

# Notes to the Financial Statements 31 March 2010

## 1. General information

Programmed Maintenance Services Limited is a listed public company, incorporated in New South Wales and operating in Australia, New Zealand and the United Kingdom.

Principal Registered Office	1500 Centre Road, Clayton, Victoria, 3168
Telephone	(03) 8542 7000
Principal Place of Business	1500 Centre Road, Clayton, Victoria, 3168
Telephone	(03) 8542 7000

## 2. Significant accounting policies

### Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 16 June 2010.

### Basis of preparation

The financial report has been prepared on the basis of historical cost except for the revaluation of financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. Comparative information is reclassified where appropriate to enhance comparability.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

### Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group'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 other factors that are considered to be relevant. 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. Refer to Note 3 for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

### Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards, if applicable are set out in the individual accounting policy notes set out below.

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 (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). 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 of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

#### b. Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

## 2. Significant accounting policies continued

### b. Business combinations continued

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

### c. Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for postacquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

### d. Foreign currencies

The individual financial statements of each group 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 Programmed Maintenance Services Limited and the presentation currency for the consolidated 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 rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer Note 2(w)); and
- exchange differences on monetary items receivable from 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 recognised in profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of the Group's foreign operations are translated into Australian dollars at exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after the date of transition to A-IFRS are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date. Goodwill arising on acquisitions before the date of transition to A-IFRS is treated as an Australian dollar denominated asset.

## 2. Significant accounting policies continued

### e. Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- 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
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or 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 within operating cash flows.

### f. Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

#### Rendering of services

The revenue recognised from rendering of services combines:

- Invoicing from the provision of the company's services inclusive of:
  - revenue earned on work completed in servicing long term maintenance contracts;
  - revenue from temporary employee placements on an accrual basis in accordance with time worked indicated on employee timesheets; and
  - permanent placement fees on placement of candidates.
- Revenue not yet invoiced but earned on work completed in servicing long term maintenance contracts which, while owing to the company under the terms of those contracts, will not become receivable until future years; and
- Revenue not yet invoiced but earned on work completed under contracts other than long term maintenance contracts.

The revenue earned on work completed comprises the costs incurred plus the individual contract margin earned to date, based on the percentage of completion and the expected contract margin.

The long term maintenance contracts specifically detail both services to be performed and the invoicing components for each year of the contracts. The company's contract administration system enables the stage of completion of each contract to be reliably measured against predetermined budgets and regularly updated assessments of the work required for completion of the contract.

The company's long term maintenance contracts include indexation clauses to allow for cost escalations. Labour and material costs are indexed on publicly available indices, and overhead costs are indexed at long term interest rates.

The company reviews the projected inflows of sales receipts to determine whether the values of revenue earned for the reporting period and contracts in progress at recoverable value at the reporting date are at their fair values. The fair values would be calculated by indexing the nominal values at the weighted average of the indexation and then discounting these amounts by the implicit rate of interest. As the current view of the company is that the weighted average of the indexation equates to the implicit rate of interest, there is no material difference between the nominal values and fair values of the revenue earned and the recoverable values. Accordingly, the revenue not yet invoiced but earned on work completed is recorded at recoverable value.

#### Dividend and interest revenue

Dividend revenue from investments is recognised when the Group's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

#### Rental income

Revenue from operating leases is recognised on a straight line basis over the term of the relevant lease.

### g. Contracts in progress at recoverable value and other recoverable works

The revenue earned on long term maintenance contracts includes a portion that will only become receivable after the reporting date. The receivable is carried forward and shown in the statement of financial position as contracts in progress at recoverable value. As described in Note 2(f), contracts in progress at recoverable value are reviewed and recorded at fair value on initial recognition, and are subsequently measured at amortised cost which includes the adjustment for indexation.

Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the financial year plus the margin percentage earned. Percentage of fees earned is measured by the proportion that costs incurred to date bear to the estimated total costs of the contract. Where a loss is expected to occur, it is recognised immediately for both work in progress completed to date and for future work on the contract.

## 2. Significant accounting policies continued

### h. 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. Fair value is measured by use of a Monte Carlo model. 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. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in Note 37.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

No amount has been recognised in the financial statements in respect of the other equity-settled share-based payments.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

### i. Taxation

#### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

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. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures except where the Group 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 Group 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/Group 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.

## 2. Significant accounting policies continued

### i. Taxation continued

#### Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Programmed Maintenance Services Limited is the head entity in the tax-consolidated group. Tax expense/income, 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 the 'separate taxpayer within group' 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 relevant tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement 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 arrangement.

Further information about the tax funding arrangement is detailed in Note 7. 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.

### j. 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 and have a maturity of three months or less at the date of acquisition.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

### k. Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements.

Other financial assets are classified into the following specified categories: 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

#### Available-for-sale financial assets

Certain shares and redeemable notes held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in Note 36. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive the dividends is established.

#### Loans and receivables

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'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate.

#### Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where 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.

## 2. Significant accounting policies continued

### k. Financial assets continued

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

### l. Inventories

Inventories are valued at the lower of cost and net realisable value, except for those components of work in progress which are valued at recoverable value.

### m. Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

### n. Property, plant and equipment

Property, plant, equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition or construction of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amount 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 the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following useful lives are used in the calculation of depreciation:

Freehold buildings	20–30 years
Leasehold improvements	3–5 years
Plant and equipment	3–15 years
Equipment under finance lease	5 years

### o. 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.

### p. Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

## 2. Significant accounting policies continued

### p. Leased assets continued

#### Group as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Refer to Note 2(o).

Finance leased assets are amortised on a straight-line basis over the estimated useful life of the asset.

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.

### q. Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition.

Goodwill is subsequently measured at its cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, expected to benefit from the synergies of the business combination. Cash-generating units or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or groups of cash-generating units), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or groups of cash-generating units) and then to the other assets of the cash generating units pro-rata on the basis of the carrying amount of each asset in the cash-generating unit (or groups of cash-generating units). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

### r. Intangible assets

#### Value of long term contracts acquired

Included in other intangible assets is the value of long term contracts acquired. The Group recognises the value of these intangible assets as the total of the purchase consideration and the fair value of the net liabilities acquired. Amortisation is charged on a straight line basis over their estimated useful lives (2-9 years). Such assets are tested for impairment in accordance with the policy stated in Note 2(s).

#### Value of development software

Included in other intangible assets is the value of development software. The Group recognises the value of these intangible assets as the total of the consideration paid to external parties to develop proprietary software that is used in the operational processes of the Group. Amortisation is charged on a straight line basis over their estimated useful lives (3 years). Such assets are tested for impairment in accordance with the policy stated in Note 2(s).

#### Value of brands

Included in other intangible assets is the value of brands. Brands recognised by the company have an indefinite useful life and are not amortised. Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment of the asset. Such assets are tested for impairment in accordance with the policy stated in Note 2(s).

#### Intangible assets acquired in a business combination

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 values can be measured reliably.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

### s. Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Group 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

## 2. Significant accounting policies continued

### s. Impairment of tangible and intangible assets excluding goodwill continued

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.

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

### t. Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of 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.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

### Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

### u. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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.

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 reimbursement will be received and the amount of the receivable can be measured reliably.

### Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

### Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At subsequent reporting dates, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less cumulative amortisation recognised in accordance with AASB 118 'Revenue'.

### v. Financial instruments issued by the company

#### 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. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities, other than financial liabilities at fair value through profit or loss, including borrowings, are initially measured at fair value, net of transaction costs. These financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

## 2. Significant accounting policies continued

### v. Financial instruments issued by the company continued

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

### w. Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in Note 36 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 hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

The fair value of a hedging derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised within 12 months. Other derivatives are presented as current assets or current liabilities.

### Hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

### Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non financial asset (for example, inventory) or a non financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

# Notes to the Financial Statements 31 March 2010

## continued

### 2. Significant accounting policies continued

#### x. Standards and Interpretations issued not yet effective

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 3 'Business Combinations' (revised), AASB 127 'Consolidated and Separate Financial Statements' (revised) and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	AASB 3 (business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009), AASB 127 and AASB 2008-3 (1 July 2009)	31 March 2011
AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 July 2009	31 March 2011
AASB 2008-8 'Amendments to Australian Accounting Standards – Eligible Hedged Items'	1 July 2009	31 March 2011
AASB Interpretation 17 'Distributions of Non-cash Assets to Owners', AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners'	1 July 2009	31 March 2011
AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project *	1 January 2010	31 March 2011
AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions	1 January 2010	31 March 2011
AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues	1 February 2010	31 March 2011
AASB 124 Related Party Disclosures (revised December 2009)	1 January 2011	31 March 2012
AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	31 March 2012
AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	31 March 2014
AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	1 January 2011	31 March 2012
Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	31 March 2012

\* AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project specify amendments resulting from the IASB's annual improvement project to various Australian accounting standards and interpretations. Amendments to AASB 117 Leases will potentially result in the reclassification of several leases over land as finance leases. The amendments, which apply retrospectively to unexpired leases from 1 July 2010, remove the guidance from AASB 117 which effectively prohibited the classification of leases over land as finance leases. It is not practical to provide a reasonable estimate of the impact of this amendment until a detailed review of existing leases has been completed.

The following IASB Standards and IFRIC Interpretations are also in issue but not yet effective, although Australian equivalent Standards/Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
None at time of publication	–	–

### 3. Critical accounting judgements and key sources of estimation uncertainty

#### i. Critical judgements in applying the entity's accounting policies

The following are the critical judgements (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

### 3. Critical accounting judgements and key sources of estimation uncertainty continued

#### Employee entitlements

Management judgement is applied in determining the following key assumptions used in the calculation of long service and severance provisions at balance date:

- future increases in wages and salaries;
- future on-cost rates; and
- prior experience of employee retention rates and periods of service.

#### ii. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

#### Goodwill

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 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. Further details are provided in Note 16.

#### Other intangible assets

Useful lives of intangible assets with finite lives are reviewed annually. Any reassessment of useful lives in a particular year will affect the amortisation expense (either increasing or decreasing) through to the end of the reassessed useful life for both the current and future years.

#### Useful lives of property, plant and equipment

As described in Note 2(n), the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Any reassessment of useful lives in a particular year will affect the depreciation expense (either increasing or decreasing) through to the end of the reassessed useful life for both the current and future years.

#### Workers compensation

Amounts owing in respect of workers compensation incidents or claims that have not yet been finalised or settled, and will not be covered by deposits or premiums previously paid in respect of workers compensation insurance cover are provided for by the Group at reporting date. In making the provision, the Group determined the best estimate of the future sacrifice of economic benefits to the Group that will arise as a result of claims made, and provided for this amount as a liability. The Group's best estimate is determined after considering the estimates of potential liability provided by the Group's insurers, advice provided by insurance brokers and advisors, and taking into account management's and the directors' business and experience resulting from previous workers compensation claims of a similar nature.

#### Work in progress

Revenue recognition of some contracts is based on stage of completion. Management have used judgement in recognising a portion of any unapproved variations and in determining the final cost to complete of these projects which forms the basis of the revenue recognition policy described in Note 2(f). The outcomes within the next annual reporting period that are different from the assumptions applied could require an adjustment to the carrying value of the work in progress balance and the revenue recognised through the income statement.

### 4. Segment Information

#### Adoption of AASB 8 Operating Segments

The Group has adopted AASB 8 Operating Segments with effect from 1 April 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers in order to allocate resources to the segments and to assess its performance. In contrast, the predecessor Standard (AASB 114 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risk and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

The Group's segments as identified under AASB 114 Segment Reporting and as disclosed in the annual financial report for the financial year ended 31 March 2009 are not different to the reportable operating segments identified under AASB 8 Operating Segments as disclosed in this report.

The Group's reportable segments under AASB 8 and their principal products and services are as follows:

Workforce	<ul style="list-style-type: none"> <li>• supplier of recruitment and labour hire services across a broad range of sectors.</li> </ul>
Property Services	<ul style="list-style-type: none"> <li>• provides property maintenance services to customers in the commercial, industrial, government and educational sectors in Australia, New Zealand and United Kingdom.</li> </ul>
Marine	<ul style="list-style-type: none"> <li>• specialist provider of manning, project management and logistics solutions to the offshore oil and gas industry in Australia and New Zealand.</li> </ul>
Facilities Management	<ul style="list-style-type: none"> <li>• provides facility and infrastructure management services to customers across Australia.</li> </ul>
Engineering Services	<ul style="list-style-type: none"> <li>• project management, engineering, construction, and maintenance services.</li> </ul>

During the previous financial year, the Group disposed of the Industrial Services operating segment.

# Notes to the Financial Statements 31 March 2010

continued

## 4. Segment Information continued

The following is an analysis of the revenue and results for the year, analysed by reportable operating segment.

	Workforce		Property & Infrastructure				Resources & Industrial				Total continuing operations		Discontinued operations		Consolidated					
			Facilities Management & Infrastructure		Total Property		Engineering Services		Marine		Industrial Services		Industrial Services							
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000				
Segment revenue <sup>1</sup>	366,783	431,565	257,989	246,290	267,139	238,624	525,128	484,914	191,661	214,096	74,582	84,056	266,243	298,152	1,156,154	1,225,835				
<b>Segment result</b>																				
Earnings before interest, tax, amortisation and unallocated costs	8,017	12,721	26,458	32,684	6,164	5,395	32,622	38,079	19,747	20,573	2,842	4,327	22,589	24,900	63,228	75,700	828	63,228	76,528	
Amortisation of contract intangibles															(1,622)	(3,659)			(1,622)	(3,659)
Takeover defence costs																(3,503)				(3,503)
Restructuring costs																(3,411)				(3,411)
Other unallocated costs															(4,344)	(6,878)		576	(4,344)	(6,302)
Earnings before interest and tax															57,262	58,249		1,404	57,262	59,663
Net finance costs															(17,371)	(19,177)		(289)	(17,371)	(19,466)
Profit before tax															39,891	39,072		1,115	39,891	40,187
Income tax (expense)/benefit															(13,727)	(12,167)		52	(13,727)	(12,115)
Profit for the year															26,164	26,905		1,167	26,164	28,072

1 Segment revenue represents revenue from rendering of services to external customers.

2 Profit on disposal of business of \$576 thousand net of fair value adjustments.

3 Certain contracts previously included in Property Services in the year ended 31 March 2009 have been reallocated to Facilities Management in the year ended 31 March 2010. As a result, the 31 March 2009 comparative segment revenue amounts have been restated by \$48,762 thousand and the segment EBITA amounts have been restated by \$496 thousand.

