PROGRAMMED Group

ASX Release

Wednesday 27 May 2009

Company Announcements Office
ASX Limited
Exchange Centre
Level 4
20 Bridge Street
Sydney NSW 2000

Dear Sir,

FY09 RESULTS & CAPITAL MANAGEMENT UPDATE

Please find attached the Media Release containing details of the Programmed Group's results for the year ended 31 March 2009, together with a capital management update.

Yours sincerely,
PROGRAMMED MAINTENANCE SERVICES LIMITED

Ian H. Jones

Ian H. Jones
Company Secretary

PROGRAMMED Group

ASX Release

Programmed FY09 results

Debt reduced by $54 million and bank facilities extended to May 2012

KEY POINTS

- Revenue up 32% to $1,229.5 million
- EBITA up 22% to $70.2 million before Spotless defence costs of $3.5 million and restructuring costs of $3.4 million
- Profit after tax of $28.1 million (FY08: $28.4million) after Spotless defence and restructuring costs noted above

- Gross operating cash flow up 44% to $82.4 million
- Net debt down 23% to $177 million
- Net debt/equity down to 62% from 91%

- Bank facility extended to May 2012
- Temporary dividend reduction strategy with dividend reinvestment plan to further strengthen balance sheet
- Final dividend 5 cents per share fully franked (FY08: 10.5 cents)
- Subsequent dividends attributable to earnings until 30 Sept 2010 at a 30% payout ratio
- Board intends payout ratio to revert to 50% relating to earnings from 1 Oct 2010
- Targeted Net debt/equity of 40% in 2011

OUTLOOK

While the company has seen the impact of the slowing economy on some clients in sectors such as transportation and non-oil/gas resources, demand for Programmed's services in other sectors such as oil/gas, food retail, education and government is continuing to grow.

Programmed's FY09 result demonstrates the overall resilience of the group's earnings despite significant changes in economic conditions during the second half of FY09. This resilience, based on the diversity of the group's services and markets and its significant volumes of work under long term contracts, is expected to continue.

PROGRAMMED Group

SUMMARY OF FY09 RESULTS

Programmed Group, the staffing, maintenance and project services group, today announced a net profit after tax of $28.1 million for the year ending 31 March 2009, after costs of $3.5 million related to Programmed's defence against Spotless' takeover offer and $3.4 million in restructuring expenses (refer to the ASX announcement on 26 March 2009). EBITA (before Spotless defence and restructuring costs) was $70.2 million, up 22 per cent on the prior year.

TABLE 1	**Year ended 31 March 2009 (A$m) [a]**	**Year ended 31 March 2008 (A$m) [b]**	**% change**
Revenue	**1,229.5**	**933.8**	**32**
EBITDA (before SPT & restructuring costs)	84.0	72.6	16
Depreciation	(13.8)	(15.1)	(9)
EBITA (before SPT & restructuring costs)	**70.2**	**57.5**	**22**
Spotless defence costs	(3.5)	0.0	
Restructuring costs	(3.4)	0.0	
EBITA	63.3	57.5	10
Amortisation	(3.7)	(3.1)	16
EBIT	59.7	54.4	10
Net Interest	(19.5)	(16.3)	20
Profit before tax	40.2	38.1	5
Income tax expense	(12.1)	(9.7) [c]	25
Profit after tax	**28.1**	**28.4**	**(1)**
Profit after tax (pre amortisation)	31.7	31.6	1
Earnings per share pre amortisation (cents)	**33.1**	**36.5**	**(9)**
Weighted average shares on issue (millions)	96.0	86.5	11
Final dividend (cents) – fully franked	5.0	10.5	(52)
Gross operating cashflows	82.4	57.1	44
Net debt	177.2	231.1	(23)
Net debt/equity	62%	91%	(31)

Notes
(a) FY09 results include 9 months' contribution from SWG and 3 months' contribution from Industrial Services (Barry Bros.)
(b) FY2008 results include 10 months' contribution from Workforce and Marine divisions
(c) The income tax expense for 2008 includes a tax benefit of $1.790 million arising from the reduction in New Zealand corporate tax rate

Chris Sutherland, Managing Director of Programmed, said: 'I am pleased Programmed has continued to grow, despite the challenging market conditions in some sectors over the past six months. This result demonstrates the strength of Programmed's business model and the resilience of its earnings based on the group's diverse services, broad range of customers and significant volumes of work under long term contracts.

'In particular, it is pleasing to note that our plan over the past 12 months to improve returns on capital, reduce net debt and lower our net debt/equity ratio has been very successful. Improved debtor collection processes, tighter control of capital expenditure, the sale of the capital-intensive Barry Bros. business for $25 million, and the purchase of SWG for 7.8 million PRG shares were all part of the plan to strengthen our balance sheet.'

