Appendix 4D
ASX Listing Rule 4.2A.3
Results for announcement to the market
Skilled Group Limited
ABN 66 005 585 811
Half year ended (‘current period’) – 31 December 2013
(‘previous corresponding period’ – 31 December 2012)

The Appendix 4D should be read in conjunction with Skilled Group Limited’s most recent annual financial report.

				$AUD’000
Revenue	Down	7.0%	to	903,937
Profit after tax attributable to members	Down	25.6%	to	20,982
Underlying profit after tax[1]	Down	10.8%	to	26,037

Dividends (distributions)	**Amount per security**	**Franked amount per security**
Interim Dividend (Previous Year)	7.5¢ 7.0¢	7.5¢ 7.0¢
Final Dividend (Previous Year)	N/A 9.0¢	N/A 9.0¢
Record date for determining entitlements to the Dividend	28 March 2014	
Date for payment of Final Dividend	11 April 2014	
The Dividend Reinvestment Plan will remain suspended until further notice. As the dividend is fully franked, the conduit foreign income impact is nil per share.		

Earnings Per Ordinary Fully Paid Share (EPS)	**Current period**	**Previous corresponding period**
Basic EPS	9.0¢	12.1¢
Diluted EPS	8.8¢	11.8¢
Underlying basic EPS[1]	11.1¢	12.5¢
Underlying diluted EPS[1]	10.9¢	12.2¢

NTA backing	**Current period**	**Previous corresponding period**
Net tangible asset backing per ordinary security	15.5¢	31.9¢

Net asset backing	**Current period**	**Previous corresponding period**
Net asset backing per ordinary security	202.2¢	196.5¢

[1] Profit after tax reconciles to underlying profit after tax as follows:

	December 2013 $’000	**December 2012 $’000**
Profit after tax	20,982	28,210
Reconciling items as per Note 4 - Segment Reporting	6,571	1,386
Income tax on reconciling items	(1,516)	(416)
Underlying profit after tax	26,037	29,180

Underlying basic and diluted EPS is calculated using underlying profit after tax.

Appendix 4D (continued)
ASX Listing Rule 4.2A.3
Results for announcement to the market
Skilled Group Limited
ABN 66 005 585 811
Half year ended ('current period') – 31 December 2013
('previous corresponding period' – 31 December 2012)

Details of entities over which control was gained	Date of gain of control
Broadsword Marine Contractors Pty Limited	3 July 2013

From the date of acquisition, Broadsword Marine Contractors Pty Limited has contributed $1,780,000 of profit before tax to the Consolidated Entity's result, which includes profit from operations, acquisition and integration costs, amortisation of acquired intangibles and notional interest on deferred consideration.

Details of joint venture entities	Percentage of ownership interest held at end of period		Contribution to net profit of the Consolidated Entity[2]	
	Current period	Previous corresponding period	Current period $'000	Previous corresponding period $'000
Offshore Marine Services Alliance Pty Ltd	50.0%	33.3%	2,548	1,849
GSS Broadsword Marine JV Pty Ltd	50.0%	-	(231)	-
			2,317	**1,849**

[2] Includes amortisation of acquired intangibles

Half Year Report
31 December 2013
Skilled Group Limited
ABN 66 005 585 811

Half Year Report
Skilled Group Limited

Directors' report

The Directors of Skilled Group Limited (the "Company") present the financial report for the Consolidated Entity (comprising the Company and its controlled entities) for the half year ended 31 December 2013.

The names of the Directors of the Company during or since the end of the half year are:

V.A McFadden
A.M. Cipa
T.A. Horton
J. Walker (appointed 1 November 2013)
M.P. McMahon
M.J. Findlay
R.N. Herbert AM

Review and results of operations

Profit after income tax was $21.0 million, which was 25.6% below the previous corresponding period.
Revenue was $903.9 million, which was 7.0% below the previous corresponding period. Earnings before interest, tax, depreciation and amortisation (EBITDA) was $43.9 million which was 9.9% below the previous corresponding period.[1]

The result was impacted by the slowdown in projects, a focus on cost reduction in the mining sector and subdued economic conditions which resulted in reduced activity and margin in Workforce Services (WFS), Swan and ATIVO. Offsetting this was the contribution from Broadsword and a further $10 million cost reduction.