# Notes to the Financial Statements 31 March 2010

## continued

### 4. Segment Information continued

Revenue reported above represents revenue generated from external customers. The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment result represents the profit earned by each segment without allocation of amortisation of contract intangibles, corporate costs, net finance costs and income tax expense/benefit. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

#### Segment assets and liabilities

	Assets		Liabilities	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Workforce	122,280	150,634	28,539	37,660
Property Services	343,314	326,203	146,501	144,661
Marine	182,152	161,601	29,407	34,867
Facilities Management	74,931	56,221	48,214	34,236
Engineering Services	41,946	41,950	8,285	9,332
Total of all segments	764,623	736,609	260,946	260,756
Unallocated	–	–	132,480	191,466
Consolidated	764,623	736,609	393,426	452,222

#### Other segment information

	Workforce \$'000	Property Services \$'000	Marine \$'000	Facilities Management \$'000	Engineering Services \$'000	Industrial Services \$'000	Other \$'000	Total \$'000
<b>2010</b>								
Additions to non-current assets	398	11,602	279	2,392	72	–	–	14,743
Depreciation and amortisation of segment assets	1,603	6,956	620	3,476	518	–	1,622	14,795
<b>2009</b>								
Additions to non-current assets	2,542	9,569	264	2,153	4,613	1,947	–	21,088
Depreciation and amortisation of segment assets	1,729	7,572	710	2,126	499	1,098	3,659	17,393

# Notes to the Financial Statements 31 March 2010

## continued

### 4. Segment Information continued

#### Geographical information

The consolidated entity operates in mainly in three geographic locations - Australia, New Zealand and the United Kingdom.

The Group's revenue from external customers and information about its segment assets by geographical location is detailed below:

	Revenue from external customers		Non-current assets	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Australia	1,045,088	1,091,744	360,140	345,436
New Zealand	65,339	87,677	45,925	53,737
United Kingdom	19,523	28,581	8,868	10,820
Other	28,204	17,833	–	–
Consolidated	1,158,154	1,225,835	414,933	409,993

### 5. Revenue

An analysis of the Group's revenue for the year, from both continuing and discontinued operations, is as follows:

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Continuing operations</b>				
<b>Revenue from rendering of services</b>				
Invoiced	1,159,746	1,197,655	391,150	346,352
<b>Not yet invoiced</b>				
– Changes in amounts recoverable (Note 18)	(1,192)	18,118	(1,208)	12,670
– Changes in work in progress at recoverable value (Note 18)	(400)	(1,142)	(95)	(3,991)
	1,158,154	1,214,631	389,847	355,031
<b>Interest revenue</b>				
– Subsidiaries	–	–	–	7
– Other entities	882	906	557	519
<b>Dividends receivable</b>				
– Subsidiaries	–	–	15,000	–
<b>Rental revenue</b>				
– Operating lease rental revenue	64	51	33	10
Other revenue	4,178	2,748	1,930	271
	1,163,278	1,218,336	407,367	355,838
Discontinued operations (Note 34)	–	11,204	–	–
	1,163,278	1,229,540	407,367	355,838

# Notes to the Financial Statements 31 March 2010

## continued

### 6. Profit for the year before income tax

#### a. Gains and losses

Profit for the year has been arrived at after crediting/(charging) the following specific gains and losses:

	Consolidated						Company					
	Continuing		Discontinued		Total		Continuing		Discontinued		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Gain on disposal of property, plant and equipment	2,690	1,368	–	60	2,690	1,428	4,059	1,485	–	–	4,059	1,485
Gain on disposal of business	–	–	–	1,311	–	1,311	–	–	–	5,945	–	5,945
Gain on disposal of investments	–	20	–	–	–	20	–	–	–	–	–	–
Net foreign exchange (losses)/gains	(326)	2,284	–	–	(326)	2,284	–	16	–	–	–	16
	<b>2,364</b>	<b>3,672</b>	<b>–</b>	<b>1,371</b>	<b>2,364</b>	<b>5,043</b>	<b>4,059</b>	<b>1,501</b>	<b>–</b>	<b>5,945</b>	<b>4,059</b>	<b>7,446</b>

#### b. Other expenses

Profit for the year includes the following expenses:

	Consolidated						Company					
	Continuing		Discontinued		Total		Continuing		Discontinued		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Finance costs</b>												
Interest on bank overdrafts and loans	15,200	18,109	–	7	15,200	18,116	14,700	17,164	–	–	14,700	17,164
Interest on obligations under finance leases	989	1,255	–	285	989	1,540	931	1,097	–	–	931	1,097
Total interest expense	<b>16,189</b>	<b>19,364</b>	<b>–</b>	<b>292</b>	<b>16,189</b>	<b>19,656</b>	<b>15,631</b>	<b>18,261</b>	<b>–</b>	<b>–</b>	<b>15,631</b>	<b>18,261</b>
Other finance costs	2,119	860	–	7	2,119	867	2,016	746	–	–	2,016	746
Total finance costs	<b>18,308</b>	<b>20,224</b>	<b>–</b>	<b>299</b>	<b>18,308</b>	<b>20,523</b>	<b>17,647</b>	<b>19,007</b>	<b>–</b>	<b>–</b>	<b>17,647</b>	<b>19,007</b>

# Notes to the Financial Statements 31 March 2010

## continued

### 6. Profit for the year before income tax (continued)

#### b. Other expenses (continued)

	Consolidated						Company					
	Continuing		Discontinued		Total		Continuing		Discontinued		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Impairment of trade receivables	587	2,838	–	172	587	3,010	344	603	–	–	344	603
<b>Depreciation of non-current assets</b>												
– Property, plant and equipment	7,710	7,532	–	331	7,710	7,863	4,092	3,348	–	–	4,092	3,348
<b>Amortisation of non-current assets</b>												
– Finance lease assets	4,578	4,551	–	767	4,578	5,318	3,987	4,101	–	–	3,987	4,101
– Value of long term contracts acquired	1,622	3,659	–	–	1,622	3,659	474	697	–	–	474	697
– Value of development software and other	885	553	–	–	885	553	880	305	–	–	880	305
	7,085	8,763	–	767	7,085	9,530	5,341	5,103	–	–	5,341	5,103
Total depreciation and amortisation of non-current assets	14,795	16,295	–	1,098	14,795	17,393	9,433	8,451	–	–	9,433	8,451
<b>Operating lease rental expenses</b>												
– Minimum lease payments	8,407	8,274	–	171	8,407	8,445	2,804	2,217	–	–	2,804	2,217
<b>Employee benefits expense</b>												
– Defined contribution plans (superannuation contributions)	42,504	43,594	–	238	42,504	43,832	8,460	8,243	–	–	8,460	8,243
– Equity settled share based payments	1,020	940	–	–	1,020	940	752	671	–	–	752	671
– Other employee benefits	659,625	714,506	–	4,660	659,625	719,166	121,620	113,624	–	–	121,620	113,624
Total employee benefits expense	703,149	759,040	–	4,898	703,149	763,938	130,832	122,538	–	–	130,832	122,538
Takeover defence costs	–	3,503	–	–	–	3,503	–	3,503	–	–	–	3,503
Restructuring costs	–	3,411	–	–	–	3,411	–	1,291	–	–	–	1,291
Total defence and restructuring costs	–	6,914	–	–	–	6,914	–	4,794	–	–	–	4,794

# Notes to the Financial Statements 31 March 2010

## continued

### 7. Income taxes

#### Income tax recognised in profit or loss

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Tax expense/(income) comprises:</b>				
Current tax expense/(income) in respect of the current year	12,037	7,461	862	(2,734)
Adjustments recognised in the current year in relation to the current tax of prior years	624	(373)	128	(740)
	12,661	7,088	990	(3,474)
Deferred tax expense relating to the origination and reversal of temporary differences	1,066	5,027	324	2,047
<b>Total tax expense/(income)</b>	<b>13,727</b>	<b>12,115</b>	<b>1,314</b>	<b>(1,427)</b>
<b>Attributable to:</b>				
Continuing operations	13,727	12,167	1,314	(1,427)
Discontinued operations (Note 34)	–	(52)	–	–
	13,727	12,115	1,314	(1,427)

The income tax expense/(income) for the year can be reconciled to the accounting profit as follows:

Profit/(loss) from continuing operations	39,891	39,072	16,953	(4,351)
Profit from discontinued operations	–	1,115	–	5,945
<b>Profit from operations</b>	<b>39,891</b>	<b>40,187</b>	<b>16,953</b>	<b>1,594</b>
Income tax expense calculated at 30%	11,967	12,056	5,086	478
Effect of expenses that are not deductible in determining taxable profit	767	239	380	408
Amortisation of intangibles	565	1,165	220	211
Non-assessable gain on disposal of business	–	(393)	–	(1,784)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(198)	(486)	–	–
Dividends received from subsidiaries	–	–	(4,500)	–
Exempt expense/(income)	2	(93)	–	–
	13,103	12,488	1,186	(687)
Adjustments recognised in the current year in relation to the current tax of prior years	624	(373)	128	(740)
	13,727	12,115	1,314	(1,427)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

# Notes to the Financial Statements 31 March 2010

## continued

### 7. Income taxes continued

#### Income tax recognised directly in equity

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Deferred tax</b>				
Share issue expenses deductible over 5 years (Note 24)	840	–	840	–

#### Income tax recognised in other comprehensive income

##### Deferred tax

Revaluations of financial instruments treated as cash flow hedges (Note 25)	1,934	(2,419)	1,934	(2,419)
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#### Current tax assets and liabilities

##### Current tax assets

Entities in the tax-consolidated group	–	3,881	–	3,881
Other	1,072	–	–	–
	1,072	3,881	–	3,881

##### Current tax liabilities

Entities in the tax-consolidated group	1,741	–	1,741	–
Other	2,193	1,751	–	–
	3,934	1,751	1,741	–

#### Deferred tax balances

##### Temporary differences

	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Acquisitions/ disposals \$'000	Exchange difference \$'000	Change in tax rates \$'000	Closing balance \$'000
<b>Consolidated</b>							
<b>2010</b>							
Inventories	(11,913)	356	–	–	102	–	(11,455)
Contracts in progress at recoverable value	(51,704)	1,188	–	–	1,133	–	(49,383)
Property, plant and equipment	1,350	(350)	–	–	(5)	–	995
Provisions	11,228	(422)	–	1,454	(7)	–	12,253
Doubtful debts	1,056	(577)	–	–	(9)	–	470
Other	4,075	(1,261)	(1,094)	–	(15)	–	1,705
	(45,908)	(1,066)	(1,094)	1,454	1,199	–	(45,415)

Presented in the statement of financial position as follows:

Deferred tax liabilities	(62,591)
Deferred tax assets	17,176
	(45,415)

# Notes to the Financial Statements 31 March 2010

## continued

### 7. Income taxes continued

#### Deferred tax balances continued

#### Temporary differences continued

Consolidated	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Acquisitions/ disposals \$'000	Exchange difference \$'000	Change in tax rates \$'000	Closing balance \$'000
<b>2009</b>							
Inventories	(11,306)	(150)	–	(538)	81	–	(11,913)
Contracts in progress at recoverable value	(46,358)	(6,198)	–	–	852	–	(51,704)
Property, plant and equipment	150	1,233	–	(29)	(4)	–	1,350
Provisions	8,740	2,492	–	2	(6)	–	11,228
Doubtful debts	964	153	–	(58)	(3)	–	1,056
Other	4,318	(2,557)	2,419	(98)	(7)	–	4,075
	(43,492)	(5,027)	2,419	(721)	913	–	(45,908)

Presented in the statement of financial position as follows:

Deferred tax liabilities	(65,800)
Deferred tax assets	19,892
	(45,908)

Company	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Closing balance \$'000
<b>2010</b>				
Inventories	(9,300)	(433)	–	(9,733)
Contracts in progress at recoverable value	(33,560)	362	–	(33,198)
Property, plant and equipment	1,186	(253)	–	933
Provisions	3,686	329	–	4,015
Doubtful debts	192	(50)	–	142
Other	3,697	(279)	(1,094)	2,324
	(34,099)	(324)	(1,094)	(35,517)

Presented in the statement of financial position as follows:

Deferred tax liabilities	(43,136)
Deferred tax assets	7,619
	(35,517)

# Notes to the Financial Statements 31 March 2010

## continued

### 7. Income taxes continued

#### Deferred tax balances continued

#### Temporary differences continued

Company	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Closing balance \$'000
<b>2009</b>				
Inventories	(9,138)	(162)	-	(9,300)
Contracts in progress at recoverable value	(29,759)	(3,801)	-	(33,560)
Property, plant and equipment	-	1,186	-	1,186
Provisions	3,061	625	-	3,686
Doubtful debts	228	(36)	-	192
Other	1,137	141	2,419	3,697
	(34,471)	(2,047)	2,419	(34,099)

Presented in the statement of financial position as follows:

Deferred tax liabilities	(43,052)
Deferred tax assets	8,953
	(34,099)

#### Tax consolidation

##### Relevance of tax consolidation to the consolidated entity

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 April 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Programmed Maintenance Services Limited. KLM Group Limited and its wholly-owned Australian resident entities joined the tax consolidated group on 5 March 2010. SWG Holdings (2005) Pty Limited and its wholly-owned Australian resident entities joined the tax consolidated group on 3 July 2008. The members of the tax-consolidated group are identified at Note 32.