REVIEW OF OPERATIONS

Property Services	Year ended 31 March 2009 (A$m)	Year ended 31 March 2008 (A$m)	% increase
Revenue	295.1	267.1	10.5
EBITA	33.2	31.4	5.5

The Property Services division provides painting, corporate imaging and grounds services and employs over 2,000 people. Its 6,000-strong customer base extends across a diverse range of industries including retail, commercial, manufacturing, education and aged care, with services delivered through 60 branches in capital cities and regional centres throughout Australia, New Zealand and the United Kingdom.

The Australian business performed strongly during the peak summer period, completing a year of major activity in all states, and achieved a solid increase in full year earnings. The business remains active in the educational sector and expects to secure additional contracts as a result of the Federal Government's education stimulus package.

Grounds Management grew its long-term contract base, winning significant new contracts for universities. Corporate Imaging continued its penetration of Programmed's existing customer base, developing a strong pipeline of opportunities.

Overall, growth sectors were food retailing, education and government, with some deferrals of work in manufacturing.

In New Zealand and the United Kingdom, there were significant initiatives to improve organisational capability and administrative processes, but the earnings contributions of both businesses were slightly less than the previous year. Earnings in New Zealand are not expected to fall further. In the United Kingdom, we remain cautious about the effects of the current downturn in the economy and the business has responded by adopting a more targeted sales plan to improve performance.

Facility Management	Year ended 31 March 2009 (A$m)	Year ended 31 March 2008 (A$m)	% increase
Revenue	189.9	132.1	43.7
EBITA	4.9	3.1	59.2
Note: FY08 revenue has been restated following the change in accounting policy for cost-reimbursable contracts.			

The Facility Management division provides facility management solutions, property maintenance, refurbishments, and minor capital works through more than 50 contracts and related projects across all states of Australia. These services are delivered through a combination of direct employees and accredited suppliers and sub-contractors. The division also provides strategic facility management advice to government and industry.

The division increased both its revenue and earnings significantly in FY09, with growth coming from existing contracts and new contracts that commenced during the year. Significant investments were made to improve systems and operational efficiencies.

There are considerable opportunities for further growth as the division continues to gain market share and expand its range of customers and services.

Workforce	Year ended 31 March 2009 (A$m)	Year ended 31 March 2008 (A$m)	% increase
Revenue	431.6	324.2	33.1
Full year comparative		*395.8*	*9.0*
EBITA	12.7	10.2	24.2
Full year comparative		*12.3*	*3.4*

The Workforce division, trading as Integrated, provides recruitment and labour hire services to more than 2,500 customers in a range of sectors including resources, industrial, government, manufacturing, transportation and logistics. It operates through a national network of over 40 branches in all states and territories of Australia and employs a daily average of more than 5000 skilled and semi-skilled staff for customers from an active database of more than 60,000 personnel.

After strong increases in revenue and earnings in the first half of FY09, the division was impacted by deteriorating business conditions in some industry sectors in the second half. The demand for casual labour fell in all states, with the mining and transport sectors most affected, and in response the division's fixed cost base has been reduced.

Marine	Year ended 31 March 2009 (A$m)	Year ended 31 March 2008 (A$m)	% increase
Revenue	214.1	169.0	26.7
Full year comparative		*205.2*	*4.3*
EBITA	20.6	13.4	54.1
Full year comparative		*15.8*	*30.2*

The Marine division, trading as Total Marine Services, is a specialist provider of manning, catering, vessel management and logistics services to the offshore oil and gas industries in Australia, New Zealand and Asia. Headquartered in Fremantle, Western Australia with offices in Singapore and New Plymouth, New Zealand, the division provides crews and services for rigs, drill ships, offshore support vessels, specialist construction vessels, dredges, offshore platforms and floating production vessels. It also provides a variety of trades, supervisors and management to support offshore construction and maintenance activities.

The division benefited from buoyant market conditions throughout FY09, with sustained exploration and production activity in the oil and gas sector. It has good visibility of work for the next twelve months and is expected to continue to contribute solid results.

Engineering Services (SWG)	Year ended 31 March 2009 (A$m)	Year ended 31 March 2008 (A$m)	% increase
Revenue	84.1	0.0	N/A
EBITA	4.3	0.0	N/A
Note: FY09 results include nine months' contribution from SWG			

The Engineering Services division, trading as SWG, is a multi-disciplined engineering, construction and maintenance group servicing the resources and energy sectors in Australia, New Zealand and Asia. Headquartered in Perth, Western Australia with an office in Singapore, the division offers engineering, construction and maintenance services including project management, design and installation engineering, procurement and on site execution.