Net debt increased from $44.8 million at 30 June 2013 to $132.9 million at 31 December 2013, an increase of $88.1 million, which includes $52.4 million (net of debt assumed) for the acquisition of Broadsword in July 2013.

Operating cash flow before tax was $13.1 million compared to $15.9 million in the previous corresponding period, reflecting lower cash earnings in the first six months of the financial year. The seasonal working capital increase of $25m from June 2013 is consistent with the previous corresponding period.

A fully franked interim dividend of 7.5 cents per share has been declared, up from 7.0 cents per share in the previous corresponding period.

Workforce Services

Workforce Services was impacted by the slowdown in mining and related services and a slow seasonal build up into Christmas, which was partially offset by improved activity in the infrastructure and rail sectors. Margins were impacted by continued pricing pressure from clients across most sectors. Good progress was made on sustainable cost reduction and efficiency improvements. The cost out program was accelerated in the first half, partially offsetting the reduction in mining activity. Activity levels stabilised in the second quarter and WFS is well positioned to benefit from any growth in mining volumes and improvement in economic activity

Technical Professionals

Swan was impacted by the slowdown in mining and related project activity with a reduction in contractor numbers and hours and margin reduction due to pricing pressure. There was weaker demand for permanent technical professional roles, including NBN related telecommunication roles, in the first half. Technology Solutions (Damstra) was affected by reduced mining demand on the east coast (mainly coal mining clients). Trainees & apprentices and Indigenous employment continued to perform well.

Engineering and Marine Services

ATIVO was impacted by the deferral of maintenance projects and shutdowns by clients in the first half. Activity levels have stabilised in recent months. The initial contribution from the T & C Services acquisition, effective early February, will flow through in the second half. Increased activity in OMS International and OMS NZ contributed positively to the segment; offset by a reduction in activity levels in OMS Australia. Activity levels in OMS Australia have ramped up early in the second half. Revenue from Broadsword was in line with expectations and the integration is progressing well. The mobilisation of vessels under the Saipem contract will commence at the end of FY14.

[1] As reported in Note 4 – Segment reporting

Directors' report (continued)

Outlook

Trading conditions remain challenging but the second half of this financial year is expected to be stronger. Overall activity levels appear to have stabilised in Workforce Services and benefits from supplier consolidation are flowing through, however continued price pressure in mining is impacting margins. In Technical Professionals reduced activity in mining and related engineering services is expected to continue, primarily in Swan, however Telecommunications activity is expected to strengthen. Growth is expected in Engineering & Marine Services from:

- increased activity levels and a visible pipeline in oil and gas in the second half notwithstanding the mobilisation of Saipem being delayed to the end of FY14;
- Broadsword – an additional vessel and the opportunity to change the mix of chartered / owned vessels;
- the initial contribution from T & C Services acquisition

The cost reduction program is expected to deliver $15 million in FY14 from initiatives already underway.

Acquisition of Broadsword Marine Contractors Pty Ltd

On 3 July 2013, the Consolidated Entity acquired 100% of the voting shares of Broadsword Marine Contractors Pty Ltd ("Broadsword"), an unlisted company based in Darwin, Australia specialising in marine logistics services to the Oil & Gas industry. The acquisition is expected to provide the Consolidated Entity with a strong growth platform in marine services to complement the existing Offshore Marine Services business and the Offshore Marine Services Alliance joint venture. Further details of the acquisition are contained in Note 13 to the condensed financial statements within this Half Year Report.

Refinancing of the Consolidated Entity’s Revolving Credit Facility

On 14 August 2013, the Consolidated Entity refinanced its Syndicated Revolving Credit Facility. The new $230.0 million facility is on improved terms and expires in two tranches of $100.0 million on 31 August 2015 and $130.0 million on 31 August 2016.

Acquisition of T&C Services Pty Ltd

On 11 February 2014, the Consolidated Entity acquired 100% of the voting shares of T & C Services Pty Limited (“T & C Services”), a subsidiary of Thomas & Coffey Limited for consideration totalling $33.5 million, subject to working capital and other adjustments to be determined following completion.