##### 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, Programmed Maintenance Services 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.

# Notes to the Financial Statements 31 March 2010

## continued

### 8. Current trade and other receivables

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade receivables	166,729	161,423	50,380	49,766
Allowance for doubtful debts	(1,862)	(4,443)	(477)	(642)
	164,867	156,980	49,903	49,124
Contracts in progress at recoverable value (Note 18)	74,596	74,401	48,765	48,599
Other amounts due from customers under long-term contracts	388	348	209	183
	239,851	231,729	98,877	97,906

The average credit period for invoiced services is 30 - 60 days. No interest is charged on trade receivables. An allowance has been made for estimated irrecoverable trade receivable amounts arising from past rendering of services, determined by reference to past default experience.

Included in the Group's trade receivable balance are debtors with a carrying amount of \$20.0 million (2009: \$13.5 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 64 days. (2009: 66 days).

#### Ageing of past due but not impaired

60 - 90 days	9,880	6,011	1,880	1,128
90 - 120 days	4,185	3,136	448	772
120+ days	5,926	4,353	835	892
Total	19,991	13,500	3,163	2,792

#### Movement in allowance for doubtful debts

Balance at the beginning of the year	4,443	3,383	642	761
Impairment losses recognised on receivables	587	3,010	344	603
Impairment losses attributable to acquisitions	177	–	–	–
Amounts written off as uncollectible	(1,984)	(1,650)	(483)	(722)
Amounts recovered during the year	(1,242)	(53)	(26)	–
Net foreign exchange differences	(35)	(10)	–	–
Disposal of business	–	(237)	–	–
Impairment losses reversed	(84)	–	–	–
Balance at the end of the year	1,862	4,443	477	642

In determining the recoverability of a trade receivable, the Group 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.

#### Ageing of impaired trade receivables

60 - 90 days	60	163	–	51
90 - 120 days	53	339	15	220
120+ days	1,749	3,941	462	371
Total	1,862	4,443	477	642

# Notes to the Financial Statements 31 March 2010

## continued

### 9. Other financial assets

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Investments carried at cost</b>				
<b>Non-current</b>				
Investments in subsidiaries	–	–	278,488	249,080
<b>Loans carried at amortised cost</b>				
<b>Current</b>				
Loans to subsidiaries	–	–	5,627	8,682
	–	–	284,115	257,762
Disclosed in the financial statements as:				
Current other financial assets	–	–	5,627	8,682
Non-current other financial assets	–	–	278,488	249,080
	–	–	284,115	257,762

### 10. Inventories

#### At cost:

Raw materials and stores	1,976	4,151	1,264	1,429
Work in progress	30,148	15,115	14,919	13,143
Finished goods	303	461	303	525
<b>At recoverable amount:</b>				
Work in progress (Note 18)	11,915	16,119	6,905	10,730
	44,342	35,846	23,391	25,827

### 11. Other current assets

Prepayments	5,591	4,438	3,115	2,466
Other	10,667	12,493	2,442	4,199
	16,258	16,931	5,557	6,665

### 12. Investment in associates

Details of the Group's associate are as follows:

Name of associate	Country of incorporation and operation	Ownership interest	
		2010 %	2009 %
UMW Deepnautic Pte Ltd	Singapore	49	–

# Notes to the Financial Statements 31 March 2010

## continued

### 12. Investment in associates continued

Summarised financial information in respect of the Group's associate is set out below:

	2010 \$'000	2009 \$'000
Total assets	475	–
Total liabilities	(425)	–
Net assets	50	–
Group's share of net assets of associates	25	–
Total revenue	254	–
Total loss for the period	(773)	–
Group's share of losses of associate	(379)	–

### 13. Non-current trade and other receivables

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Contracts in progress at recoverable value (Note 18)	105,249	113,525	61,895	63,269
Other amounts due from customers under long-term contracts	68	142	13	25
	105,317	113,667	61,908	63,294

### 14. Non-current inventories

At recoverable amount:

Work in progress (Note 18)	10,930	7,907	9,357	5,627
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# Notes to the Financial Statements 31 March 2010

## continued

### 15. Property, plant and equipment

Consolidated	Freehold land and buildings at cost \$'000	Leasehold improvements at cost \$'000	Plant and equipment \$'000	Equipment under finance lease at cost \$'000	Total \$'000
<b>Gross carrying amount</b>					
Balance at 1 April 2008	2,834	4,411	44,807	24,820	76,872
Additions	2	1,537	7,853	6,395	15,787*
Disposals	(349)	(76)	(3,220)	(814)	(4,459)
Acquisitions through business combinations	–	–	4,062	–	4,062
Disposal of business	–	(24)	(1,389)	(71)	(1,484)
Net foreign currency exchange differences and other	(13)	(21)	(521)	(439)	(994)
Balance at 31 March 2009	2,474	5,827	51,592	29,891	89,784
Additions	–	495	3,376	4,268	8,139
Disposals	(1,796)	(2,226)	(9,689)	(888)	(14,599)
Acquisitions through business combinations	–	1,794	3,009	–	4,803
Disposal of business	–	–	–	–	–
Net foreign currency exchange differences and other	(57)	(135)	(1,222)	(1,399)	(2,813)
Balance at 31 March 2010	<b>621</b>	<b>5,755</b>	<b>47,066</b>	<b>31,872</b>	<b>85,314</b>
<b>Accumulated depreciation and amortisation</b>					
Balance at 1 April 2008	(526)	(2,235)	(31,463)	(11,628)	(45,852)
Disposals	101	25	2,933	303	3,362
Depreciation expense	(50)	(630)	(7,183)	(5,318)	(13,181)
Acquisitions through business combinations	–	–	(923)	–	(923)
Disposal of business	–	24	264	719	1,007
Net foreign currency exchange differences and other	3	6	104	516	629
Balance at 31 March 2009	(472)	(2,810)	(36,268)	(15,408)	(54,958)
Disposals	328	1,208	8,508	669	10,713
Depreciation expense	(30)	(904)	(6,776)	(4,578)	(12,288)
Acquisitions through business combinations	–	(1,115)	(1,238)	–	(2,353)
Disposal of business	–	–	–	–	–
Net foreign currency exchange differences and other	12	95	1,107	1,037	2,251
Balance at 31 March 2010	<b>(162)</b>	<b>(3,526)</b>	<b>(34,667)</b>	<b>(18,280)</b>	<b>(56,635)</b>
<b>Net book value</b>					
As at 31 March 2009	2,002	3,017	15,324	14,483	34,826
As at 31 March 2010	<b>459</b>	<b>2,229</b>	<b>12,399</b>	<b>13,592</b>	<b>28,679</b>

\* Includes additions of \$1,947 thousand classified as held for sale, in relation to the Industrial Services business segment which was disposed of during the previous financial year.

# Notes to the Financial Statements 31 March 2010

## continued

### 15. Property, plant and equipment continued

Company	Freehold land and buildings at cost \$'000	Leasehold improvements at cost \$'000	Plant and equipment \$'000	Equipment under finance lease at cost \$'000	Total \$'000
<b>Gross carrying amount</b>					
Balance at 1 April 2008	2,553	328	24,047	21,202	48,130
Additions	2	327	2,926	5,327	8,582
Disposals	(349)	–	(2,765)	(340)	(3,454)
Transfers	–	–	37	(490)	(453)
Balance at 31 March 2009	2,206	655	24,245	25,699	52,805
Additions	–	277	2,237	4,223	6,737
Disposals	(1,796)	(67)	(4,303)	(459)	(6,625)
Transfers	–	–	729	(396)	333
Balance at 31 March 2010	410	865	22,908	29,067	53,250
<b>Accumulated depreciation and amortisation</b>					
Balance at 1 April 2008	(475)	(208)	(18,403)	(9,546)	(28,632)
Disposals	101	–	2,587	232	2,920
Depreciation expense	(41)	(63)	(3,244)	(4,101)	(7,449)
Transfers	–	–	(35)	389	354
Balance at 31 March 2009	(415)	(271)	(19,095)	(13,026)	(32,807)
Disposals	328	67	3,915	285	4,595
Depreciation expense	(24)	(184)	(3,884)	(3,987)	(8,079)
Transfers	–	48	(42)	444	450
Balance at 31 March 2010	(111)	(340)	(19,106)	(16,284)	(35,841)
<b>Net book value</b>					
As at 31 March 2009	1,791	384	5,150	12,673	19,998
As at 31 March 2010	299	525	3,802	12,783	17,409

### Current value of freehold land and buildings

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Value of freehold land and buildings determined in accordance with independent valuations on the basis of current market buying values, performed in 2007	1,802	6,827	1,070	6,095

# Notes to the Financial Statements 31 March 2010

## continued

### 16. Goodwill

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Gross carrying amount</b>				
Balance at beginning of financial year	221,076	199,367	–	–
Additional amounts recognised from business combinations occurring during the year	20,356	22,092	–	–
Net foreign exchange differences	(487)	(383)	–	–
Balance at end of financial year	240,945	221,076	–	–

During the financial year, the Group assessed the recoverable amount of goodwill, and determined that the carrying amount of goodwill was not impaired.

Goodwill has been allocated for impairment testing purposes to the following groups of cash-generating units:

Workforce	69,631	69,631	–	–
Marine	120,091	120,384	–	–
Property Services	22,291	2,172	–	–
Facilities Management	7,093	7,093	–	–
Engineering Services	21,839	21,796	–	–
	240,945	221,076	–	–

Intangible assets with indefinite useful lives have been allocated for impairment testing purposes to the following groups of cash-generating units:

Workforce	3,014	3,014	–	–
Marine	5,553	5,553	–	–
	8,567	8,567	–	–

#### Workforce, Marine, Property Services, Facilities Management and Engineering Services

The aggregate recoverable amount for the divisions is determined based on a value in use calculation which uses cash flow projections based on the financial budget for the 2011 financial year approved by management, then extrapolated for a total of five years, at a discount rate of 14.35% p.a. (2009: 12.69%).

The cash flow projections are also based on compound growth rates of 1.5% (2009: 1.5%) p.a. and also include a terminal value calculated with a growth rate of 1.5% (2009: 1.5%) in revenue and profits beyond five years. 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 the cash generating units.

#### Key assumptions

The key assumptions used in the value in use calculations are as follows:

- Gross margins and EBIT margins are expected to remain constant at the budgeted 31 March 2011 levels.
- Cash flow projections are based on compound growth rates of 1.5% p.a. and a terminal value calculated with a growth rate of 1.5% in revenue and profits beyond five years.

# Notes to the Financial Statements 31 March 2010

## continued

### 17. Other intangible assets

Consolidated	Value of long term contracts acquired \$'000	Value of development software \$'000	Value of brands \$'000	Total \$'000
<b>Gross carrying amount</b>				
Balance at 1 April 2008	11,103	1,947	8,717	21,767
Additions	408	831	–	1,239
Net foreign currency exchange differences	(40)	19	–	(21)
Balance at 31 March 2009	11,471	2,797	8,717	22,985
Additions	–	1,757	44	1,801
Net foreign currency exchange differences	(33)	–	–	(33)
Balance at 31 March 2010	<b>11,438</b>	<b>4,554</b>	<b>8,761</b>	<b>24,753</b>
<b>Accumulated amortisation</b>				
Balance at 1 April 2008	(4,544)	(1,454)	(150)	(6,148)
Amortisation expense	(3,659)	(553)	–	(4,212)
Balance at 31 March 2009	(8,203)	(2,007)	(150)	(10,360)
Amortisation expense	(1,622)	(885)	–	(2,507)
Balance at 31 March 2010	<b>(9,825)</b>	<b>(2,892)</b>	<b>(150)</b>	<b>(12,867)</b>
<b>Net book value</b>				
As at 31 March 2009	3,268	790	8,567	12,625
As at 31 March 2010	<b>1,613</b>	<b>1,662</b>	<b>8,611</b>	<b>11,886</b>

# Notes to the Financial Statements 31 March 2010

## continued

### 17. Other intangible assets continued

Company	Value of long term contracts acquired \$'000	Value of development software \$'000	Value of brands \$'000	Total \$'000
<b>Gross carrying amount</b>				
Balance at 1 April 2008	3,302	1,946	–	5,248
Additions	408	743	–	1,151
Balance at 31 March 2009	3,710	2,689	–	6,399
Additions	–	1,752	44	1,796
Transfer	–	183	–	183
Balance at 31 March 2010	<b>3,710</b>	<b>4,624</b>	<b>44</b>	<b>8,378</b>
<b>Accumulated amortisation</b>				
Balance at 1 April 2008	(1,890)	(1,452)	–	(3,342)
Amortisation expense	(697)	(305)	–	(1,002)
Balance at 31 March 2009	(2,587)	(1,757)	–	(4,344)
Amortisation expense	(474)	(880)	–	(1,354)
Transfer	–	(111)	–	(111)
Balance at 31 March 2010	<b>(3,061)</b>	<b>(2,748)</b>	–	<b>(5,809)</b>
<b>Net book value</b>				
As at 31 March 2009	1,123	932	–	2,055
As at 31 March 2010	<b>649</b>	<b>1,876</b>	<b>44</b>	<b>2,569</b>

The amortisation expense is included in depreciation and amortisation expense in the income statement.