The division performed well during its first six months as part of Programmed Group. From January 2009, however, some contracted works were deferred and there was a reduction in opportunities in the onshore resources sector. In response, overhead costs have been reduced.

The strategy for SWG to expand Programmed's footprint into the resources industry remains unchanged. The division continues to identify opportunities for new work in both the offshore oil and gas sector and the onshore resources sector, particularly where it can provide complementary services to other Programmed divisions.

Industrial Services	Year ended 31 March 2009 (A$m)	Year ended 31 March 2008 (A$m)	% increase
Revenue	11.2	39.6	N/A
EBITA	0.8	3.5	N/A
Note: Programmed sold the Industrial Services (Barry Bros.) business on 1 July 2008, and three months' contribution is included in the FY09 results.			

CASH FLOW AND BALANCE SHEET

A major benefit of Programmed's strategic development over recent years, particularly following the merger with Integrated Group, has been the strong growth in gross operating cash flow. For FY09, gross operating cash flow was $82.4 million (44 per cent increase over $57.1 million in FY08), representing 107 per cent of FY09 EBITDA, which was much higher than any previous year. In addition, net operating cash flow of $56.0 million was nearly double the previous year.

With the acquisition of Integrated Group in June 2007, Programmed's net debt grew to $231.1 million at 31 March 2008, resulting in a debt/equity ratio of 91 per cent. Due to the sale of Barry Bros. for $25 million, the acquisition of SWG for 7.8 million PRG shares, improved debtor collection processes, better working capital management, tighter capital expenditure and reintroduction of the dividend reinvestment plan, the group's net debt reduced significantly to $177.2 million (down 23 per cent) at 31 March 2009, and the debt/equity ratio fell to 62 per cent.

The total equity base at 31 March 2009 was $284.4 million, an increase of 12 per cent over 31 March 2008 ($254.8 million) with the major components of the increase being the retained earnings from the FY09 result and the issue of additional equity to acquire SWG. As a consequence, net tangible assets per share at 31 March 2009 grew to $0.51, compared with $0.44 at 31 March 2008, notwithstanding the 10 per cent increase in the number of shares on issue from July 2008.

CAPITAL MANAGEMENT UPDATE

Programmed's board has reviewed the company's current capital base in light of present market conditions and believes it is in shareholders' best interests to ensure that there is a high degree of certainty around the company's capital base. This will allow management to focus on growing its staffing and maintenance operations, as well as to take advantage of any business opportunities that fit well within the group's strategy, should they arise. The board has therefore taken a number of steps as outlined below.

BANK DEBT RENEWED

Programmed enjoys strong and long term relationships with its Australian banks and sought early renewal of its current senior debt facility, originally due for renewal in May 2010. Following completion of negotiations with the banks, Programmed has reached agreement for extension of its current facility to May 2012, subject to completion of legal documentation.

The key terms of the extension are as follows:

a) Size of senior debt facility increased to $195 million (from $175 million) with a corresponding reduction in general working capital facility from $35 million to $15 million (which is a separate facility)

b) Fixed and floating charge to be provided over all main operating companies in group (previously debt was unsecured)

c) Upfront establishment and mandate Fees $1.59 million. This expense will be amortised over the term of the loan.

d) Debt amortisation schedule of $15 million per annum.

e) Interest = BBSY plus 2.7% to 3.4% bank margin (varies depending on gearing ratio).

f) Covenants:

   (i) Interest cover ratio
   - being EBITA / interest expense of more than 2.75 in FY10 and 3.0 in FY11 and FY12.

   (ii) Gearing ratio
   - being net debt / EBITDA of less than 3.25 in FY10, 3.0 in FY11 and 2.75 in FY12

As previously advised, Programmed has its interest rate hedged at 7.65 per cent (before margin) for $126 million of the debt until May 2010, reducing to $42 million until May 2011.

Although agreement to the early renewal will result in higher finance costs in FY10 than the current facility, this additional expense is considered by Programmed's board to be a prudent measure to ensure certainty of funding past May 2010. Programmed anticipates a reduction in interest expense in FY11 when a significant component of the current interest hedge expires in May 2010 (based upon current expectations of interest rates).

PROGRAMMED DEBT PROFILE

As at 31 March 2009, Programmed's net debt was $177 million and net debt/equity was 62 per cent. (NB: Net debt includes finance leases of $15 million and UK bank debt of $8 million).