T & C Services provides a broad range of maintenance and asset management services to the manufacturing, mining, heavy industry and utilities sectors in Australia (New South Wales and Queensland). The acquisition is highly complementary to the existing maintenance service offering provided by the ATIVO business.

Subsequent events

Other than the acquisition of T & C Services Pty Ltd described above, there has been no other matter or circumstance that has arisen since the end of the half year that has significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

Directors' report (continued)

Auditor's Independence Declaration

The auditor's independence declaration is included on page 4.

Rounding of amounts

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

V.A McFadden Chairman	M.P. McMahon Chief Executive Officer and Managing Director

Melbourne, 12 February 2014

Ernst & Young
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 review of the financial report of Skilled Group Limited for the half-year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Bruce Meehan
Partner

12 February 2014

Directors' declaration

For the Half Year Ended 31 December 2013

In the opinion of the Directors:

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

(b) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
  (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2013 and of its performance for the half year ended on that date; and
  (ii) complying with Accounting Standards and the Corporations Regulations 2001.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

V.A McFadden
Chairman

M.P. McMahon
Chief Executive Officer
and Managing Director

Melbourne, 12 February 2014

Condensed consolidated statement of comprehensive income

For the half year ended 31 December 2013

	Note	Half year ended 31 December 2013 $'000	Half year ended 31 December 2012 $'000
Revenue		903,937	971,704
Share of profit from associates		2,317	1,849
Gain from sale of assets		121	105
Other income		114	141
Employee and sub-contractor related costs		(808,127)	(869,420)
Raw materials and consumables used		(4,136)	(3,513)
Office occupancy related costs		(6,727)	(7,033)
Depreciation and amortisation expenses	2	(7,102)	(5,543)
Finance costs	3	(4,141)	(2,009)
Marine vessel charter costs		(6,488)	(3,149)
Other expenses		(41,083)	(43,228)
Profit before income tax expense		**28,685**	**39,904**
Income tax expense		(7,703)	(11,694)
Profit for the period		**20,982**	**28,210**
Other comprehensive income			
Items that may subsequently be reclassified to profit/(loss):			
Gain on cash flow hedges taken to equity		93	267
Income tax on items taken directly to equity		(28)	(80)
Change in foreign currency translation reserve arising on translation of foreign operations and net investment in foreign subsidiaries		1,020	-
Other comprehensive income for the period, net of tax		**1,085**	**187**
Total comprehensive income for the period		**22,067**	**28,397**
Profit attributable to members of the parent entity		**20,982**	**28,210**
Total comprehensive income attributable to members of the parent entity		**22,067**	**28,397**
Earnings per share			
Basic (cents per share)		9.0¢	12.1¢
Diluted (cents per share)		8.8¢	11.8¢

Notes to the condensed financial statements are included on pages 11 to 20.

Condensed consolidated statement of financial position

As at 31 December 2013

	Note	31 December 2013 $'000	30 June 2013 $'000
Assets			
Current assets			
Cash and cash equivalents		21,542	12,890
Trade and other receivables		227,865	210,849
Inventories		496	412
Other		5,649	5,510
Total current assets		**255,552**	**229,661**
Non-current assets			
Receivables		1,824	1,688
Property, plant and equipment		47,351	18,085
Equity accounted investments		26,451	33,274
Intangibles		436,505	386,335
Deferred tax assets		16,711	15,677
Total non-current assets		**528,842**	**455,059**
Total assets		**784,394**	**684,720**
Liabilities			
Current liabilities			
Payables	5	80,592	94,209
Borrowings	11	758	1,294
Current tax liabilities		966	4,163
Other financial liabilities		214	110
Provisions		43,595	43,616
Total current liabilities		**126,125**	**143,392**
Non-current liabilities			
Payables	5	21,020	-
Borrowings	11	153,647	56,413
Provisions		10,767	13,009
Total non-current liabilities		**185,434**	**69,422**
Total liabilities		**311,559**	**212,814**
Net assets		**472,835**	**471,906**
Equity			
Issued capital	7	349,846	349,661
Reserves		2,918	2,138
Retained earnings	9	120,071	120,107
Total equity		**472,835**	**471,906**

Notes to the condensed financial statements are included on pages 11 to 20.