# Notes to the Financial Statements 31 March 2010

## continued

### 18. Contracts and work in progress at recoverable value

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Contracts in progress</b>				
Balance at the beginning of year	187,926	172,895	111,868	99,198
(Decrease)/increase in amounts recoverable (Note 5)	(1,192)	18,118	(1,208)	12,670
Effect of foreign currency movements	(6,889)	(3,087)	–	–
Balance at end of year	179,845	187,926	110,660	111,868
Categorised as:				
Current (Note 8)	74,596	74,401	48,765	48,599
Non-current (Note 13)	105,249	113,525	61,895	63,269
	179,845	187,926	110,660	111,868
<b>Work in progress</b>				
Balance at the beginning of year	24,026	25,234	16,357	20,348
Decrease in amounts recoverable (Note 5)	(400)	(1,142)	(95)	(3,991)
Effect of foreign currency movements	(781)	(66)	–	–
Balance at end of year	22,845	24,026	16,262	16,357
Categorised as:				
Current (Note 10)	11,915	16,119	6,905	10,730
Non-current (Note 14)	10,930	7,907	9,357	5,627
	22,845	24,026	16,262	16,357
<b>Total contracts and work in progress</b>				
Categorised as:				
Current	86,511	90,520	55,670	59,329
Non-current	116,179	121,432	71,252	68,896
	202,690	211,952	126,922	128,225

### 19. Asset pledged as security

In accordance with the security arrangements of liabilities, as disclosed in Note 21 to the financial statements, certain assets of the consolidated entity have been pledged as security. The holders of the security do not have the right to sell or pledge the assets other than in the event of default.

### 20. Trade and other payables

Trade payables	56,117	51,948	17,887	16,463
Accruals and sundry creditors	72,115	78,303	32,408	37,296
Deferred revenue	8,512	–	–	–
	136,744	130,251	50,295	53,759

The average credit period on purchases is 30 days (2009: 30 days). No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

# Notes to the Financial Statements 31 March 2010

## continued

### 21. Borrowings

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Unsecured – at amortised cost</b>				
<b>Current</b>				
Bank loans <sup>i</sup>	–	30,000	–	30,000
<b>Non-current</b>				
Bank loans <sup>ii</sup>	–	161,466	–	161,466
<b>Secured – at amortised cost</b>				
<b>Current</b>				
Bank overdrafts <sup>iii</sup>	1,640	2,045	–	–
Finance lease liabilities <sup>iv</sup>	5,081	5,258	4,680	4,964
<b>Non-current</b>				
Bank loans <sup>i</sup>	132,480	–	132,480	–
Bank loans <sup>v</sup>	5,884	5,518	–	–
Bank loans <sup>vi</sup>	1,136	1,714	–	–
Finance lease liabilities <sup>iv</sup>	8,525	9,472	7,932	8,724
	<b>154,746</b>	<b>215,473</b>	<b>145,092</b>	<b>205,154</b>
Disclosed in the financial statements as:				
Current borrowings	6,721	37,303	4,680	34,964
Non-current borrowings	148,025	178,170	140,412	170,190
	<b>154,746</b>	<b>215,473</b>	<b>145,092</b>	<b>205,154</b>

#### Summary of borrowing arrangements

- i. Working capital facility provided by the Westpac Banking Corporation. The current weighted average interest rate is 6.06% (2009: 7.14%). The facility in 2010 is secured by a fixed and floating charge over the assets of all main operating companies in Australia and New Zealand. The facility was not drawn down at 31 March 2010 (2009: \$30,000 thousand)
- ii. Senior credit facility provided by the Westpac Banking Corporation. The current weighted average interest rate is 7.40% (2009: 5.23%). The facility in 2010 is secured by a fixed and floating charge over the assets of all main operating companies in Australia and New Zealand.
- iii. The Yorkshire Bank Plc holds a Mortgage over a property in Manchester, United Kingdom to secure advances under a working capital facility denominated in United Kingdom pounds to Programmed Maintenance Services (UK) Limited.
- iv. Secured by the assets leased. The borrowings are at a fixed rate with varying maturity periods not exceeding 7 years. The current weighted average effective interest rate is 10.63% (2009: 9.48%).
- v. The Westpac Banking Corporation holds an Equitable Mortgage over the assets of Programmed Maintenance Services (UK) Limited as security for advances made under a revolving credit line facility denominated in United Kingdom pounds. The current weighted average interest rate on bills drawn under this facility is 1.42% (2009: 2.48%).
- vi. Secured by the assets financed. The borrowings are at a fixed rate with varying maturity periods not exceeding 3 years. The current weighted average effective interest rate is 7.20% (2009: 7.97%).
- vii. The Westpac Banking Corporation holds a registered first party Equitable Mortgage over the assets of Programmed Maintenance Services (N.Z.) Limited as security for advances made under a credit line facility denominated in New Zealand dollars. The facility was not drawn down at 31 March 2010 (2009: nil). The weighted average interest rate on bills drawn under this facility was nil (2009: 9.35%).

# Notes to the Financial Statements 31 March 2010

## continued

### 22. Other financial liabilities

#### Derivatives

Derivatives that are designated and effective as hedging instruments carried at fair value:

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Non-current</b>				
Interest rate swaps	1,616	8,062	1,616	8,062

### 23. Provisions

#### Current

Employee benefits	24,465	20,389	10,591	9,604
Deferred consideration on acquisitions through business combinations	83	2,031	–	–
Other	1,418	370	1,418	–
	<b>25,966</b>	<b>22,790</b>	<b>12,009</b>	<b>9,604</b>

#### Non-current

Employee benefits	7,829	8,095	1,829	1,647
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Consolidated	Deferred consideration on acquisitions through business combinations \$'000	Other \$'000	Total \$'000
Balance at 1 April 2008	2,143	200	2,343
Additional provisions recognised	–	291	291
Payments made	–	(121)	(121)
Net foreign currency exchange differences	(112)	–	(112)
Balance at 31 March 2009	2,031	370	2,401
Additional provisions recognised	–	1,418	1,418
Payments made	(1,964)	(370)	(2,334)
Acquisitions made through business combinations	83	–	83
Net foreign currency exchange differences	(67)	–	(67)
Balance at 31 March 2010	<b>83</b>	<b>1,418</b>	<b>1,501</b>

### 24. Issued capital

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
118,169,906 fully paid ordinary shares (2009: 98,980,999)	236,060	165,862	236,060	165,862
2,000 Performance shares (2009: Nil)	–	–	–	–
	<b>236,060</b>	<b>165,862</b>	<b>236,060</b>	<b>165,862</b>

# Notes to the Financial Statements 31 March 2010

## continued

### 24. Issued capital continued

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

Ordinary Shares	2010		2009	
	No.'000	\$'000	No.'000	\$'000
Balance at the beginning of the financial year	98,981	165,862	90,013	136,057
Issue of shares for cash (net of costs)	18,389	67,084	–	–
Income tax related to share issue costs	–	840	–	–
Issue of shares as consideration for acquisition of business (Note 33)	–	–	7,796	26,816
Issue of shares under the Dividend Reinvestment Plan	754	2,132	1,172	2,989
Issue of shares under the Long Term Incentive Plan	46	142	–	–
Balance at the end of the financial year	118,170	236,060	98,981	165,862

Apart from those noted above, there were no other movements in the ordinary share capital of the company in the current or prior year.

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

#### Performance shares

Consideration for the acquisition of the SWG business included deferred consideration (refer Note 33). At the 2009 Annual General Meeting, the shareholders approved the issue of 3,000 Performance Shares to comprise the deferred consideration.

The Performance Shares have limited rights. For example, they do not carry dividend or voting rights, they will not be listed, and they can be transferred only in very limited circumstances. They do, however, convert into fully paid ordinary shares in the capital of the Company depending upon the financial performance of the SWG business for each of the 3 financial years, being the financial years ending 30 June 2009, 30 June 2010 and 30 June 2011. The 3,000 Performance Shares comprised 3 separate tranches of 1,000 Performance Shares.

Because SWG did not meet the financial performance requirements for the financial year ended 30 June 2009, the 1,000 Performance Shares relating to that year only converted into 1 fully paid ordinary share in the Company.

As the SWG business is not expected to perform at the required level over the next two years, the 2,000 Performance Shares outstanding at 31 March 2010 are not anticipated to convert into any more than 2 fully paid ordinary shares. Notwithstanding this current expectation, it is possible that (if, for example, there is a significant change to levels of economic activity) some of the Performance Shares may convert into more fully paid ordinary shares in the Company.

The following table reconciles the outstanding Performance Shares at the beginning and end of the financial year:

Performance Shares	2010 No.	2009 No.	2010 No.	2009 No.
Balance at the beginning of the financial year	–	–	–	–
Issued during the financial year	3,000	–	–	–
Converted during the financial year	(1,000)	–	–	–
Lapsed during the financial year	–	–	–	–
Balance at the end of the financial year	2,000	–	–	–

#### Performance rights and performance options granted under the employee long term incentive plan

In accordance with the provisions of the employee long term incentive plan, as at 31 March 2010, executives and senior employees have been granted performance rights and/or performance options. Both performance rights and performance options granted under the employee Long Term Incentive Plan carry no rights to dividends and no voting rights. Further details of the employee long term incentive plan are contained in Note 37 to the financial statements.

# Notes to the Financial Statements 31 March 2010

## continued

### 25. Reserves

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Foreign currency translation reserve	(11,300)	(4,846)	–	–
Capital profits reserve	5,535	5,535	5,535	5,535
Equity settled employee benefits reserve	2,521	1,643	2,521	1,643
Hedging reserve	(1,132)	(5,644)	(1,132)	(5,644)
	<b>(4,376)</b>	<b>(3,312)</b>	<b>6,924</b>	<b>1,534</b>

#### Foreign currency translation reserve:

Balance at the beginning of the financial year	(4,846)	(792)	–	–
Translation of foreign operations	(6,454)	(4,054)	–	–
Balance at the end of the financial year	<b>(11,300)</b>	<b>(4,846)</b>	–	–

Exchange differences relating to the translation from the functional currencies of the Group's foreign controlled entities into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.

#### Capital profits reserve:

Balance at the beginning and end of the financial year	<b>5,535</b>	5,535	<b>5,535</b>	5,535
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The capital profits reserve relates to profits realised on the sale of non-current assets.

#### Equity settled employee benefits reserve:

Balance at the beginning of the financial year	1,643	703	1,643	703
Share-based payments	1,020	940	1,020	940
Transfer to issued capital	(142)	–	(142)	–
Balance at the end of the financial year	<b>2,521</b>	1,643	<b>2,521</b>	1,643

The equity-settled employee benefits reserve arises on the grant of performance rights and options to executives and senior employees under the "Long Term Incentive Plan". Amounts are transferred out of the reserve and into issued capital when the performance rights and options are exercised. Further information about share-based payments to employees is made in Note 37 to the financial statements.

#### Hedging reserve:

Balance at the beginning of the financial year	(5,644)	–	(5,644)	–
Gain/(loss) recognised on cash flow hedges				
– Interest rate swaps	6,446	(8,063)	6,446	(8,063)
Income tax related to losses recognised in equity	(1,934)	2,419	(1,934)	2,419
Balance at the end of the financial year	<b>(1,132)</b>	<b>(5,644)</b>	<b>(1,132)</b>	<b>(5,644)</b>

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 or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

### 26. Retained earnings

Balance at the beginning of the financial year	121,837	113,327	21,706	38,247
Net profit attributable to members of the parent entity	26,164	28,072	15,639	3,021
Dividends provided for or paid (Note 28)	(8,488)	(19,562)	(8,488)	(19,562)
Balance at the end of the financial year	<b>139,513</b>	<b>121,837</b>	<b>28,857</b>	<b>21,706</b>

# Notes to the Financial Statements 31 March 2010

## continued

### 27. Earnings per share

	Consolidated	
	2010 Cents per share	2009 Cents per share
<b>Basic earnings per share</b>		
From continuing operations	24.6	28.0
From discontinued operations	–	1.2
Total basic earnings per share	24.6	29.2
<b>Diluted earnings per share</b>		
From continuing operations	24.2	27.8
From discontinued operations	–	1.2
Total diluted earnings per share	24.2	29.0

#### 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:

	2010 \$'000	2009 \$'000
Earnings used in the calculation of basic EPS: Net profit	26,164	28,072
Adjustments to exclude profit for the year from discontinued operations	–	(1,167)
Earnings used in the calculation of basic EPS from continuing operations	26,164	26,905
	2010 No.'000	2009 No.'000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	106,153	95,982

#### Diluted earnings per share

The earnings used in the calculation of diluted earnings per share are as follows:

	2010 \$'000	2009 \$'000
Earnings used in the calculation of diluted EPS: Net profit	26,164	28,072
Adjustments to exclude profit for the year from discontinued operations	–	(1,167)
Earnings used in the calculation of diluted EPS from continuing operations	26,164	26,905
	2010 No.'000	2009 No.'000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	106,153	95,982
Shares deemed to be issued for no consideration in respect of:		
Performance rights and options	1,959	925
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	108,112	96,907

# Notes to the Financial Statements 31 March 2010

## continued

### 28. Dividends

	2010		2009	
	Cents per share	Total \$'000	Cents per share	Total \$'000
<b>Recognised amounts</b>				
<b>Fully paid ordinary shares</b>				
Final dividend – franked to 100% at 30% tax rate (2009: 100%)	5.0	4,949	10.5	10,270
Interim dividend – franked to 100% at 30% tax rate (2009: 100%)	3.0	3,539	9.5	9,292
	<b>8.0</b>	<b>8,488</b>	<b>20.0</b>	<b>19,562</b>
<b>Unrecognised amounts</b>				
<b>Fully paid ordinary shares</b>				
Final dividend – franked to 100% at 30% tax rate (2009: 100%)	6.0	7,090	5.0	4,949

On the 26 May 2010 the directors declared a fully franked final dividend of 6.0 cents per share to holders of fully paid ordinary shares in respect of the financial year ended 31 March 2010, to be paid to shareholders on 27 July 2010. This has not been included as a liability in these financial statements. The dividend will be paid to all shareholders on the Register of Members on 8 July 2010. The total estimated dividend to be paid is \$7,090 thousand.

