593	–	1,842,593	23/11/2016	1.47	0.54
	4,458,593	81,000	4,377,593			
2011						
05/04/2006	263,000	263,000	–	04/04/2012	4.92	1.18
15/11/2006	81,000	81,000	–	14/11/2012	5.81	1.62
15/11/2006	393,000	–	393,000	14/11/2012	5.81	1.62
02/11/2007	309,000	–	309,000	01/11/2013	5.29	1.47
21/10/2008	4,069,000	–	4,069,000	20/10/2014	2.52	0.71
19/11/2009	346,000	–	346,000	18/11/2015	2.28	0.72
23/11/2010	527,000	–	527,000	18/11/2016	1.47	0.54
	5,988,000	344,000	5,644,000			

23. Share-based payments continued

Performance rights

Grant date	No. of shares under PR	Vested No.	Unvested No.	Expiry date	Exercise price $	Fair value $
2012						
19/11/2009	374,600	–	374,600	18/11/2012	–	2.11
23/11/2010	738,000	–	738,000	23/11/2013	–	1.47
23/11/2010	–	–	–	23/11/2011	–	1.60
12/08/2011	103,929	–	103,929	23/11/2013	–	1.47
20/10/2011	337,838	–	337,838	30/09/2013	–	1.47
20/10/2011	337,838	–	337,838	30/09/2014	–	1.47
20/10/2011	54,404	–	54,404	20/10/2014	–	1.60
22/12/2011	923,891	–	923,891	22/12/2014	–	1.54
22/12/2011	923,892	–	923,892	22/12/2014	–	0.89 (i)
22/12/2011	21,487	–	21,487	22/12/2014	–	1.54
22/12/2011	21,487	–	21,487	22/12/2014	–	0.89 (i)
	3,837,366		3,837,366			
2011						
19/11/2009	374,600	–	374,600	18/11/2012	–	2.11
23/11/2010	768,000	–	768,000	23/11/2013	–	1.47
23/11/2010	159,000	–	159,000	23/11/2013	–	1.60
	1,301,600		1,301,600			

(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 fair value of options and performance rights at grant date adjusted for the expected number to vest has been amortised over the vesting period and recognised in the profit and loss in the financial statements.

The remuneration of directors and other key management personnel includes the value of share options granted under the Executive Share Option Plan calculated as the value at grant date allocated equally over the period from the date of grant to date of vesting.

Consideration received on the exercise of executive share options and performance rights is recognised in issued capital. During the financial year $416,000 (2011: $nil) was recognised in issued capital arising from the exercise of executive options and performance rights.

24. Reserves

	2012 $'000	2011 $'000
Employee equity-settled benefits reserve	2,980	2,083
Hedging reserve	(421)	(1,174)
Foreign currency translation reserve	(2,467)	(1,682)
	92	(773)

(A) EMPLOYEE EQUITY-SETTLED BENEFITS RESERVE

	2012 $'000	2011 $'000
Balance at the beginning of the financial year	2,083	1,450
Share-based payments – amortisation of executive share options and performance rights	897	633
Balance at the end of the financial year	2,980	2,083

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

	2012 $'000	2011 $'000
Balance at the beginning of the financial year	(1,174)	(3,811)
Foreign currency forward contracts	(396)	546
Interest rate swaps	1,416	3,532
Income tax related to gains/losses recognised in equity	(306)	(1,223)
Transferred to profit or loss:		
Forward exchange contracts	–	(311)
Interest rate swaps	56	–
Income tax related to amounts transferred to profit or loss	(17)	93
Balance at the end of the financial year	(421)	(1,174)

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 and loss, or is included as a basis adjustment to the non-financial hedged item. Refer note 2(F) to the financial statements.

(C) FOREIGN CURRENCY TRANSLATION RESERVE

	2012 $'000	2011 $'000
Balance at the beginning of the financial year	(1,682)	(1,116)
Translation of foreign operations	(785)	(566)
Balance at the end of the financial year	(2,467)	(1,682)

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.

25. Contingent liabilities

	2012 $'000	2011 $'000
Bank guarantees for various contracts	29,000	14,337

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.

26. 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 as well as the opportunity to receive an additional amount of up to $5,000,000 through an earn-out arrangement subject to revenue targets. The divestment resulted in a net profit before tax of $3,805,000, which includes an estimated $1,200,000 deferred settlement from the earn-out arrangement.