Condensed consolidated statement of changes in equity

For the half year ended 31 December 2013

	Issued capital $'000	Foreign currency translation reserve $'000	Hedging reserve $'000	Employee equity-settled benefits reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2013	349,661	(1,296)	(65)	3,499	120,107	471,906
Profit for the period	-	-	-	-	20,982	20,982
Exchange differences arising on translation of foreign operations	-	1,020	-	-	-	1,020
Gain/(loss) on cash flow hedges	-	-	93	-	-	93
Income tax relating to components of other comprehensive income	-	-	(28)	-	-	(28)
Total comprehensive income for the period	-	1,020	65	-	20,982	22,067
Own shares acquired to settle share based payments	(1,204)	-	-	-	-	(1,204)
Share based payments	1,389	-	-	(305)	-	1,084
Payment of dividends	-	-	-	-	(21,018)	(21,018)
Balance at 31 December 2013	**349,846**	**(276)**	**-**	**3,194**	**120,071**	**472,835**

Notes to the condensed financial statements are included on pages 11 to 20.

Condensed consolidated statement of changes in equity

For the half year ended 31 December 2013

	Issued capital $'000	Foreign currency translation reserve $'000	Hedging reserve $'000	Employee equity-settled benefits reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2012	349,500	(2,467)	(421)	2,980	98,699	448,291
Profit for the period	-	-	-	-	28,210	28,210
Gain/(loss) on cash flow hedges	-	-	267	-	-	267
Income tax relating to components of other comprehensive income	-	-	(80)	-	-	(80)
Total comprehensive income for the period	-	-	187	-	28,210	28,397
Share based payments	-	-	-	794	-	794
Lapse of options under Executive Long Term Incentive Plans	-	-	-	(295)	295	-
Payment of dividends	-	-	-	-	(18,681)	(18,681)
Balance at 31 December 2012	**349,500**	**(2,467)**	**(234)**	**3,479**	**108,523**	**458,801**

Notes to the condensed financial statements are included on pages 11 to 20.

Condensed consolidated statement of cash flows
For the half year ended 31 December 2013

	Note	31 December 2013 $'000	31 December 2012 $'000
Cash flows from operating activities			
Profit before taxation		28,685	39,904
Depreciation and amortisation	2	7,102	5,543
Interest revenue		(114)	(141)
Finance costs		4,141	2,009
Earnings before interest, tax, depreciation and amortisation		**39,814**	**47,315**
Shared based payments		657	934
Amortisation of vessel make good asset		390	198
Net gain on disposal of property, plant & equipment		(121)	(105)
Non-cash share of profit from associates		(2,317)	(1,849)
		38,423	46,493
Increase/decrease in assets and liabilities excluding effects of acquisitions and divestments			
(Increase)/decrease in receivables		(9,995)	2,185
(Increase)/decrease in inventories		(78)	148
Decrease in other assets		10,641	1,507
Decrease in payables		(22,802)	(29,778)
Decrease in provisions		(3,069)	(4,676)
Cash generated from operations		**13,120**	**15,879**
Income taxes paid		(11,759)	(19,784)
Net cash provided by/(used in) operating activities		**1,361**	**(3,905)**
Cash flows from investing activities			
Payments for property, plant and equipment		(7,400)	(5,942)
Payments for intangibles		(1,225)	(623)
Proceeds from the disposal of controlled entity (net of cash disposed and sale costs)		-	1,200
Payments for purchase of businesses, net of cash acquired	13	(44,185)	(9,508)
Proceeds from sale of property, plant and equipment		509	278
Net cash used in investing activities		**(52,301)**	**(14,595)**
Cash flows from financing activities			
Proceeds from borrowings		307,779	211,903
Repayment of borrowings		(222,583)	(187,163)
Interest received		114	141
Interest paid		(3,064)	(2,117)
Payment for purchase of own shares		(1,204)	-
Proceeds from issues of equity		87	115
Dividends paid		(21,018)	(18,681)
Net cash provided by financing activities		**60,111**	**4,198**
Net increase/(decrease) in cash and cash equivalents		**9,171**	**(14,302)**
Cash and cash equivalents at the beginning of the financial period		12,261	10,532
Effects of exchange rates on cash held in foreign currencies		(92)	-
Cash and cash equivalents at the end of the financial period		**21,340**	**(3,770)**
Represented by:			
Cash at bank		21,542	2,257
Bank overdrafts		(202)	(6,027)
		21,340	**(3,770)**

Notes to the condensed financial statements are included on pages 11 to 20.