	Company	
	2010 \$'000	2009 \$'000
Adjusted franking account balance	16,446	11,484
Impact on franking account balance of dividends not recognised	(3,039)	(2,121)

### 29. Commitments for expenditure

#### a. Capital expenditure commitments

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Plant and equipment</b>				
Not longer than 1 year	157	209	–	209

#### b. Lease commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in Note 31 to the financial statements.

### 30. Contingent liabilities

The company has provided performance and security guarantees to its bankers in accordance with certain contractual requirements (refer Note 35(c)).

The directors are not aware of any other contingent liabilities.

# Notes to the Financial Statements 31 March 2010

## continued

### 31. Leases

#### Finance leases

##### Leasing arrangements

The hire purchase and finance lease arrangements are generally made for a three year period and are secured by a charge over the related assets. The consolidated entity and the company have the option to purchase the related assets at the conclusion of the finance leases.

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Finance lease liabilities:</b>				
No later than 1 year	5,871	6,001	5,371	5,676
Later than 1 year and not later than 5 years	9,206	10,229	8,572	9,349
Later than 5 years	142	32	142	32
Minimum future lease payments*	15,219	16,262	14,085	15,057
Less future finance charges	(1,613)	(1,532)	(1,473)	(1,369)
Present value of minimum lease payments	13,606	14,730	12,612	13,688
Included in the financial statements as (Note 21):				
Current borrowings	5,081	5,258	4,680	4,964
Non-current borrowings	8,525	9,472	7,932	8,724
	13,606	14,730	12,612	13,688

\* Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual.

#### Operating leases

##### Leasing arrangements

The operating leases relate to office and warehouse facilities with the majority of lease terms not exceeding five years. Most of the leases have options to extend for further periods of similar duration, with market review clauses in the event that the consolidated entity and the company exercise the options to renew. The consolidated entity and the company do not have the option to purchase the related assets at the expiry of the lease period.

##### Non-cancellable operating lease commitments:

No longer than 1 year	8,161	7,392	2,552	2,443
Longer than 1 year and not longer than 5 years	10,928	12,065	5,061	6,289
Longer than 5 years	298	1,064	–	–
	19,387	20,521	7,613	8,732

# Notes to the Financial Statements 31 March 2010

## continued

### 32. Subsidiaries

Name of subsidiary	Note	Country of incorporation	Ownership interest	
			2010 %	2009 %
Programmed Maintenance Services (N.Z.) Ltd		New Zealand	100	100
PMS Share Schemes Administration Pty Ltd	i	Australia	100	100
PMS Building Services Pty Ltd	i	Australia	100	100
Programmed Maintenance Services (UK) Ltd		United Kingdom	100	100
Whittle Painting Group Ltd		United Kingdom	100	100
Whittle Painting Northern Ltd		United Kingdom	100	100
Whittle Painting Nottingham Ltd		United Kingdom	100	100
Bonds Painting Ltd		United Kingdom	100	100
Programmed Property Services Ltd (formerly Brian Parry Ltd)		United Kingdom	100	100
Programmed Facility Management Pty Ltd	i, ii	Australia	100	100
Your Force Pty Ltd	i	Australia	100	100
Integrated Group Ltd	i, ii	Australia	100	100
Integrated Parramatta Warehousing Pty Ltd	i	Australia	100	100
Integrated Liverpool Industrial Pty Ltd	i	Australia	100	100
Integrated Parramatta Industrial Pty Ltd	i	Australia	100	100
Integrated Liverpool Warehousing Pty Ltd	i	Australia	100	100
Integrated Parramatta Services Pty Ltd	i	Australia	100	100
Integrated Liverpool Engineering Pty Ltd	i	Australia	100	100
Integrated Lismore Pty Ltd	i	Australia	100	100
Integrated Office Personnel Pty Ltd	i	Australia	100	100
Integrated Industrial Pty Ltd	i	Australia	100	100
Integrated Labour Network Pty Ltd	i	Australia	100	100
Industrial Personnel Company Pty Ltd	i	Australia	100	100
Integrated Alexandria No. 1 Pty Ltd	i	Australia	100	100
Integrated Alexandria No. 2 Pty Ltd	i	Australia	100	100
Integrated Liverpool Pty Ltd	i	Australia	100	100
Integrated Alexandria No. 3 Pty Ltd	i	Australia	100	100
Integrated Parramatta Pty Ltd	i	Australia	100	100
Labour Management Australia Pty Ltd	i	Australia	100	100
Integrated Blacktown No. 2 Pty Ltd	i	Australia	100	100
Integrated Blacktown No. 3 Pty Ltd	i	Australia	100	100
Integrated Group Employment Ltd	ii	Australia	100	100
Integrated Maintenance Services Pty Ltd	i, ii	Australia	100	100
Sea Wolves Pty Ltd	i, ii	Australia	100	100
Total Marine Services Pty Ltd	i, ii	Australia	100	100
Total Provider Pty Ltd	i	Australia	100	100
Total Venture Pty Ltd	i	Australia	100	100
Total Resources Pty Ltd	i	Australia	100	100
Total Shipping Services Pty Ltd	i	Australia	100	100

# Notes to the Financial Statements 31 March 2010

## continued

### 32. Subsidiaries continued

Name of subsidiary	Note	Country of incorporation	Ownership interest	
			2010 %	2009 %
Total Marine Services (Asia) Pte. Ltd.		Singapore	100	100
Integrated Warehousing Pty Ltd	i	Australia	100	100
Integrated Manufacturing Pty Ltd	i	Australia	100	100
Integrated Stores Pty Ltd	i	Australia	100	100
Integrated General Pty Ltd	i	Australia	100	100
Integrated Trades Pty Ltd	i	Australia	100	100
Integrated Recruitment Pty Ltd	i	Australia	100	100
Integrated Office Professionals Pty Ltd	i	Australia	100	100
NTBD Pty Ltd	i	Australia	100	100
Integrated Group (NZ) Ltd		New Zealand	100	100
Wendell Catering Services Ltd		New Zealand	100	100
Wendell Offshore Services Ltd		New Zealand	100	100
Artel Corporation Ltd		New Zealand	100	100
Hi- Point Personnel Pty Ltd	i	Australia	100	100
Integrated Workforce NZ Limited		New Zealand	100	100
SWG Holdings (2005) Pty Ltd	i, ii	Australia	100	100
SWG Operations Pty Ltd	i, ii	Australia	100	100
SWG Offshore Pty Ltd	i, ii	Australia	100	100
SWG Mining Services Pty Ltd	i	Australia	100	100
Swift Recruitment Pty Ltd	i	Australia	100	100
Integrated Testing Pty Ltd	i	Australia	100	100
SWG International Holdings Pte. Ltd		Singapore	100	100
SWG Offshore International Pte. Ltd		Singapore	100	100
Gaylin SWG Offshore Pte. Ltd	iii	Singapore	–	50
KLM Group Ltd	i	Australia	100	–
Allied Technologies Australia Pty Ltd	i	Australia	100	–
KLM Group (SA) Pty Ltd	i	Australia	100	–
Qolit Australia Pty Ltd		Australia	70	–

i. These subsidiaries are members of the tax consolidated group, with Programmed Maintenance Services Limited being the head entity within the tax consolidated group.

ii. These wholly owned subsidiaries have entered into a deed of cross guarantee with Programmed Maintenance Services Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.

iii. This entity was deregistered on 15 January 2010.

# Notes to the Financial Statements 31 March 2010

## continued

### 32. Subsidiaries continued

The consolidated income statement and statement of financial position of the entities party to the deed of cross guarantee are:

	Consolidated	
	2010 \$'000	2009 \$'000
<b>Income statement</b>		
Revenue	1,018,548	1,074,002
Other income	2,532	3,780
Changes in inventories of finished goods and work in progress at cost	4,762	2,563
Raw materials and consumables used	(26,152)	(36,168)
Employee benefits expenses	(648,004)	(694,085)
Sub-contractor expenses	(251,104)	(212,231)
Depreciation and amortisation expense	(13,010)	(14,586)
Finance costs	(17,938)	(19,374)
Equipment and motor vehicle costs	(12,236)	(36,807)
Information technology and telecommunications costs	(6,301)	(5,283)
Defence and restructuring costs	–	(6,914)
Other expenses	(15,588)	(35,439)
Profit before tax expense	35,509	19,458
Income tax expense	(9,897)	(6,790)
Profit from continuing operations	25,612	12,668
Profit from discontinued operations	–	1,167
Profit for the year	25,612	13,835
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	34,905	30,600
Trade and other receivables	177,761	182,624
Other financial assets	–	3,649
Inventories	27,921	30,232
Current tax assets	–	3,881
Other	12,550	14,541
Total current assets	253,137	265,527
<b>Non-current assets</b>		
Trade and other receivables	61,963	63,411
Inventories	9,357	5,627
Other financial assets	46,282	17,186
Property, plant and equipment	22,862	29,998
Deferred tax assets	14,780	18,769
Goodwill	212,283	212,308
Other intangible assets	11,425	12,068
Total non-current assets	378,952	359,367
Total assets	632,089	624,894

# Notes to the Financial Statements 31 March 2010

## continued

### 32. Subsidiaries continued

	Consolidated	
	2010 \$'000	2009 \$'000
<b>Current liabilities</b>		
Trade and other payables	100,059	125,379
Borrowings	5,747	35,070
Current tax payables	1,706	746
Provisions	21,329	20,776
<b>Total current liabilities</b>	<b>128,841</b>	<b>181,971</b>
<b>Non-current liabilities</b>		
Borrowings	141,891	172,085
Other financial liabilities	7,345	8,062
Deferred tax liabilities	45,129	46,000
Provisions	6,850	7,454
<b>Total non-current liabilities</b>	<b>201,215</b>	<b>233,601</b>
<b>Total liabilities</b>	<b>330,056</b>	<b>415,572</b>
<b>Net assets</b>	<b>302,033</b>	<b>209,322</b>
<b>Equity</b>		
Issued capital	236,060	165,862
Reserves	6,924	1,535
Retained earnings*	59,049	41,925
<b>Total equity</b>	<b>302,033</b>	<b>209,322</b>
* Retained earnings		
Retained earnings as at beginning of the financial year	41,925	47,652
Net profit	25,612	13,835
Dividends provided for or paid	(8,488)	(19,562)
<b>Retained earnings as at end of the financial year</b>	<b>59,049</b>	<b>41,925</b>

# Notes to the Financial Statements 31 March 2010

## continued

### 33. Acquisition of businesses

Names of businesses acquired	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Cost of acquisition \$'000
<b>2010</b>				
KLM Group Ltd	Design, installation and maintenance of integrated electrical and communications systems.	22 January 2010	100	29,096
<b>2009</b>				
SWG Holdings (2005) Pty Ltd	Project management, engineering, construction and maintenance.	4 July 2008	100	27,952

#### Acquisition of businesses in the financial year ended 31 March 2010

On 22 January 2010, the Group acquired 96.31% of the issued share capital of KLM Group Ltd ("KLM group") for cash consideration of \$27,102 thousand. A further \$1,040 thousand was paid on 5 March 2010 to compulsorily acquire the remaining 3.69%. Acquisition costs amounting to \$954 thousand were paid in cash during the financial year.

#### Acquisition of businesses in the financial year ended 31 March 2009

On 4 July 2008, the Group acquired 100% of the issued share capital of SWG Holdings (2005) Pty Ltd and its subsidiaries ("SWG group"), with the share consideration being the issue of Programmed Maintenance Services Limited shares. 7,795,552 ordinary shares were issued at a price of \$3.44 per share providing consideration of \$26,816 thousand. A further \$1,136 thousand of consideration, including acquisition costs, had been paid in cash by 31 March 2009.

The deferred consideration payable for the acquisition of SWG will comprise further ordinary shares in the Company, with the number issued to be entirely dependent upon the financial performance of the SWG group over the three financial years to 30 June 2011. To facilitate the issue of further ordinary shares, the Company issued the SWG sellers (or their nominees) with a new type of share in the Company, called a "Performance share". Following shareholder approval at the 2009 Annual General Meeting, the Company issued 3,000 Performance shares. The Performance shares have limited rights and convert into fully paid ordinary shares in the capital of the Company depending upon the financial performance of the SWG Group. The terms of the Performance shares and the required levels of EBIT (earnings before interest and tax) were described in the ASX Appendix 3b issued on 13 August 2009.

At 31 March 2010, the business was not expected to perform at the average EBIT level over the three year period that would result in the conversion of the Performance shares into any more than a nominal number of fully paid ordinary shares. No value has therefore been assigned to the deferred consideration at reporting date.

# Notes to the Financial Statements 31 March 2010

## continued

### 33. Acquisition of businesses continued

The net assets acquired in the business combination, and the goodwill arising, are as follows:

	2010			2009		
	Book value \$'000	Fair value adjustments \$'000	Fair value on acquisition \$'000	Book value \$'000	Fair value adjustments \$'000	Fair value on acquisition \$'000
<b>Net assets acquired:</b>						
<b>Current assets</b>						
Cash and cash equivalents	8,366	–	8,366	177	–	177
Trade and other receivables	19,630	–	19,630	13,427	(111)	13,316
Inventories	6,298	–	6,298	1,527	(193)	1,334
Current tax assets	407	–	407	–	–	–
Other current assets	826	–	826	800	–	800
<b>Non-current assets</b>						
Property, plant and equipment	3,014	(564)	2,450	3,139	(29)	3,110
Deferred tax assets	1,454	–	1,454	302	33	335
<b>Current liabilities</b>						
Trade and other payables	(27,128)	–	(27,128)	(8,686)	–	(8,686)
Borrowings	–	–	–	(2,021)	–	(2,021)
Current tax payable	–	–	–	(1,255)	–	(1,255)
Provisions	(2,998)	(100)	(3,098)	–	(527)	(527)
<b>Non-current liabilities</b>						
Borrowings	(219)	–	(219)	–	–	–
Deferred tax liabilities	–	–	–	(485)	58	(427)
Provisions	(202)	–	(202)	–	–	–
	<b>9,448</b>	<b>(664)</b>	<b>8,784</b>	<b>6,925</b>	<b>(769)</b>	<b>6,156</b>
Goodwill arising on acquisition			<b>20,312</b>			<b>21,796</b>
Total consideration			<b>29,096</b>			<b>27,952</b>

Net cash flow on acquisitions:

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Total purchase consideration	29,096	27,952	29,096	27,952
Less non cash consideration: issue of equity securities (Note 24)	–	(26,816)	–	(26,816)
Consideration and acquisition costs paid in cash	29,096	1,136	29,096	1,136
Less: cash and cash equivalent	(8,366)	(177)	–	–
	<b>20,730</b>	<b>959</b>	<b>29,096</b>	<b>1,136</b>

The initial accounting for the acquisition of the KLM group has only been provisionally determined at reporting date. KLM Group Ltd and its wholly owned subsidiaries became wholly-owned on 5 March 2010 and have joined the company's tax-consolidated group. For tax purposes, the tax values of the KLM group assets are required to be reset based on market values and other factors. At the date of finalisation of this report, the necessary market valuations and other calculations had not been finalised and the adjustment to deferred tax liabilities and goodwill noted above has therefore only been provisionally determined based on the directors' best estimate of the likely tax values. The market valuations obtained for tax purposes may also impact the recognised fair values of the other assets acquired as part of the business combination.