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. The 2011 financial period profit and cash flows from discontinued operations have been represented to include those operations classified as discontinued in the current period.

	2012 $'000	2011 $'000
Financial Performance		
Revenue	22,856	56,472
Expenses	(24,455)	(61,422)
Loss before income tax	(1,599)	(4,950)
Attributable income tax benefit	480	968
Loss after income tax	(1,119)	(3,982)
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	(3,982)
Cash flows		
Net cash from operating activities	(226)	(466)
Net cash from investing activities	(812)	(1,720)
Net cash from financing activities	–	–
Total net cash flows	(1,038)	(2,186)
Disposal Consideration:		
Cash	11,876	–
Deferred settlement	1,200	–
	13,076	
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	(2,977)	–
Provisions and accruals	(1,796)	–
Net assets disposed	6,264	–
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	(1.98)
Diluted from discontinued operations (cents)	1.86	(1.97)

27. Superannuation contributions

	2012 $'000	2011 $'000
Superannuation contributions provided for employees via the following superannuation funds:		
Complying superannuation funds(i)	107,805	104,733

(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.

28. Compensation of directors and other key management personnel

For details of compensation of directors and other key management personnel refer to note 30.

29. Subsidiaries

			Ownership interest	
Name of entity	Note	Country of incorporation	2012 %	2011 %
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
Excelior Pty Ltd	(c)	Australia	–	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
Origin 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
Locumitis Pty Ltd	(b)	Australia	100	100
Mantech Systems Pty Ltd	(c)	Australia	100	100
Medistaff Pty Ltd	(b)	Australia	100	100
Nursing (Australia) Holdings Pty Ltd	(b)	Australia	100	100
Origin Education Services Pty Ltd	(b)	Australia	100	100
Origin Health Support Services Pty Ltd	(b)	Australia	100	100
Origin Healthcare Pty Ltd	(c)	Australia	100	100
ProSafe Personnel Pty Ltd	(b)	Australia	100	100

Notes to the financial statements

29. Subsidiaries (continued)

			Ownership interest	
Name of entity	Note	Country of incorporation	2012 %	2011 %
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 Holdings (Malta) Limited	(e)	Malta	100	100
Offshore Marine Services (Malta) Limited	(e)	Malta	100	100
SKILLED Group NZ Holdings Limited	(a)	New Zealand	100	100
SKILLED Group NZ Limited	(d)	New Zealand	–	100
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 Quest Personnel 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.

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:

	2012 $'000	2011 $'000
Income statement		
Revenue	1,504,514	1,434,623
Other revenue	163	1,412
Dividends Received	55,739	–
Gain/(loss) on sale of businesses and fixed assets	3,968	(125)
Employee and sub-contractor related costs	(1,368,459)	(1,300,872)
Raw materials and consumables used	(8,340)	(10,336)
Office occupancy related costs	(12,046)	(14,338)
Depreciation and amortisation expense	(9,024)	(13,564)
Impairment	–	(10,727)
Finance costs	(7,683)	(27,236)
Other expenses	(93,485)	(74,478)
Profit/(loss) before income tax expense	65,347	(15,641)
Income tax (expense)/benefit	(20,839)	4,384
Profit/(loss) attributable to members of the parent entity	44,508	(11,257)

	2012 $'000	2011 $'000
Balance sheet		
Current assets		
Cash and cash equivalents	4,860	7,502
Trade and other receivables	162,332	144,899
Other financial assets	20	1,193
Inventories	120	264
Other	3,943	4,079
Total current assets	171,275	157,937
Non-current assets		
Trade and other receivables	1,030	2,035
Other financial assets	166,290	166,000
Property, plant and equipment	6,990	10,757
Goodwill	166,313	176,032
Other intangibles	51,813	52,605
Deferred tax assets	13,166	12,014
Total non-current assets	405,602	419,443
Total assets	576,877	577,380

29. Subsidiaries (continued)

	2012 $'000	2011 $'000
Current liabilities		
Trade and other payables (i)	128,800	104,382
Current tax liabilities	15,445	1,702
Borrowings	338	509
Other financial liabilities	559	1,958
Provisions	35,463	33,850
Total current liabilities	180,605	142,401
Non-current liabilities		
Trade and other payables	2,960	5,885
Borrowings	26,709	90,638
Other financial liabilities	121	623
Provisions	9,621	10,697
Total non-current liabilities	39,411	107,843
Total liabilities	220,016	250,244
Net assets	356,861	327,136
Equity		
Issued capital	349,500	348,943
Reserves	2,559	(773)
Retained earnings (i)	4,802	(21,034)
Total equity	356,861	327,136
Retained earnings		
Balance at the beginning of the financial year (i)	(21,034)	(9,275)
Net profit	44,508	(11,257)
Dividends provided for or paid	(18,672)	(502)
Balance at the end of the financial year	4,802	(21,034)

(i) Prior period balances have been corrected with the effect of decreasing net assets by $32,643,000 and decreasing retained earnings by $32,643,000 in the 2011 year. There is no impact of this adjustment on the Skilled Group Ltd consolidated entity.