Notes to the Condensed financial statements
For the half year ended 31 December 2013

1. Significant accounting policies

The half year financial report of Skilled Group Limited and its controlled entities was authorised for issue in accordance with a resolution of directors on 12 February 2014.

Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. The half year financial report does not include notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Consolidated Entity as the full financial report. It is recommended that the half year financial report be read in conjunction with the 2013 annual financial report. The presentation currency for this half year report is Australian dollars.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

New standards, interpretations and amendments thereof, adopted by the Consolidated Entity

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Consolidated Entity's annual financial statements for the year ended 30 June 2013, except for the adoption of the following new and amended Australian Accounting Standards and AASB Interpretations whose application became mandatory from 1 July 2013:

- AASB 13 *Fair Value Measurement*
- AASB 19 *Employee Benefits (Revised 2011)*

The adoption of the standards or interpretations is described below:

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance under Australian Accounting Standards for all fair value measurements. AASB 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards. AASB 13 defines fair value as an exit price. AASB 13 also requires additional disclosures. Application of AASB 13 has not materially impacted the fair value measurements of the Consolidated Entity.

AASB 19 *Employee Benefits (Revised 2011)*

Amongst other changes, the amendments to AASB 119 revise the definitions of short-term and long-term employee benefits, placing the emphasis on when the benefit is expected to be settled rather than when it is due to be settled or when it vests, as was the case previously. The reference to expected timing of settlement has the potential to impact the classification of benefits as either short-term or long-term and therefore the way in which such liabilities are measured. The adoption of AASB 19 has no material impact on the recognised assets, liabilities and comprehensive income of the Consolidated Entity.

Notes to the Condensed financial statements
For the half year ended 31 December 2013

2. Depreciation and amortisation

	December 2013 $'000	December 2012 $'000
Depreciation:		
Plant and equipment	2,484	1,328
Leasehold improvements	563	382
Equipment under finance lease	155	163
	3,202	1,873
Amortisation:		
Software and licences	2,336	3,571
Customer contracts acquired	1,564	-
Brand names	-	75
Other acquired intangibles	-	24
	3,900	3,670
	7,102	**5,543**

3. Finance costs

	December 2013 $'000	December 2012 $'000
Interest paid to other entities	2,940	1,818
Early repayment fees on acquired lease liabilities	315	-
Notional interest on deferred acquisition payments	666	-
Finance lease charges	49	67
Amortisation of loan establishment fees	171	124
	4,141	**2,009**

4. Segment reporting

Segment descriptions

The Consolidated Entity has identified the following three segments: Workforce Services, Technical Professionals and Engineering and Marine Services.

Workforce Services

Provision of supplementary labour hire. Revenue from this segment is earned predominantly from the provision of blue collar labour hire to clients in the industrial, mining and resources sectors. Brands in this segment include SKILLED and TESA.

Technical Professionals

Provision of engineering and technical professional, white collar, and nursing staff Brands in this segment include Swan, Skilled Technical Professionals, Mosaic, PeopleCo, Damstra Mining Services and Skilled Healthcare.

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, Offshore Marine Services and Broadsword Marine Contractors.

Other disclosures

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

Notes to the Condensed financial statements
For the half year ended 31 December 2013