# Notes to the Financial Statements 31 March 2010

## continued

### 33. Acquisition of businesses continued

Goodwill arose in the business combinations because the cost of the combination included a control premium paid to acquire the businesses. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of businesses. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

The acquired businesses contributed revenues of \$30,279 thousand and net profit of \$444 thousand to the Group for the period from 22 January 2010 to 31 March 2010 (2009: Revenues of \$84,056 thousand and net profit of \$3,029 thousand for the period from 4 July 2008 to 31 March 2009).

It is impracticable to determine what the revenue and profit for the Group would have been had the acquisition occurred on 1 April 2009 (2009: 1 April 2008).

### 34. Discontinued operations

a. On 1 July 2008, the Group disposed of Barry Bros Specialised Services Pty Limited which represented the Group's Industrial Services business segment.

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Profit for the year from discontinued operations</b>				
Loss of the company for the year	–	(144)	–	–
Gain on disposal of the company	–	1,311	–	5,945
	–	1,167	–	5,945

The following were the results of the company for the year:

Revenue	–	11,204	–	–
Other income	–	60	–	–
Raw materials and consumables used	–	(848)	–	–
Employee benefits expenses	–	(4,898)	–	–
Sub-contractor expenses	–	(904)	–	–
Depreciation and amortisation expense	–	(1,098)	–	–
Finance costs	–	(299)	–	–
Equipment and motor vehicle costs	–	(2,271)	–	–
Information technology and telecommunications costs	–	(123)	–	–
Other expenses	–	(284)	–	–
Operating profit before tax	–	539	–	–
Fair value adjustments on sale	–	(735)	–	–
Loss before income tax	–	(196)	–	–
Income tax benefit	–	52	–	–
Loss after tax	–	(144)	–	–

# Notes to the Financial Statements 31 March 2010

## continued

### 34. Discontinued operations continued

#### Cash flows from discontinued operations

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Net cash flows from operating activities	-	2,456	-	-
Net cash flows from investing activities (2009 consolidated includes an inflow of \$10,246 thousand from the disposal of the company)	-	8,131	-	10,066
Net cash flows from financing activities	-	(690)	-	-
Net cash flows	-	9,897	-	10,066
Carrying amounts of assets and liabilities at 1 July 2008:				
Cash and cash equivalents	-	-	-	-
Trade and other receivables	-	8,536	-	-
Inventories	-	31	-	-
Other assets	-	410	-	-
Property, plant and equipment	-	21,338	-	-
Deferred tax assets	-	538	-	-
Total assets	-	30,853	-	-
Trade and other payables	-	(5,823)	-	-
Borrowings	-	(15,097)	-	-
Provisions	-	(1,178)	-	-
Total liabilities	-	(22,098)	-	-
Net assets	-	8,755	-	-

#### Details of the sale of the business

Consideration received: Cash and cash equivalents	-	10,066	-	10,066
Carrying amount of net assets sold	-	(8,755)	-	(4,121)
Gain on disposal	-	1,311	-	5,945
Income tax expense	-	-	-	-
Gain on disposal after tax	-	1,311	-	5,945
Net cash inflow on disposal:				
Cash and cash equivalents consideration	-	10,066	-	10,066
Add bank overdraft balance disposed of	-	180	-	-
	-	10,246	-	10,066

b. An amount of \$4,000 thousand, which was receivable at 31 March 2008 following the sale of a subsidiary, was received in the year ended 31 March 2009.

# Notes to the Financial Statements 31 March 2010

## continued

### 35. Notes to the cash flow statement

#### a. Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash and cash equivalents	48,167	38,229	16,757	18,412
Bank overdraft (Note 21)	(1,640)	(2,045)	–	–
	46,527	36,184	16,757	18,412

#### b. Non-cash financing and investing activities

Aggregate amount of property, plant and equipment acquired during the financial year by entering into hire purchase agreements and finance leases. These acquisitions are not reflected in the cash flow statement

	4,268	6,395	4,223	5,327
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#### c. Financing facilities

##### 1. Credit standby arrangements

###### a. Secured loan acceptance facilities with various maturity dates

– amount used	141,020	7,232	134,000	–
– amount unused	71,705	8,243	64,750	–
	212,725	15,475	198,750	–

###### b. Unsecured loan acceptance facilities with various maturity dates

– amount used	–	192,000	–	192,000
– amount unused	–	18,000	–	18,000
	–	210,000	–	210,000

###### c. Secured bank overdraft facilities with various maturity dates, payable at call

– amount used	1,640	2,045	–	–
– amount unused	5,107	865	3,500	–
	6,747	2,910	3,500	–

###### d. Unsecured bank overdraft facilities with various maturity dates, payable at call

– amount used	–	–	–	–
– amount unused	–	3,500	–	3,500
	–	3,500	–	3,500

###### e. The company remains a guarantor of the banking facilities and other bank guarantees provided by Westpac Banking Corporation to related companies in the United Kingdom

	–	–	7,524	7,563
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##### 2. Bank guarantees

– amount used	28,091	7,479	20,893	7,479
– amount unused	552	4,771	552	4,771
	28,643	12,250	21,445	12,250

# Notes to the Financial Statements 31 March 2010

## continued

### 35. Notes to the cash flow statement continued

#### d. Reconciliation of profit for the year to net cash flows from operating activities

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Profit for the year	26,164	28,072	15,639	3,021
Gain on sale of non-current assets (Note 6)	(2,690)	(1,428)	(4,059)	(1,485)
Gain on disposal of business (Note 34)	–	(1,311)	–	(5,945)
Gain on disposal of investments (Note 6)	–	(20)	–	–
Depreciation and amortisation of non-current assets (Note 6)	14,795	17,393	9,433	8,451
Interest income received and receivable (Note 5)	(882)	(906)	(557)	(519)
Equity settled share-based payment (Note 6)	1,020	940	752	671
Dividends receivable from subsidiaries	–	–	(15,000)	–
Decrease/(increase) in net current tax asset/liability	5,399	(3,284)	5,622	(4,408)
Increase/(decrease) in deferred tax balances	961	1,939	1,418	(372)
Increase/(decrease) in amount due under tax funding arrangement	–	–	(6,610)	(2,533)
Changes in net assets and liabilities, net of effects of acquisition and disposal of businesses:				
<b>(Increase)/decrease in assets:</b>				
Current receivables	11,508	28,763	(971)	(4,259)
Current inventories	(2,198)	(1,001)	2,436	(144)
Other current assets	1,499	794	1,108	(4,056)
Non-current receivables	8,350	(14,250)	1,386	(9,100)
Non-current inventories	(3,023)	(265)	(3,730)	(537)
Other non-current assets	–	(410)	–	–
<b>Increase/(decrease) in liabilities:</b>				
Current payables	(20,635)	7,972	(3,464)	16,835
Current provisions	78	(2,340)	2,405	1,416
Other current liabilities	(6,816)	(5,209)	(6,180)	–
Non-current provisions	(468)	551	182	(371)
<b>Net cash provided by / (used in) operating activities</b>	<b>33,062</b>	<b>56,000</b>	<b>(190)</b>	<b>(3,335)</b>

# Notes to the Financial Statements 31 March 2010

## continued

### 36. Financial instruments

#### a. Capital risk management

The Group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to shareholders. The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of debt as disclosed in Note 21, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 24,25 and 26 respectively.

#### Gearing ratio

The Group's management reviews the capital structure on a regular basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 40% that is determined as the proportion of net debt to equity. Based on recommendations of management, the Group will balance its overall capital structure through payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The gearing ratio at year end was as follows:

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Debt <sup>i</sup>	154,746	215,473	145,092	205,154
Cash and cash equivalents	(48,167)	(38,229)	(16,757)	(18,412)
Net debt	106,579	177,244	128,335	186,742
Equity <sup>ii</sup>	371,197	284,387	271,841	189,102
Net debt to equity ratio	28.7%	62.3%	47.2%	98.8%

i. Debt is defined as long- and short-term borrowings, as detailed in Note 21.

ii. Equity includes all capital and reserves.

#### Banking covenants

During the year the group and the company complied with their banking covenants. The banking covenants were:

- Gearing ratio;
- Interest cover ratio; and
- Maintaining a minimum amount of shareholders' funds.

#### b. Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 2.

#### c. Categories of financial instruments

##### Financial assets

Cash and cash equivalents	48,167	38,229	16,757	18,412
Loans and receivables	345,168	345,396	166,412	169,882

##### Financial liabilities

Derivative instruments in designated hedge accounting relationships	1,616	8,062	1,616	8,062
Amortised cost	291,490	345,724	195,387	258,913

## 36. Financial instruments continued

### d. Financial risk management objectives

The Group's corporate treasury function provides services to the business by co-ordinating access to financial markets and monitoring and managing financial risks. These risks include market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effect of these risks, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

### e. Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer Note 36(f)) and interest rates (refer Note 36(g)). The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- Foreign exchange forward contracts to hedge the exchange rate risk; and
- Interest rate swap contracts to manage interest rate risk.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

### f. Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters using forward foreign exchange contracts.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
New Zealand dollars	5,486	9,486	74,877	83,029
British pounds	9,382	11,079	12,698	14,875
United States dollars	–	1,636	–	2,957
Singapore dollars	3,675	–	2,828	–

### Foreign currency sensitivity analysis

The Group is mainly exposed to New Zealand dollars as noted above. The Group's sensitivity to a 10% increase and decrease in the Australian dollar against the New Zealand dollar decreases net assets by \$6,308 thousand (2009: \$6,686 thousand) and increases net assets by \$7,710 thousand (2009: \$8,171 thousand) respectively.

10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

### Forward foreign exchange contracts

The Group has not entered into any forward exchange contracts at 31 March 2010 (2009: nil).

### 36. Financial instruments continued

#### g. Interest rate risk management

The company and the Group are exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite.

The company and the Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

#### Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net profit would decrease by \$633 thousand and increase by \$633 thousand (2009: decrease by \$779 thousand and increase by \$779 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

#### Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at reporting date and the credit risk inherent in the contract, and are disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

#### Cash flow hedges

Outstanding floating for fixed contracts	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2010 %	2009 %	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Company and consolidated</b>						
Less than 1 year	7.65	–	126,000	–	620	–
1 to 2 years	7.65	7.65	42,000	126,000	996	6,620
2 to 3 years	–	7.65	–	42,000	–	1,443
					<b>1,616</b>	<b>8,063</b>

The Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between the fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. The Group will settle the difference between the fixed and floating interest rate on a net basis. The floating rate on the interest rate swaps is the Australian BBSY.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the period that the floating interest payments on debt impact profit or loss.

#### h. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated favourably by independent rating agencies and if not available the Group uses publicly available financial information and its own trading record to rate its major customers. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

# Notes to the Financial Statements 31 March 2010

## continued

### 36. Financial instruments continued

#### h. Credit risk management continued

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

#### i. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 35(c) is a listing of additional undrawn facilities that the company/Group has at its disposal to further reduce liquidity risk.

#### Liquidity and interest risk tables

The following tables detail the company's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Consolidated	Weighted average effective interest rate %	Less than 1 month \$'000	1 to 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	5+ years \$'000
<b>2010</b>						
Non-interest bearing	–	112,067	12,799	3,302	64	–
Finance lease liability	10.63	496	1,098	4,277	9,206	142
Variable interest rate instruments:						
– Bank overdrafts	2.19	1,644	–	–	–	–
– Bank loans	7.18	2	18,024	6,945	134,703	–
	–	114,209	31,921	14,524	143,973	142
<b>2009</b>						
Non-interest bearing	–	95,899	32,489	1,863	–	–
Finance lease liability	9.48	502	1,003	4,496	10,261	–
Variable interest rate instruments:						
– Bank overdrafts	2.30	2,049	–	–	–	–
– Bank loans	6.46	–	3,276	26,411	205,956	–
	–	98,450	36,768	32,770	216,217	–

At the year end it was not probable that the counterparty to the financial guarantee contracts (Note 35(c)) will claim under the contract. Consequently, the amount included above is nil.

# Notes to the Financial Statements 31 March 2010

## continued

### 36. Financial instruments continued

#### i. Liquidity risk management continued

##### Liquidity and interest risk tables continued

Company	Weighted average effective interest rate %	Less than 1 month \$'000	1 to 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	5+ years \$'000
<b>2010</b>						
Non-interest bearing	–	44,845	5,081	369	–	–
Finance lease liability	10.89	448	994	3,929	8,572	142
Variable interest rate instruments:						
– Bank overdrafts	–	–	–	–	–	–
– Bank loans	7.40	–	12,173	6,362	133,740	–
	–	45,293	18,248	10,660	142,312	142
<b>2009</b>						
Non-interest bearing	–	51,784	1,750	225	–	–
Finance lease liability	9.66	473	946	4,257	9,381	–
Variable interest rate instruments:						
– Bank overdrafts	–	–	–	–	–	–
– Bank loans	6.56	–	3,149	20,512	204,391	–
	–	52,257	5,845	24,994	213,772	–

At the year end it was not probable that the counterparty to the financial guarantee contracts (Note 35(c)) will claim under the contract. Consequently, the amount included above is nil.