30. Related party disclosures

(A) EQUITY INTERESTS IN SUBSIDIARIES

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 29 to the financial statements.

(B) KEY MANAGEMENT PERSONNEL COMPENSATION (INCLUDING DIRECTORS)

	2012 $	2011 $
Short-term employee benefits	5,703,358	4,718,344
Post-employment benefits	383,777	254,039
Share-based payments	1,244,585	599,768
Termination benefits	184,306	1,232,151
Other long-term employee benefits	487,012	170,435
	8,003,038	6,974,737

(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:

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) (i)	146,992	–	–	(30,325)	116,667	–
GM Hargrave (resigned 31/08/2011)	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	2,754	–	25,000	–	27,754	–
D Timmel	–	–	–	–	–	–
J Watkinson	–	–	41,000	–	41,000	–
M Caulfield	65,757	–	–	–	65,757	–
J Kempe (i)	1,000	–	–	1,000	2,000	–
S Healy (i)	–	–	–	–	–	–
	69,511	–	66,000	21,000	156,511	–

2011	Balance 1/7/2010 No.	Granted as compen-sation No.	Received on exercise of options/rights No.	Net other change No.	Balance at 30/6/2011 No.	Balance held nominally No.
Directors						
MP McMahon (appointed 8/11/2010)	–	–	–	667,501	667,501	–
TB Janes	125,992	–	–	21,000	146,992	–
VA McFadden	–	–	–	126,885	126,885	–
RN Herbert AM	11,189	–	–	1,865	13,054	–
MJ Findlay	–	–	–	35,000	35,000	–
AM Cipa (appointed 04/04/2011)	–	–	–	–	–	–
TA Horton (appointed 10/02/2011)	–	–	–	–	–	–
GM Hargrave (resigned 31/08/2011)	57,807,305	–	–	(2,504,000)	55,303,305	–
KV Loughnan AO (resigned 25/10/2010)	264,032	–	–	(264,032)	–	–
KW Hughes (resigned 25/10/2010)	16,643	–	–	(16,643)	–	–
PA Gregg (resigned 10/02/2011)	20,000	–	–	(20,000)	–	–
	58,245,161	–	–	(1,952,424)	56,292,737	–
Other key management personnel						
J Kempe	–	–	–	1,000	1,000	–
PR McCormick	–	–	–	2,754	2,754	–
D Timmel	–	–	–	–	–	–
S Healy	–	–	–	–	–	–
J Watkinson	–	–	–	–	–	–
DW Johnson(ii)	–	–	–	–	–	–
DJ Bridge(ii)	–	–	–	–	–	–
	–	–	–	3,754	3,754	–

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

(ii) These employees ceased to be key management personnel during 2011.

30. Related party disclosures (continued)

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

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(i)	–	3,088,217	–	–	3,088,217	–	–	–
TB Janes (retired 30/06/2012) (ii)	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	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	24,000	77,202	–	–	101,202	–	–	–
J Kempe (ii)	65,000	102,383	–	–	167,383	–	–	–
S Healy (ii)	–	65,078	–	–	65,078	–	–	–
Total	835,200	483,420	(66,000)	(144,000)	1,108,620	–	–	–