4. Segment reporting (continued)

Segment revenues and results	**Workforce Services**	**Technical Professionals**	**Engineering & Marine Services**	**Un-allocated & eliminations**	**Total**
Half year ended December 2013	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Segment result					
Revenue	452,578	202,754	249,936	(1,331)	903,937
Other income	-	-	2,317	235	2,552
EBITDA	19,431	9,337	22,657	(7,559)	43,866
Depreciation and amortisation	(2,535)	(1,125)	(1,810)	(91)	(5,561)
Earnings before interest and tax	**16,896**	**8,212**	**20,847**	**(7,650)**	**38,305**
Net interest expense					(3,049)
Profit before tax before reconciling items					**35,256**
Reconciliation of profit					
Redundancy and branch closure costs					(2,253)
Acquisition and integration costs					(1,234)
Amortisation of acquired intangibles[1]					(2,418)
Notional interest on deferred acquisition payments					(666)
Profit before tax					**28,685**
Income tax expense					(7,703)
Profit for the period					**20,982**
Segment assets and liabilities					
Assets	262,350	105,986	377,593	38,465	784,394
Liabilities	57,777	17,609	80,587	155,586	311,559
Other segment information					
Share of profit of jointly controlled entities	-	-	2,317	-	2,317
Carrying value of investments accounted for using the equity method	-	-	26,451	-	26,451
Acquisition of segment assets	2,014	578	82,810	-	85,402

[1] Includes amortisation of acquired intangibles recognised within share of profit from associates.

4. Segment reporting (continued)

Segment revenues and results	**Workforce Services**	**Technical Professionals**	**Engineering & Marine Services**	**Un-allocated & eliminations**	**Total**
Half year ended December 2012	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Segment result					
Revenue	463,419	271,393	239,127	(2,235)	971,704
Other income	-	-	1,849	246	2,095
EBITDA	22,528	15,094	19,693	(8,614)	48,701
Depreciation and amortisation	(2,402)	(1,815)	(1,044)	(282)	(5,543)
Earnings before interest and tax	**20,126**	**13,279**	**18,649**	**(8,896)**	**43,158**
Net interest expense					(1,868)
Profit before tax before reconciling items					**41,290**
Reconciliation of profit					
Redundancy and branch closure costs					(1,386)
Profit before tax					**39,904**
Income tax expense					(11,694)
Profit for the period					**28,210**
Segment assets and liabilities					
Assets	258,714	113,201	280,511	23,124	675,550
Liabilities	63,534	18,505	56,606	78,104	216,749
Other segment information					
Share of profit of jointly controlled entities	-	-	1,849	-	1,849
Carrying value of investments accounted for using the equity method	-	-	11,923	-	11,923
Acquisition of segment assets	2,749	844	930	-	4,523

Notes to the Condensed financial statements
For the half year ended 31 December 2013

5. Payables

	Note	December 2013 $'000	June 2013 $'000
Current			
Trade and other payables		58,405	77,866
Deferred purchase consideration	13	8,703	-
Goods and services tax payable		13,484	16,343
		80,592	**94,209**
Non-current			
Deferred and contingent purchase consideration	13	**21,020**	**-**

6. Fair values of financial assets and liabilities

The carrying amounts of cash and cash equivalents, trade receivables, trade payables, deferred and contingent purchase consideration, borrowings and other financial liabilities has been assessed to approximate their fair values.

7. Issued capital

	December 2013 $'000	June 2013 $'000
233,871,364 fully paid ordinary shares (June 2013: 233,533,526)	349,846	349,661

	6 months ended December 2013 No. '000	6 months ended December 2013 $'000	12 months ended June 2013 No. '000	12 months ended June 2013 $'000
Fully paid ordinary shares				
Balance at beginning of reporting period	233,533	349,661	233,487	349,500
Issue of shares under employee share acquisition scheme	-	-	46	161
Own shares acquired to settle share based payments	-	(1,204)	-	-
Settlement of share based payments	338	1,389	-	-
Balance at end of reporting period	**233,871**	**349,846**	**233,533**	**349,661**

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

Notes to the Condensed financial statements
For the half year ended 31 December 2013

8. Executive long term incentive plan

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

Share options	**6 months ended December 2013 No.**	**12 months ended June 2013 No.**
Balance at beginning of the reporting period	3,672,593	4,458,593
Granted during the reporting period	1,750,000	-
Exercised during the reporting period	(119,117)	-
Lapsed during the reporting period	(1,992,655)	(786,000)
Balance at end of the reporting period	**3,310,821**	**3,672,593**

Performance rights	**6 months ended December 2013 No.**	**12 months ended June 2013 No.**
Balance at beginning of the reporting period	4,793,963	3,837,366
Granted during the reporting period	1,713,000	1,542,160
Vested during the reporting period	(542,815)	-
Lapsed during the reporting period	(716,783)	(585,563)
Balance at end of the reporting period	**5,247,365**	**4,793,963**