Programmed is operating within its banking covenants and has the funds available to meet its working capital requirements. However, the Board understands the need in these current uncertain times for shareholders to have a high degree of confidence that:

a) the company can operate within its debt covenants;

b) the company has funds available to meet its "business as usual" needs;

c) the company has funds available to meet unexpected events; and

d) the company has funds available to grow the business and take advantage of new opportunities that fit within the overall company strategy.

Therefore, the board believes it is prudent to introduce a range of capital management initiatives that will reduce debt further and provide greater balance sheet comfort for shareholders and potential funds for the business to invest further as opportunities arise. These initiatives are:

A) TEMPORARY DIVIDEND REDUCTION STRATEGY

After review of a number of options to reduce debt, the board has decided the best option is to temporarily reduce the level of dividends. The FY09 final dividend (payable on 27 July 2009 with a record date of 9 July 2009) will be 5 cents per share, and subsequent dividends attributable to earnings for periods up to and including 30 September 2010 will be based upon a 30 per cent payout ratio. It is the current intention of the board to increase the dividend payout ratio back to 50 per cent attributable to earnings from 1st October 2010. If the company's debt profile improves faster than illustrated in the Appendix, the board will consider reverting to a 50 per cent payout ratio at an earlier date.

The board considered the alternate strategy of raising additional equity through a placement and/or rights issue, but believes the combination of the direct costs of such a raising, the issuing of shares at historically low earnings multiples and the likely dilution of many existing shareholders will cause a greater loss of value for existing shareholders than this temporary dividend reduction.

B) DIVIDEND REINVESTMENT PLAN

The board recently activated the company's dividend reinvestment plan (DRP) to raise additional capital and currently expects to continue to activate the DRP for dividends attributable to earnings until September 2010. This policy will be reviewed earlier if the company's debt profile improves faster than illustrated in the Appendix. A discount of 5 per cent will apply to the DRP for the FY09 final dividend, and will not be underwritten.

C) SURPLUS PROPERTY TO BE SOLD

Programmed is freeing up a number of commercial properties that it owns. The sale of its Welshpool (WA) property for $1.3 million was concluded in December 2008. It is also relocating the company headquarters and a number of business units to a new leased facility in Clayton (Victoria) in June 2009, which will free up two Victorian properties which are to be made available for sale later this year for an expected price in excess of $5 million.

Through the above capital initiatives, greater headroom is created within the facility limits over the next two years, the balance sheet is strengthened and Programmed is well placed to take advantage of further opportunities in its marketplace. Based on these initiatives (and on the assumptions set out in the Appendix) Programmed is targeting an improvement in the company's debt/equity ratio from the current 62 per cent to 40 per cent[1] over two years and a reduction in net debt from $177 million to $137 million[1].

Note 1 – refer to the Appendix (including the disclaimer)

For further information contact:

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APPENDIX – ILLUSTRATION OF RELATIVE CHANGE IN DEBT PROFILE[1]

	Actual Mar 2008	Actual Mar 2009	Illustrative Mar 2010	Illustrative Mar 2011
NET DEBT*				
*Before Capital Initiatives***	*$231m*	*$177m*	*$171m*	*$168m*
After Capital Initiatives***	$231m	$177m	$154m	$137m
NET DEBT/EQUITY				
*Before Capital Initiatives***	*91%*	*62%*	*58%*	*54%*
After Capital Initiatives***	91%	62%	50%	40%

* Net Debt includes the banking facilities and the finance leases.

** Assuming for the following two years:
- (a) maintaining at least the current profit after tax;
- (b) maintaining a dividend payout ratio exceeding 50%;
- (c) no further activation of the dividend reinvestment plan; and
- (d) no property sales.

*** Assuming for the following two years:
- (a) maintaining at least the current profit after tax;
- (b) maintaining a reduced dividend payout ratio of 30%;
- (c) maintenance of the current participation rate in the dividend reinvestment plan; and
- (d) the sale of two Victorian properties.

1. IMPORTANT DISCLAIMER

The above table is provided to illustrate how Programmed's targeted 40% net debt/equity may be achieved. Any forward looking statement is, by its nature, subject to significant uncertainties, contingencies and assumptions. Programmed's actual performance and net debt/equity position may differ materially and be affected by many matters, such as actual revenues, earnings, working capital needs, capital expenditures and interest rates. The above table should only be used as an indication of the relative change in balance sheet that may result from the above capital management initiatives, assuming no other change to current business markets, operations and practices (eg margins, working capital, capital expenditure, etc). No representation or warranty, express or implied, is given to the accuracy, completeness, likelihood of achievement or reasonableness of any illustration contained within this announcement.