2011	Balance at 1/7/2010 No.	Granted as compen-sation No.	Vested No.	Other changes No.	Balance at 30/6/2011 No.	Balance vested at 30/6/2011 No.	Balance exercisable at 30/6/2011 No.	Options vested during year No.
Directors								
MP McMahon(i)	–	–	–	–	–	–	–	–
TB Janes	961,000	207,000	–	–	1,168,000	81,000	81,000	–
GM Hargrave (resigned 31/08/2011)	1,763,000	–	–	(1,763,000)	–	–	–	–
Total	2,724,000	207,000	–	(1,763,000)	1,168,000	81,000	81,000	–
Other key management personnel(i)								
J Kempe	–	65,000	–	–	65,000	–	–	–
PR McCormick	–	75,000	–	426,900	501,900	73,000	73,000	–
D Timmel	–	–	–	–	–	–	–	–
S Healy	–	–	–	–	–	–	–	–
J Watkinson	–	87,000	–	157,300	244,300	–	–	–
DW Johnson(iii)	92,000	343,000	(154,000)	(281,000)	–	–	–	–
DJ Bridge(iii)	–	46,000	–	(46,000)	–	–	–	–
Total	92,000	616,000	(154,000)	257,200	811,200	73,000	73,000	–

(i) During the period, Mr McMahon was granted 1,842,593 options under the 2010 long term incentive plan, a total of 569,948 performance rights under the 2011 long term incentive plan and 675,676 performance rights under the CEO co-investment scheme, as approved by shareholders at the 2011 Annual General Meeting.

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

(iii) These employees ceased to be key management personnel during 2011.

All executive share options and 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 option or right. Each executive share option and performance right converts to one SKILLED Group Limited ordinary share on exercise.

During the financial year $416,000 (2011: $nil) 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 23 to the financial statements.

(D) TRANSACTIONS WITH DIRECTORS AND THEIR PERSONALLY RELATED ENTITIES:

Related party	Type of transaction	2012	2011	Class of related party	2012 $	2011 $
Larkfield Property Holdings Pty Ltd	Payment for rental of office accommodation	Normal commercial terms and conditions	Normal commercial terms and conditions	Company of which Mr GM Hargrave is the sole director	1,032,731	998,376
Hughes Engineering Services Pty Ltd	Consulting services	Normal commercial terms and conditions	Normal commercial terms and conditions	Company of which Mr KW Hughes is a director	–	60,000

(E) TRANSACTIONS WITH OTHER RELATED PARTIES:

Related party	Type of transaction	2012	2011	Class of related party	2012 $	2011 $
Offshore Marine Services Alliance Pty Ltd	Offshore marine staffing	Normal commercial terms and conditions	Normal commercial terms and conditions	Joint Venture	56,800,000	40,500,000

31. Remuneration of auditors

	2012 $	2011 $
Amounts received or due and receivable by Ernst & Young (Australia)		
Audit and review of the financial report	486,646	–
Other assurance services	–	–
Income, indirect and employment-related tax services	251,413	–
	738,059	–
Amounts received or due and receivable by Ernst & Young (International)		
Audit and review of the financial report	43,354	–
Other assurance services	8,892	–
Income, indirect and employment-related tax services	–	–
	52,246	–
Amounts received or due and receivable by Deloitte Touche Tohmatsu Australia		
Audit and review of the financial report	–	635,663
Other assurance and advisory services	–	59,407
Income, indirect and employment-related tax services	–	176,352
	–	871,422
Amounts received or due and receivable by Deloitte Touche Tohmatsu International frims		
Audit and review of the financial report	–	58,484
Other assurance and advisory services	–	1,623
Income, indirect and employment-related tax services	–	26,556
	–	86,663

32. 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:

	2012 $'000	2011 $'000
Cash	11,216	13,931
Bank overdraft	(684)	–
Cash assets/(liabilities)	10,532	13,931

(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 $664,000 (2011: $1,112,000).

(ii) Acquired plant and equipment and leasehold improvements with an aggregate value of $2,272,000 (2011: nil) which did not generate a cash flow in the 2012 year and were included within current payable as at 30 June 2012.

(C) FINANCING FACILITIES

	2012 $'000	2011 $'000
Bank overdraft facility, payable at call:		
Amount used	684	–
Amount unused	9,618	6,747
	10,302	6,747
Syndicated bank debt facility and market rate advance facility subject to periodic roll-over:		
Amount used	36,418	109,331
Amount unused	143,582	60,669
	180,000	170,000

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 2012, 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 (2011: nil).

	2012 $'000	2011 $'000
Net outflow of cash for prior year acquisitions		
Payment of deferred consideration	10,186	20,329

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

33. 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 consolidated entity's overall strategy relating to capital risk is to operate at a lower level of gearing than in the recent past.

The capital structure of the consolidated entity consists of debt, which includes the borrowings disclosed in note 17, the cash and cash equivalents disclosed in note 32, 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 22 and 24.