9. Retained earnings

	6 months ended December 2013 $'000	**12 months ended June 2013 $'000**
Balance at beginning of the reporting period	120,107	98,699
Net profit attributable to members of parent entity	20,982	56,159
Dividends provided for or paid	(21,018)	(35,046)
Transfer from employee equity-settled benefits reserve	-	295
Balance at end of reporting period	**120,071**	**120,107**

10. Dividends

	6 months ended December 2013 $'000		**12 months ended June 2013 $'000**	
	Cents per share	Total $'000	Cents per share	Total $'000
<u>(a) Recognised amounts</u>				
Final dividend relating to year ended June 2012, 100% franked			8.0	18,681
Interim dividend relating to year ended June 2013, 100% franked			7.0	16,344
Final dividend relating to year ended June 2013, 100% franked	9.0	21,018		
	9.0	**21,018**	15.0	35,046
<u>(b) Unrecognised amounts</u>				
Final dividend relating to year ended June 2013, 100% franked			9.0	21,018
Interim dividend for the year ending June 2014, 100% franked	7.5	17,540		

Notes to the Condensed financial statements
For the half year ended 31 December 2013

11. Borrowings

	December 2013 $'000	June 2013 $'000
Current		
Bank overdraft	202	629
Finance lease liabilities	556	665
	758	**1,294**
Non-current		
Bank debt facilities	153,366	55,896
Finance lease liabilities	281	517
	153,647	**56,413**

On 14 August 2013, the Consolidated Entity refinanced its Syndicated Revolving Credit Facility. The new $230,000,000 facility is on improved terms and expires in two tranches of $100,000,000 on 31 August 2015 and $130,000,000 on 31 August 2016.

12. Contingent liabilities

	December 2013 $'000	June 2013 $'000
Bank guarantees for various contracts	55,033	34,113

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.

13. Business acquisitions

Acquisition of Broadsword Marine Contractors Pty Ltd

On 3 July 2013, the Consolidated Entity acquired 100% of the voting shares of Broadsword Marine Contractors Pty Ltd ("Broadsword"), an unlisted company based in Darwin, Australia specialising in marine logistics services to the Oil & Gas industry. The acquisition is expected to provide the Consolidated Entity with a strong growth platform in marine services to complement the existing Offshore Marine Services business and the Offshore Marine Services Alliance joint venture.

Assets acquired and liabilities assumed

The provisionally determined fair values of the identifiable assets and liabilities of Broadsword as at the date of acquisition were:

	Fair value recognised on acquisition $'000
Assets	
Cash and cash equivalents	2,511
Trade receivables	7,243
Inventories	6
Prepayments and other assets	781
Property, plant and equipment	26,493
Intangibles - customer contracts	3,660
Equity accounted investment	859
Deferred Tax Assets	1,348
	42,901
Liabilities	
Trade payables	(1,748)
Interest-bearing liabilities	(8,217)
Provisions and accruals	(827)
Contingent liability	(820)
Deferred tax liability	(1,098)
	(12,710)
Total identifiable net assets at fair value	**30,191**
Goodwill arising on acquisition	45,560
Purchase consideration transferred	**75,751**

The fair values are provisional pending completion of the valuation process. The finalisation of the fair value of the assets acquired and liabilities assumed will be completed within 12 months of the acquisition.

The trade receivables comprise gross contractual amounts due of $7,263,000, of which $20,000 was expected to be uncollectible at the acquisition date.

The goodwill is attributable mainly to the skills and technical talent of Broadsword's work force and the growth potential of the business working in conjunction with SKILLED's existing Offshore Marine Services business.

Notes to the Condensed financial statements
For the half year ended 31 December 2013

13. Business acquisitions (continued)

From the date of acquisition, Broadsword has contributed $26,161,000 of revenue and $1,780,000 of profit before tax to the Consolidated Entity's result, which includes profit from operations, acquisition and integration costs, amortisation of acquired intangibles and notional interest on deferred consideration. There would be no material difference to the contribution of revenue and profit before tax had the acquisition taken place at the beginning of the financial year.