The maximum amount the company could be forced to settle under the deed of cross guarantee (note 32) is \$68,609 thousand (2009: \$94,293 thousand). At the end of the reporting period, it was not considered probable that there would be a claim under the deed. Consequently, the amount included above is nil.

The following table details the Group's and Company's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows/(outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

Consolidated and Company	Less than 1 month \$'000	1 to 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	5+ years \$'000
<b>2010</b>					
Net settled:					
Interest rate swaps	–	1,053	821	211	–
<b>2009</b>					
Net settled:					
Interest rate swaps	–	1,396	4,546	2,901	–

## 36. Financial instruments continued

### j. Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- the fair values of derivative instruments are determined as follows:
  - foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts; and
  - interest rate swaps are measured 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 amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

#### Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or 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).

Consolidated	Level 2 \$'000
2010	
Derivative financial liabilities	1,616

## 37. Share-based payments

During the year ended 31 March 2008, the company introduced the “Long Term Incentive Plan”, a share-based compensation scheme for executives and senior employees of the Group. In accordance with the provisions of this Plan, the executives and senior employees have been granted performance rights and/or performance options over the past three years.

Due to changes in the tax treatment of share-based payments following the May 2009 Federal Budget, no further performance rights or performance options will be granted under this Plan. The Company intends to introduce a new share-based compensation scheme in the next financial year.

The Long Term Incentive Plan contains the following components:

- a. Each performance right converts upon exercise into one fully paid ordinary share in the Company with no amounts being paid or payable by the recipient on receipt of the performance right;
- b. Each performance option converts into one fully paid ordinary share in the Company upon the payment of the applicable exercise price at time of exercise, with no amounts being paid or payable by the recipient on receipt of the performance option;
- c. Performance rights have vesting dates that are three to five years from the date of issue, and may be exercised at any time within twelve months from date of vesting;
- d. Performance options have a vesting date that is three years from the date of issue, and may be exercised at any time within twelve months from the date of vesting;
- e. Both performance rights and performance options carry neither rights to dividends nor voting rights; and
- f. The number of performance rights or performance options that will be exercisable on the vesting date is based on the Total Shareholder Return of the Company during the years prior to the vesting date as compared to the Total Shareholder Return for a peer group of companies listed in the S&P/ASX 300 Index.

# Notes to the Financial Statements 31 March 2010

## continued

### 37. Share-based payments continued

The following reconciles the outstanding performance rights and options under the Plan at the beginning and end of the financial year:

	Performance rights		Performance options	
	2010 No.	2009 No.	2010 No.	2009 No.
Balance at the beginning of the financial year <sup>i</sup>	1,029,304	939,304	3,360,000	2,900,000
Granted during the financial year <sup>ii</sup>	25,000	150,000	100,000	735,000
Exercised during the financial year <sup>iii</sup>	(43,080)	–	(2,854)	–
Lapsed during the financial year <sup>iv</sup>	(58,724)	(60,000)	(272,146)	(275,000)
Balance at the end of the financial year <sup>v</sup>	952,500	1,029,304	3,185,000	3,360,000

#### i. Balance at beginning of the financial year 2010

	Grant date	Issue date	Vested number	Unvested number	Vesting date	Expiry date	Exercise price \$	Fair value at grant date \$
<b>Performance rights</b>								
Tranche PR-1	22/06/2007	22/06/2007	–	539,304	01/07/2010	30/06/2011	–	3.35
Tranche PR-2	08/08/2008	08/08/2008	–	60,000	21/01/2011	21/01/2012	–	1.73
Tranche PR-3	08/08/2008	08/08/2008	–	60,000	21/01/2012	21/01/2013	–	1.72
Tranche PR-4	08/08/2008	08/08/2008	–	60,000	21/01/2013	21/01/2014	–	1.69
Tranche PR-5	12/03/2008	12/03/2008	–	49,500	11/03/2011	11/03/2012	–	2.03
Tranche PR-6	12/03/2008	12/03/2008	–	49,500	11/03/2012	11/03/2013	–	1.99
Tranche PR-7	12/03/2008	12/03/2008	–	61,000	11/03/2013	11/03/2014	–	1.95
Tranche PR-8	12/03/2009	12/03/2009	–	47,000	11/03/2012	11/03/2013	–	0.83
Tranche PR-9	12/03/2009	12/03/2009	–	47,000	11/03/2013	11/03/2014	–	0.81
Tranche PR-10	12/03/2009	12/03/2009	–	56,000	11/03/2014	11/03/2015	–	0.79
Total of performance rights			–	1,029,304				
<b>Performance options</b>								
Tranche PO-1	08/08/2008	21/01/2008	–	150,000	21/01/2011	21/01/2012	4.82	0.58
Tranche PO-2	08/08/2008	21/01/2009	–	150,000	21/01/2012	21/01/2013	2.66	0.63
Tranche PO-3	08/08/2008	21/01/2010	–	150,000	21/01/2013	21/01/2014	See Note 1	0.69
Tranche PO-4	12/03/2008	12/03/2008	–	678,000	11/03/2011	11/03/2012	4.80	0.61
Tranche PO-5	12/03/2008	12/03/2009	–	678,000	11/03/2012	11/03/2013	2.16	0.69
Tranche PO-6	12/03/2008	12/03/2010	–	819,000	11/03/2013	11/03/2014	See Note 2	0.77
Tranche PO-7	12/03/2009	12/03/2009	–	235,200	11/03/2012	11/03/2013	2.16	0.22
Tranche PO-8	12/03/2009	12/03/2010	–	235,200	11/03/2013	11/03/2014	See Note 2	0.23
Tranche PO-9	12/03/2009	12/03/2011	–	264,600	11/03/2014	11/03/2015	See Note 2	0.25
Total of performance options			–	3,360,000				

Note 1: The exercise price of options in tranche PO-3 will be based on the volume weighted average price of the company's shares for the five trading days prior to the issue date.

Note 2: The exercise price of options in tranches PO-6, PO-8 and PO-9 will be based on the volume weighted average price of the company's shares for the thirty trading days prior to the issue date.

# Notes to the Financial Statements 31 March 2010

## continued

### 37. Share-based payments continued

#### ii. Granted during the financial year 2010

The following performance rights and performance options were granted by the Board of Directors during the financial year:

	Number granted	Grant date	Issue date	Vesting date	Expiry date	Exercise price \$	Fair value at grant date \$
<b>Performance rights</b>							
Tranche PR-11	8,000	18/01/2010	18/01/2010	17/01/2013	17/01/2014	–	1.80
Tranche PR-12	8,000	18/01/2010	18/01/2010	17/01/2014	17/01/2015	–	1.79
Tranche PR-13	9,000	18/01/2010	18/01/2010	17/01/2015	17/01/2016	–	1.75
Total performance rights	25,000						
<b>Performance options</b>							
Tranche PO-10	30,000	18/01/2010	18/01/2010	17/01/2013	17/01/2014	3.76	0.81
Tranche PO-11	30,000	18/01/2010	18/01/2011	17/01/2014	17/01/2015	See Note	0.82
Tranche PO-12	40,000	18/01/2010	18/01/2012	17/01/2015	17/01/2016	See Note	0.84
Total performance options	100,000						

Note: The exercise price for performance options in tranches PO-11 and PO-12 will be the volume weighted average price of the Company's shares for the thirty trading days prior to the issue date.

The fair values at grant date of both the performance rights and the performance options have been priced using a Monte Carlo simulation, which is a valuation method using the results of many individual simulations to determine a fair value.

Key inputs into the model	Tranches of Performance rights			Tranches of Performance options		
	PR-11	PR-12	PR-13	PO-10	PO-11	PO-12
Share price at grant date	\$3.95	\$3.95	\$3.95	\$3.95	\$3.95	\$3.95
Exercise price	\$0.00	\$0.00	\$0.00	\$3.76	\$3.76	\$3.76
Years from grant date until vesting	3.0	4.0	5.0	3.0	4.0	5.0
Years after vesting	1.0	1.0	1.0	1.0	1.0	1.0
Expected TSR volatility of Company	37.14%	33.94%	32.29%	37.14%	33.94%	32.29%
Expected TSR volatility of Peer Group	16.29%	14.49%	13.27%	16.29%	14.49%	13.27%
Dividend yield	4.88%	4.68%	4.88%	4.68%	4.62%	4.50%
Risk-free interest rate	4.95%	5.10%	5.25%	4.95%	5.10%	5.25%

# Notes to the Financial Statements 31 March 2010

## continued

### 37. Share-based payments continued

#### iii. Exercised during the financial year 2010

The following performance rights and performance options were exercised during the financial year in accordance with the Company's Long Term Incentive Plan, which allows for proportional exercise prior to the vesting date upon retirement or redundancy:

	Number exercised	Exercise date	Issue date	Exercise price \$	Share price at exercise date \$
<b>Performance rights</b>					
Tranche PR-1	41,716	31/07/2009	22/06/2007	–	3.00
Tranche PR-8	535	18/02/2010	12/03/2009	–	3.07
Tranche PR-9	401	18/02/2010	12/03/2009	–	3.07
Tranche PR-10	428	18/02/2010	12/03/2009	–	3.07
Total performance rights	43,080				
<b>Performance options</b>					
Tranche PO-5	1,427	18/02/2010	12/03/2009	2.16	3.07
Tranche PO-7	1,427	18/02/2010	12/03/2009	2.16	3.07
Total performance options	2,854				

#### iv. Lapsed during the financial year 2010

The following performance rights and performance options lapsed during the financial year:

	Number lapsed	Grant date	Issue date	Vesting date	Expiry date
<b>Performance rights</b>					
Tranche PR-1	45,088	22/06/2007	22/06/2007	01/07/2010	30/06/2011
Tranche PR-8	3,965	12/03/2009	12/03/2009	11/03/2012	11/03/2013
Tranche PR-9	4,099	12/03/2009	12/03/2009	11/03/2013	11/03/2014
Tranche PR-10	5,572	12/03/2009	12/03/2009	11/03/2014	11/03/2015
Total performance rights	58,724				
<b>Performance options</b>					
Tranche PO-4	62,000	12/03/2008	12/03/2008	11/03/2011	11/03/2012
Tranche PO-5	60,573	12/03/2008	12/03/2009	11/03/2012	11/03/2013
Tranche PO-6	76,000	12/03/2008	12/03/2010	11/03/2013	11/03/2014
Tranche PO-7	22,573	12/03/2009	12/03/2009	11/03/2012	11/03/2013
Tranche PO-8	24,000	12/03/2009	12/03/2010	11/03/2013	11/03/2014
Tranche PO-9	27,000	12/03/2009	12/03/2011	11/03/2014	11/03/2015
Total performance options	272,146				

# Notes to the Financial Statements 31 March 2010

## continued

### 37. Share-based payments continued

#### v. Balance at end of the financial year 2010

	Grant date	Issue date	Vested number	Unvested number	Vesting date	Expiry date	Exercise price \$	Fair value at grant date \$
<b>Performance rights</b>								
Tranche PR-1	22/06/2007	22/06/2007	–	452,500	01/07/2010	30/06/2011	–	3.35
Tranche PR-2	08/08/2008	08/08/2008	–	60,000	21/01/2011	21/01/2012	–	1.73
Tranche PR-3	08/08/2008	08/08/2008	–	60,000	21/01/2012	21/01/2013	–	1.72
Tranche PR-4	08/08/2008	08/08/2008	–	60,000	21/01/2013	21/01/2014	–	1.69
Tranche PR-5	12/03/2008	12/03/2008	–	49,500	11/03/2011	11/03/2012	–	2.03
Tranche PR-6	12/03/2008	12/03/2008	–	49,500	11/03/2012	11/03/2013	–	1.99
Tranche PR-7	12/03/2008	12/03/2008	–	61,000	11/03/2013	11/03/2014	–	1.95
Tranche PR-8	12/03/2009	12/03/2009	–	42,500	11/03/2012	11/03/2013	–	0.83
Tranche PR-9	12/03/2009	12/03/2009	–	42,500	11/03/2013	11/03/2014	–	0.81
Tranche PR-10	12/03/2009	12/03/2009	–	50,000	11/03/2014	11/03/2015	–	0.79
Tranche PR-11	18/01/2010	18/01/2010	–	8,000	17/01/2013	17/01/2014	–	1.80
Tranche PR-12	18/01/2010	18/01/2010	–	8,000	17/01/2014	17/01/2015	–	1.79
Tranche PR-13	18/01/2010	18/01/2010	–	9,000	17/01/2015	17/01/2016	–	1.75
Total of performance rights			–	952,500				
<b>Performance options</b>								
Tranche PO-1	08/08/2008	21/01/2008	–	150,000	21/01/2011	21/01/2012	4.82	0.58
Tranche PO-2	08/08/2008	21/01/2009	–	150,000	21/01/2012	21/01/2013	2.66	0.63
Tranche PO-3	08/08/2008	21/01/2010	–	150,000	21/01/2013	21/01/2014	3.90	0.69
Tranche PO-4	12/03/2008	12/03/2008	–	616,000	11/03/2011	11/03/2012	4.80	0.61
Tranche PO-5	12/03/2008	12/03/2009	–	616,000	11/03/2012	11/03/2013	2.16	0.69
Tranche PO-6	12/03/2008	12/03/2010	–	743,000	11/03/2013	11/03/2014	3.23	0.77
Tranche PO-7	12/03/2009	12/03/2009	–	211,200	11/03/2012	11/03/2013	2.16	0.22
Tranche PO-8	12/03/2009	12/03/2010	–	211,200	11/03/2013	11/03/2014	3.23	0.23
Tranche PO-9	12/03/2009	12/03/2011	–	237,600	11/03/2014	11/03/2015	See Note	0.25
Tranche PO-10	18/01/2010	18/01/2010	–	30,000	17/01/2013	17/01/2014	3.76	0.81
Tranche PO-11	18/01/2010	18/01/2011	–	30,000	17/01/2014	17/01/2015	See Note	0.82
Tranche PO-12	18/01/2010	18/01/2012	–	40,000	17/01/2015	17/01/2016	See Note	0.84
Total of performance options			–	3,185,000				

Note: The exercise price for performance options in tranches PO-9, PO-11 and PO-12 will be the volume weighted average price of the Company's shares for the thirty trading days prior to the issue date.