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:

	2012 $'000	2011 $'000
Leverage		
(Net debt/EBITDA(i))	0.3	1.2
Interest cover		
(EBITDA(i)/Net interest expense(i))	12.2	3.5
Gearing		
(Net debt/Net debt + equity)	6%	19%

(i) EBITDA and net interest expense is based on continuing operations as disclosed in note 36 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 statements
For the financial year ended 30 June 2012

33. Financial instruments (continued)

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 2011.

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

	2012 $'000	2011 $'000
Financial assets		
Cash and cash equivalents	11,216	13,931
Current and non-current receivables	238,873	242,211
Derivatives held for trading	20	19
Derivatives in hedge relationships	–	1,174

	2012 $'000	2011 $'000
Financial liabilities		
Loans and payables	154,759	217,524
Derivatives held for trading	78	40
Derivatives in hedge relationships	602	2,541

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.

In the 2011 financial year, the Board approved certain changes to the interest rate risk management policy 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 policy employed during the 2012 financial year was unchanged from 2011.

The consolidated entity's non-derivative exposure to interest rate risk as at 30 June 2012 is as follows:

- Cash (weighted average interest rate 2.5-3.5%). Refer Consolidated Statement of Financial Position.
- Bank overdraft (weighted average interest rate 4.0-5.0%). Refer note 17.
- Bank loans (weighted average interest rate 4.0-8.0%). Refer note 17.
- Lease liabilities (weighted average interest rate 10.0-11.0%). Refer note 17.

Interest rate sensitivity

The consolidated entity's sensitivity to a 200 basis point increase or decrease in interest rates is less than $400,000 (2011: $500,000). This level represents management's assessment of the possible changes in interest rates.

Interest rate derivatives

The consolidated entity manages its interest rate risk in accordance with Board-approved policy. The policy relating to interest rate risk management employed during the 2012 financial year was unchanged from 2011. This policy required hedging a proportion of the consolidated entity's floating interest rate exposure throughout a rolling five-year period using interest rate swap contracts.

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	
	2012 %	2011 %	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Less than 1 year	8.0%	7.8%	40,000	30,000	(27)	(233)
1 to 5 years	8.0%	8.0%	10,000	60,000	(631)	(1,841)

The fair value of interest rate swaps and forward rate agreement contracts is included in the balance of other financial assets and other financial liabilities (refer notes 9 and 18).

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 2011.

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$500,000 (2011: A$3,000,000) for any one currency or $700,000 in aggregate (2011: $5,500,000)

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 2011.

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 statements

For the financial year ended 30 June 2012

33. Financial instruments (continued)

Liquidity risk management (continued)

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 $'000
2012					
Bank loans – A$	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$)	2.6%	99	128	3,094	3,321
Finance lease liabilities	10.0%	853	652	281	1,786
2011					
Bank loans – A$	6.9%	5,608	5,541	82,783	93,932
Bank loans – NZD (in A$)	6.3%	911	926	19,557	21,394
Bank loans – EUR (in A$)	4.7%	383	418	10,699	11,500
Bank loans – GBP (in A$)	3.5%	46	51	1,566	1,663
Finance lease liabilities	11.1%	571	483	526	1,580

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 2011. 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. The single major exposure for receivables past due by 91 days or more is for $5,800,000 which has been fully provided as at 30 June 2012.

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.

The fair value of interest rate swap 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.

34. Commitments for expenditure

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 21 to the financial statements. There are no other commitments for expenditure, at the end of the financial year, other than those disclosed in the financial statements.

35. Earnings per share

	2012 Cents	2011 Cents
Basic earnings per share	21.13	1.56
Diluted earnings per share	20.66	1.55
Basic earnings per share from continuing operations	19.23	3.54
Diluted earnings per share from continuing operations	18.80	3.52
Basic earnings per share from discontinuing operations	1.90	(1.98)
Diluted earnings per share from discontinuing operations	1.86	(1.97)

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:

	2012 $'000	2011 $'000
Earnings	49,319	3,139
Earnings from continuing operations	44,878	7,121
Earnings from discontinuing operations	4,441	(3,982)

	2012 No. '000	2011 No. '000
Weighted average number of shares	233,357	201,111

Notes to the financial statements

For the financial year ended 30 June 2012

35. Earnings per share continued

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:

	2012 $'000	2011 $'000
Earnings	49,319	3,139
Earnings from continuing operations	44,878	7,121
Earnings from discontinuing operations	4,441	(3,982)

	2012 No. '000	2011 No. '000
Weighted average number of shares(i)	238,696	202,360
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	233,357	201,111
Shares deemed to be issued for no consideration in respect of:		
Executive share options and performance rights(ii)	5,339	1,249
	238,696	202,360

(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.