Consideration transferred

The following summarises the major classes of consideration transferred:

	$'000
Cash	46,696
Deferred consideration	24,417
Contingent consideration	4,638
Total consideration	**75,751**

Deferred consideration

The purchase consideration includes deferred consideration payable in equal instalments over three years commencing twelve months from the date of acquisition. The present value of the deferred consideration of $24,417,000 was based on a weighted average discount rate of 4.5%.

Contingent consideration

A contingent amount up to a maximum of $24,500,000 may be payable if three-year EBITDA growth exceeds agreed stretch targets and is expected to be finalised within four months of the financial year ending 30 June 2016. As at the acquisition date, the fair value of the contingent consideration was estimated to be $4,638,000 based a probability assessment of achieving the targets and a discount rate of 4.5%. Should the assessment of achieving these targets change after finalisation of the acquisition balance sheet, increases and decreases in the contingent consideration will be recognised in the income statement.

Acquisition and related costs

In the current financial period, the Consolidated Entity incurred acquisition and integration costs of $290,000 related to external legal and other advisor fees and costs associated with integrating Broadsword into the SKILLED Group. These costs have been included in other expenses in the Consolidated Entity's income statement. In addition, costs of $315,000 were incurred as an early repayment fee in relation to refinancing Broadsword's existing finance lease liabilities and replacing with debt under SKILLED's senior debt facility. The repayment fee has been included in interest expense in the Consolidated Entity's income statement.

Analysis of cash flows on acquisition

	$'000
Cash price paid as purchase consideration (included in cash flows from investing activities)	44,185
Acquisition and related costs (included in cash flows from investing activities)	290
Net cash acquired with subsidiary (included in cash flows from investing activities)	2,511
Early repayment fees on lease liabilities (included in cash flows from financing activities)	315
Net cash flow on acquisition	**47,301**

Notes to the Condensed financial statements
For the half year ended 31 December 2013

13. Business acquisitions (continued)

Net cash outflows for prior years' acquisitions

	December 2013 $'000	June 2013 $'000
Payment of deferred consideration[1]	-	9,508

[1] During the prior year, deferred consideration payments were made in respect of the previous acquisitions of OMS UK and OMS International.

14. Subsequent events

On 12 November 2013, it was announced that SKILLED Group Limited entered into a conditional agreement to acquire 100% of the equity interest in T & C Services Pty Limited ("T & C Services"), a subsidiary of Thomas & Coffey Limited for consideration totalling $33,500,000, subject to working capital and other adjustments to be determined following completion. The acquisition has since been completed on 11 February 2014.

T & C Services provides a broad range of maintenance and asset management services to the manufacturing, mining, heavy industry and utilities sectors in Australia (New South Wales and Queensland). The acquisition is highly complementary to the existing maintenance service offering provided by the ATIVO business.

Costs relating to the acquisition of T & C Services totalling $629,000 have been expensed to profit or loss in the period to 31 December 2013 (2012: $nil).

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

- The balance sheet at the date of completion is not due to be finalised until April 2014; and
- The valuation of assets acquired has not been completed.

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

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

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To the members of Skilled Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Skilled Group Limited, which comprises the condensed statement of financial position as at 31 December 2013, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, 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 half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of Skilled Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Skilled Group Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Bruce Meehan
Partner
Melbourne

12 February 2014

Corporate directory

Directors
VA McFadden (Independent Non-Executive Chairman)
MP McMahon (CEO and Managing Director)
AM Cipa (Independent Non-Executive Director)
MJ Findlay (Independent Non-Executive Director)
RN Herbert AM (Independent Non-Executive Director)
TA Horton (Independent Non-Executive Director)
J Walker (Independent Non-Executive Director)

Secretary
SA Page

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Share registry
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Shareholder enquiries: 1300 850 505

Auditors
Ernst & Young
8 Exhibition Street
Melbourne Victoria 3000

Bankers

Australia and New Zealand Banking Group Limited
530 Collins Street
Melbourne VIC 3000

National Australia Bank Limited
500 Bourke Street
Melbourne VIC 3000

Westpac Banking Corporation
360 Collins Street
Melbourne VIC 3000

Commonwealth Bank of Australia
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