# Notes to the Financial Statements 31 March 2010

## continued

### 38. Key management personnel compensation

The aggregate compensation made to directors and other members of key management personnel of the company and the Group is set out below:

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Short-term employee benefits	5,083,614	3,797,126	2,645,163	2,726,626
Post-employment benefits	221,890	263,021	132,038	171,206
Other long-term benefits	77,941	55,473	57,942	45,486
Termination benefits	–	–	–	–
Share-based payment	846,263	1,158,627	622,047	929,079
<b>Totals</b>	<b>6,229,708</b>	<b>5,274,247</b>	<b>3,457,190</b>	<b>3,872,397</b>

The company has taken advantage of the relief provided by AASB 2008-4 Amendments to Australian Accounting Standards – KMP disclosures by disclosing entities and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in the remuneration report on pages 18 to 28.

#### Details of key management personnel

The directors and other members of key management personnel of the Group during the year were:

- G A Tomlinson (Chairman, non-executive director)
- C G Sutherland (Managing Director)
- S M Oliver (Non-executive director)
- B J Pollock (Non-executive director)
- J G Whittle (Non-executive director)
- S M Leach (Chief Financial Officer)
- M P Piwkowski (Chief Executive Officer, Property Services)
- B Styles (Chief Executive Officer, Workforce)
- S Taylor (Chief Executive Officer, Facilities Management)
- G Triggs (Chief Executive Officer, Marine Services)
- D Kaestner (Chief Executive Officer, Engineering Services)
- I H Jones (Company Secretary)
- J A Sherlock (Group General Manager, Human Resources)
- S Anderson (General Manager, SWG Offshore)
- N G Caigou (Executive General Manager, United Kingdom)

### 39. Related party transactions

#### a. Equity interests in related parties

##### Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 32 to the financial statements.

#### b. Transactions with key management personnel

##### i. Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 38 to the financial statements.

# Notes to the Financial Statements 31 March 2010

## continued

### 39. Related party transactions continued

#### b. Transactions with key management personnel continued

##### ii. Key management personnel equity holdings

Fully paid ordinary shares of Programmed Maintenance Services Limited:

2010	Balance 1.4.09 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance 31.3.10 No.	Balance held nominally No.
G A Tomlinson	75,744	–	–	–	75,744	71,000
C G Sutherland	546,582	31,250	–	5,310	583,142	583,142
S M Oliver	6,743	–	–	1,648	8,391	8,391
B J Pollock	10,230	–	–	285	10,515	–
J G Whittle	1,834,656	–	–	(41,600)	1,793,056	1,693,358
S M Leach	13,321	4,596	–	–	17,917	17,917
D Kaestner	1,923,210	–	–	(749,569)	1,173,641	1,173,641
M P Piwkowski	54,232	6,250	–	(24,232)	36,250	6,250
B Styles	13,321	–	–	–	13,321	13,321
S Taylor	13,870	5,331	–	–	19,201	19,201
G Triggs	24,569	8,088	–	(24,569)	8,088	8,088
I H Jones	29,306	–	–	6,833	36,139	31,859
J A Sherlock	–	1,838	–	15	1,853	1,853
S Anderson	2,409,529	–	–	(1,002,879)	1,406,650	1,406,650
N G Caigou	27,500	–	–	–	27,500	–

2009	Balance 1.4.08 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance 31.3.09 No.	Balance held nominally No.
G A Tomlinson	75,744	–	–	–	75,744	71,000
C G Sutherland	495,040	46,603	–	4,939	546,582	546,582
S M Oliver	6,501	–	–	242	6,743	6,743
B J Pollock	9,863	–	–	367	10,230	–
J G Whittle	1,834,656	–	–	–	1,834,656	1,693,358
S M Leach	–	13,321	–	–	13,321	13,321
D Kaestner	–	–	–	1,923,210	1,923,210	1,923,210
M P Piwkowski	48,896	24,232	–	(18,896)	54,232	24,232
B Styles	–	13,321	–	–	13,321	13,321
S Taylor	–	13,870	–	–	13,870	–
G Triggs	11,248	13,321	–	–	24,569	24,569
I H Jones	28,535	19,571	–	(18,800)	29,306	25,771
J A Sherlock	–	–	–	–	–	–

The net other change shown in 2009 for Mr. D. Kaestner related to the acquisition of SWG Holdings (2005) Pty Ltd, with the shares being issued on 4 July 2008.

# Notes to the Financial Statements 31 March 2010

## continued

### 39. Related party transactions continued

#### b. Transactions with key management personnel continued

##### ii. Key management personnel equity holdings

Performance rights issued by Programmed Maintenance Services Limited

2010	Balance 1.4.09 No.	Granted as compensation No.	Exercised No.	Net other change No.	Balance 31.3.10 No.	Balance held nominally No.
G A Tomlinson	–	–	–	–	–	–
C G Sutherland	180,000	–	–	–	180,000	–
S M Oliver	–	–	–	–	–	–
B J Pollock	–	–	–	–	–	–
J G Whittle	–	–	–	–	–	–
S M Leach	75,000	–	–	–	75,000	–
D Kaestner	–	–	–	–	–	–
M P Piwkowski	75,000	–	–	–	75,000	–
B Styles	75,000	–	–	–	75,000	–
S Taylor	75,000	–	–	–	75,000	–
G Triggs	75,000	–	–	–	75,000	–
I H Jones	60,000	–	–	–	60,000	–
J A Sherlock	25,000	–	–	–	25,000	–
S Anderson	–	–	–	–	–	–
N G Caigou	60,000	–	–	–	60,000	–

2009	Balance 1.4.08 No.	Granted as compensation No.	Exercised No.	Net other change No.	Balance 31.3.09 No.	Balance held nominally No.
G A Tomlinson	–	–	–	–	–	–
C G Sutherland	180,000	–	–	–	180,000	–
S M Oliver	–	–	–	–	–	–
B J Pollock	–	–	–	–	–	–
J G Whittle	–	–	–	–	–	–
S M Leach	75,000	–	–	–	75,000	–
D Kaestner	–	–	–	–	–	–
M P Piwkowski	75,000	–	–	–	75,000	–
B Styles	47,500	27,500	–	–	75,000	–
S Taylor	35,000	40,000	–	–	75,000	–
G Triggs	47,500	27,500	–	–	75,000	–
I H Jones	60,000	–	–	–	60,000	–
J A Sherlock	25,000	–	–	–	25,000	–

# Notes to the Financial Statements 31 March 2010

## continued

### 39. Related party transactions continued

#### b. Transactions with key management personnel continued

##### ii. Key management personnel equity holdings

Performance options issued by Programmed Maintenance Services Limited

2010	Balance 1.4.09 No.	Granted as compensation No.	Exercised No.	Net other change No.	Balance 31.3.10 No.	Balance held nominally No.
G A Tomlinson	–	–	–	–	–	–
C G Sutherland	450,000	–	–	–	450,000	–
S M Oliver	–	–	–	–	–	–
B J Pollock	–	–	–	–	–	–
J G Whittle	–	–	–	–	–	–
S M Leach	125,000	–	–	–	125,000	–
D Kaestner	–	–	–	–	–	–
M P Piwkowski	125,000	–	–	–	125,000	–
B Styles	125,000	–	–	–	125,000	–
S Taylor	125,000	–	–	–	125,000	–
G Triggs	125,000	–	–	–	125,000	–
I H Jones	50,000	–	–	–	50,000	–
J A Sherlock	50,000	–	–	–	50,000	–
S Anderson	–	–	–	–	–	–
N G Caigou	100,000	–	–	–	100,000	–

  

2009	Balance 1.4.08 No.	Granted as compensation No.	Exercised No.	Net other change No.	Balance 31.3.09 No.	Balance held nominally No.
G A Tomlinson	–	–	–	–	–	–
C G Sutherland	450,000	–	–	–	450,000	–
S M Oliver	–	–	–	–	–	–
B J Pollock	–	–	–	–	–	–
J G Whittle	–	–	–	–	–	–
S M Leach	125,000	–	–	–	125,000	–
D Kaestner	–	–	–	–	–	–
M P Piwkowski	125,000	–	–	–	125,000	–
B Styles	100,000	25,000	–	–	125,000	–
S Taylor	100,000	25,000	–	–	125,000	–
G Triggs	100,000	25,000	–	–	125,000	–
I H Jones	50,000	–	–	–	50,000	–
J A Sherlock	50,000	–	–	–	50,000	–

# Notes to the Financial Statements 31 March 2010

## continued

### 39. Related party transactions continued

#### b. Transactions with key management personnel continued

##### ii. Key management personnel equity holdings

Performance shares issued by Programmed Maintenance Services Limited

2010	Balance 1.4.09 No.	Granted as compensation No.	Exercised No.	Net other change No.	Balance 31.3.10 No.	Balance held nominally No.
D Kaestner	–	–	–	681	681	681
S Anderson	–	–	–	681	681	681

The performance shares were issued on 11 August 2009.

##### iii. Other transactions with key management personnel

A director, Mr J G Whittle, is a director of Alltown Nominees Pty Ltd, which is the lessor of an office building occupied by Integrated Group Limited, a subsidiary. The rental agreement with Alltown Nominees Pty Ltd is based on normal commercial terms and conditions. The rental expense included in the consolidated result was \$71,118 (2009: \$347,426).

A key management person, Mr D Kaestner, has an interest in the entity that leases premises to the Engineering Services division. The rental agreement with the lessor is based on normal commercial terms and conditions. The rental expense included in the consolidated result was \$193,800 (2009: \$145,350).

During the financial year, the specified directors, their director-related entities and the specified executives purchased goods, which were domestic or trivial in nature, from the company on the same terms and conditions available to other employees and customers.

#### c. Transactions with entities in the wholly-owned group

The wholly-owned group includes:

- The ultimate parent entity in the wholly-owned group; and
- Wholly-owned subsidiaries.

The ultimate parent entity in the wholly-owned group is Programmed Maintenance Services Limited.

Details of interest revenue derived by the parent entity from wholly-owned subsidiaries are disclosed in Note 5 to the financial statements. Details of interest expense in respect of transactions with wholly-owned subsidiaries are disclosed in Note 6 to the financial statements.

Amounts receivable from wholly owned subsidiaries are disclosed in Note 9 to the financial statements.

Other transactions that occurred during the financial year between entities in the wholly-owned group were:

- Accounting and administrative services;
- Management fees; and
- Reimbursement for expenses incurred.

#### d. Transactions with other related parties

Other related parties include directors of related parties, their director-related entities and other related parties.

There were no transactions with other related parties that needed to be disclosed in the financial statements in the current financial year or in the previous financial year.

# Notes to the Financial Statements 31 March 2010

## continued

### 40. Remuneration of auditors

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>Auditor of the parent entity</b>				
Audit or review of the financial report	525,120	452,780	281,100	286,080
Other non-audit services:				
Carbon reporting advice	27,046	–	27,046	–
Immigration assistance	45,529	–	–	–
	<b>597,695</b>	<b>452,780</b>	<b>308,146</b>	<b>286,080</b>
<b>Other auditors</b>				
Audit or review of the financial report	121,617	125,868	–	–
Other non-audit services:				
Tax return and other non-audit services	94,379	201,924	–	162,500
	<b>215,996</b>	<b>327,792</b>	<b>–</b>	<b>162,500</b>
	<b>813,691</b>	<b>780,572</b>	<b>308,146</b>	<b>448,580</b>

The auditor of Programmed Maintenance Services Limited is Deloitte Touche Tohmatsu.

### 41. Subsequent events

On 12 May 2010, Programmed Group announced that, following a strategic review of its operations and taking into account changes in market conditions over the past 18 months, it proposes to exit its UK painting business and refocus SWG.

#### UK business

It is proposed to restructure the UK business during the northern summer so existing programmes are serviced, while no new contracts are sought. The proposal would result in a provision of approximately \$7.6m after tax in the Group's financial statements for the year ending 31 March 2011 to cover expected redundancies, lease liabilities, write downs of equipment and impairment of goodwill (\$1.9m) that would occur over the next two years as the business is scaled down. The aim would be to sell the remaining servicing contract assets by 30 June 2012. The Group has entered into a consultation process with its UK employees about the proposed changes prior to reaching any conclusion.

#### SWG

Programmed has decided to sell SWG's offshore contracting activities to DOF Subsea, a leading international subsea engineering contractor. A non-binding term sheet has been agreed with a sale price of between \$3m and \$7m dependent on certain conditions being met over the next 12 months. The transaction is subject to due diligence and agreement on final terms and is expected to be completed before the end of June 2010. Separately, Programmed is seeking to establish a manning services agreement covering DOF's vessels in the region.

Following the sale of the offshore contracting activities, SWG's construction and maintenance activities will be combined with Programmed's Australian and New Zealand marine services businesses in a new division branded Programmed Resources. The impact of these changes on FY11 earnings is expected to be between \$1m and \$2m, due to restructuring costs and loss of offshore contracting earnings. No impairment of goodwill is envisaged.

Apart from the above items, there has not been any other matter or circumstance that has arisen since the end of the 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.