	2012 No. '000	2011 No. '000
Executive share options and performance rights	–	–

36. Segment reporting

Segment descriptions

The consolidated entity has identified the following four segments: Workforce Services, Technical Professionals (formerly Other Staffing Services), Engineering and Marine services and Business Services (now discontinued).

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 (formerly Other Staffing Services)	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 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 26 the business relating to the provision of customer contact solutions for third-party clients provided through our Excelior brand was sold during the period and is now 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.

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						
Loss 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

During the year, the Other Staffing Services segment has been renamed Technical Professionals. Other than the changes noted below, there has been no change in the businesses reported in this segment.

The following transactions and restructures have occurred in the 2012 financial year which has resulted in the reclassification of certain business segments:

1. Sale of the Excelior contact centre business in October 2011. This business, previously reported in Business Services segment, has been classified as a discontinued business.

2. Transfer of the GTO Training Services business. This business, previously reported in the Business Services segment, will now be reported in the Technical Professionals segment.

3. Sale of the New Zealand based blue collar labour hire business Tradeforce NZ in January 2012. This business, previously reported in the Workforce Services segment, has been classified as a discontinued business.

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For the financial year ended 30 June 2012

36. Segment reporting continued

Segment revenues and results

The 2011 comparatives have been updated to reflect the changes from restructuring and business divestments.

2011 Segment result	Workforce Services $'000	Technical Professionals $'000	Engineering & Marine Services $'000	Business Services $'000	Un-allocated & eliminations $'000	Total $'000
Revenue	928,657	433,020	461,267	–	(3,161)	1,819,783
Other income	–	–	3,700	–	496	4,196
EBITDA	42,267	22,501	33,699	–	(16,154)	82,313
Depreciation and amortisation	(6,259)	(11,754)	(2,199)	–	(1,949)	(22,161)
Earnings before interest and tax	36,008	10,747	31,500	–	(18,103)	60,152
Net interest expense					(23,194)	(23,194)
Profit before tax before reconciling items						36,958
Reconciliation of profit						
Redundancy and branch closure costs						(6,027)
Swan sale costs						(939)
Goodwill Impairment						(10,727)
Amortisation of acquired intangibles						(2,541)
Notional Interest on earn outs						(1,022)
Bank establishment fees write-off						(4,096)
Profit before tax						11,606
Income tax expense						(4,485)
Profit for the period from continuing operations						7,121
Segment assets and liabilities						
Assets	256,911	120,811	269,826	10,544	34,635	692,727
Liabilities	66,815	21,926	69,676	4,253	114,750	277,420
Other segment information						
Loss from discontinued operations after tax	(1,699)	–	–	(2,283)	–	(3,982)
Share of profit of jointly controlled entities	–	–	3,700	–	–	3,700
Carrying value of investments accounted for using the equity method	–	–	5,638	–	–	5,638
Acquisition of segment assets	3,190	1,366	2,070	1,694	–	8,320

37. Parent company disclosures

	2012 $'000	2011 $'000
Current assets	125,612	97,793
Total assets	531,570	502,194
Current liabilities	96,951	88,624
Total liabilities	188,243	179,114
Net assets	343,327	323,080
Equity		
Issued capital	349,500	348,943
Hedge reserve	(421)	(1,174)
Foreign currency translation reserve	–	(9)
Employee equity-settled benefits reserve	2,980	2,083
Retained earnings	(8,732)	(26,763)
Total equity	343,327	323,080
Profit/(loss) for the year	36,702	(19,077)
Other comprehensive income	753	2,637
Total comprehensive income	37,455	(16,440)
Contingent liabilities		
Bank guarantees for various contracts	28,249	12,893
As detailed in note 29, 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)	30,216	38,488
	58,465	51,381

(i) Prior period balances have been corrected with the effect of decreasing current assets by $31,373,000 and decreasing retained earnings by $31,373,000 in the 2011 year. There is no impact of this adjustment on the Skilled Group Limited consolidated entity.

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.

38. Subsequent events

Subsequent to year end a legal dispute dating back to 2008 was adjudicated against the consolidated entity. The financial impact, being an expense of $4,400,000 before income tax, has been included in the financial statements as at 30 June 2012.

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.