

Chairman's letter

In a year of significant external factors impacting our business, our staff have shown great commitment to continue to deliver for customers and shareholders.

Geoff Tomlinson
Chairman



I have pleasure in writing to our shareholders and reporting that Programmed has come through the past year of significant economic uncertainty in sound shape. We have responded to falls in demand in some of our market sectors by reducing costs and propose to exit from our small presence in the United Kingdom. We have strengthened the balance sheet, renewed our existing debt facility, continued to invest in the business and completed the acquisition of KLM Group Ltd, an electrical services company.

Group revenue fell by 5%, mainly attributable to the fall in Workforce revenue and offset partly by increased revenue in Facility Management. EBITA fell by 14%, attributable to a fall in Painting earnings particularly arising from our overseas operations in United Kingdom and New Zealand where market conditions were poorer than Australia, as well as a fall in Workforce earnings due to lower staffing demand in Australia. Interest expense was impacted by additional expenses associated with the refinancing of our debt in May 2009. The reported profit after tax is \$26.2 million, down 7% on prior year.

The Group balance sheet has ended the year in a very healthy position with cash in bank of \$48 million and undrawn debt facilities of near \$70 million. Net debt to equity was 29% at 31 March 2010, down from 62% at the previous balance date.

I explained to shareholders last year that it was important that we strengthened the company's balance sheet by undertaking a range of capital management initiatives, including a temporary reduction of the dividend payout ratio, with a target of achieving a 40% gearing level by September 2010. I also noted an intention to increase the payout ratio to 50% for earnings after October 2010 and that if we achieved our target gearing sooner, we would review our dividend policy at that time.

We raised \$69 million last year to fund the acquisition of KLM for \$29 million and other potential investment opportunities. If we invested the remaining \$40 million, our notional debt to equity ratio would be 39%.

Hence consistent with our statements at the time, we are pleased to have announced the reinstatement of the dividend payout ratio to 50% - six months earlier than originally proposed. The final dividend for the 2010 financial year of 6c per share represents 50% of our second half profit, and we expect to maintain the 50% payout ratio for future dividends.

Brian Pollock has advised the Board of his intention to retire at our next AGM after more than 10 years of exemplary service since the company's listing in 1999. On behalf of the Board I would like to thank Brian for his valuable contribution to the development of Programmed. I also thank my other fellow directors for their contribution during the year.

In a year of significant external factors impacting our business, our staff have shown great commitment to continue to deliver for customers and shareholders. I thank Chris Sutherland and all his team for their efforts and shareholders for continuing to support our business.

A handwritten signature in black ink, appearing to be 'G Tomlinson', written over a light background.

Geoff Tomlinson
Chairman

16 June 2010