# ASX Announcement

24 May 2004

Company Announcements Office
Australian Stock Exchange Limited
Exchange Centre
Level 4
20 Bridge Street
SYDNEY NSW 2000

Dear Sir,

**MEDIA RELEASE**

Please find attached a copy of the Media Release announcing the Annual Results for the year ended 31st March 2004.

Yours sincerely,
**PROGRAMMED MAINTENANCE SERVICES LIMITED**

Ian H. Jones

Ian H. Jones
Secretary

PROGRAMMED
MAINTENANCE
SERVICES

ASX/media release 24 May 2004

# Record 17.1% profit increase

## Final dividend up 30%

Programmed Maintenance Services Limited, Australia's leading property services group, today announced a record $16.3 million profit after tax for the year to 31 March 2004. This represents an increase of 17.1 per cent on a comparable basis over the previous year, when reported profit after tax was increased by a $400,000 one-off gain resulting from a change in accounting policy for valuing work in progress. Revenue exceeded $200 million for the first time.

| **Results summary for the year ended** | **31 – 3 – 04 A$m** | **31 – 3 – 03 A$m** | **% increase** |
|---|---|---|---|
| Revenue | 205.9 | 185.1 | 11.2% |
| Earnings before interest, tax, depreciation and amortisation | 34.1 | 30.8 | 10.7% |
| Earnings before interest and tax | 26.6 | 24.2 | 9.9% |
| Profit before tax | 24.0 | 21.0 | 14.1% |
| Income tax expense | 7.7 | 6.7 | 14.6% |
| Reported profit after tax | 16.3 | 14.3 | 13.8% |
| Work in progress adjustment | - | 0.4 | - |
| **Profit after tax – comparable basis** | 16.3 | 13.9 | 17.1% |
| Earnings per share (cents) – comparable basis | 24.0 | 21.2 | 13.1% |
| Final dividend (cents) | 6.5 | 5.0 | 30.0% |
| Franking (%) | 50 | 50 | |

The directors have declared a final dividend of 6.5 cents per share franked to 50 per cent, payable on 23 July 2004 to shareholders on the register at 8 July. This compares with a final dividend of 5.0 cents per share franked to 50 per cent for 2002/3 and brings dividends for 2003/4 to 12.0 cents per share franked to 50 per cent (2002/3: 9 cents franked to 41 per cent). The company's dividend reinvestment plan will apply to this dividend, with shares issued at market price without any discount, and will not be underwritten.

'This record 17.1 per cent profit increase is another outstanding result', said Mr Max Findlay, managing director. 'It is the sixth consecutive year that Programmed Maintenance Services has increased both revenue and profit by more than 10 per cent, demonstrating the strength and potential of our business model.

'Our continuing growth reflects the success of our strategy to build an international, integrated property services group. Over the past six years, while group revenue has more than doubled, revenue from businesses other than Australian painting has grown from 41 per cent to 52 per cent of the total.

'This trend will accelerate with the acquisition from Serco of Australian integrated services contracts which, subject to the consent of the customers, will be transferred to Programmed Maintenance Services on 1 July. These contracts, which provide annual revenue of over $25 million and are based on strong customer alliances, will broaden our range of property-related services and increase the group's non-painting revenue by approximately 40 per cent. After acquisition and integration costs, they will make a small contribution to earnings in the current year and a material contribution from 2005/6.

'The company's growth rate is also benefiting from our recent investment in technology, including a web-based system that enables customers to monitor the progress of our work, and in upgrading business processes. This is in line with our strategy to differentiate our services through systems that add value for our customers.

'At this early stage, we expect our double digit earnings growth to continue for the year to 31 March 2005. Our broader range of services has improved the company's cash flow and ability to pay franked dividends, and this trend will continue as our operations expand.'

## AUSTRALIA

**Property maintenance**

| Results for year ended | 31 – 3 – 04 A$m | 31 – 3 – 03 A$m | % increase |
|---|---|---|---|
| Revenue | 139.5 | 124.4 | 12.2% |
| Earnings before interest and tax | 16.6 | 15.1 | 10.2% |

The Australian property maintenance business performed well, helped by significant earnings increases in building services and grounds management. These non-painting businesses contributed 29 per cent of Australian property maintenance revenue and this proportion is expected to grow as the businesses continue to develop.

The Australian painting business performed well in New South Wales and Queensland, overcoming lower demand by the tourism and rural industries in the first half. Results in Western Australia, however, were affected by a downturn in work from the mining sector. Victoria's earnings were disappointing due to a large underperforming contract and some operational deficiencies which are being addressed. A national account management structure has been introduced, and a nationwide, three-year contract to wash and maintain BP service stations is currently under way, using recycled water in Victoria from our industrial services facility.

The corporate imaging business is currently undertaking external signage programmes for Landmark and Repco, and there has been increased demand for illuminated signage from car dealerships around the country.

The building services business achieved significant growth in revenue and earnings. This growth was underpinned by contract extensions with the South Australian Housing Trust and the New South Wales government schools, as well as by further extensions of our services within the aged care and retirement sectors. The national roll-out of building audit services, using new technology, has been widely accepted by our customers and generated a significant increase in demand.

The grounds management business, which provides landscaping and grounds maintenance services, had a successful year, especially in Victoria and South Australia where strong growth was helped by new contracts and improved operational controls. In New South Wales, the division overcame recent difficulties to make a positive contribution, and Western Australia performed in line with expectations. We have been successful in renewing our grounds contract with Adelaide University for five years. A national contract with Transfield was secured to provide grounds services to 6,000 Telstra sites throughout the country, and several major contracts were renewed.

**Industrial services**

| **Results for year ended** | **31 – 3 – 04 A$m** | **31 – 3 – 03 A$m** | **% increase** |
|---|---|---|---|
| Revenue | 18.8 | 16.9 | 11.3% |
| Earnings before interest and tax | 1.3 | 0.5 | 178.5% |

The industrial services business, which trades as Barry Bros. Specialised Services, achieved record revenue and earnings due to business restructuring and a focus on planned, rather than reactive, operational activities. Growth was assisted by the introduction of new processes and procedures to upgrade quality, environmental performance, safety and training.

Recent new services, including non-destructive digging and water recycling, have added further capabilities to the business. The water recycling plant operated for the City of Port Phillip has produced over five million litres of water over the past year, and has led to Barry Bros.' nomination as a finalist for a National Banksia Environmental award.

The industrial services business provides a range of underground asset maintenance services, industrial vacuuming, high pressure cleaning, non-destructive digging and water recycling services.

## NEW ZEALAND

| **Results for year ended** | **31 – 3 – 04 A$m** | **31 – 3 – 03 A$m** | **% increase** |
|---|---|---|---|
| Revenue | 29.1 | 26.0 | 11.7% |
| Earnings before interest and tax | 8.5 | 7.9 | 6.6% |

The New Zealand business had another very strong year, with revenue growth of 13 per cent and EBIT growth of 8 per cent in New Zealand dollars.

All regions performed well, with a significant recovery in Auckland and the new branches in Invercargill and Whangarei exceeding expectations. A national contract to refurbish the interior of 165 Westpac branches over a three month period was completed on schedule. The management team, operational procedures and OH&S systems were all strengthened during the year.

The new building services business, established in October 2003 to expand the services offered to customers, made a small positive earnings contribution in line with expectations. Considerable growth in building services revenue and earnings is expected in the current year, especially in the education sector where we already have a significant market presence.

## UNITED KINGDOM

| **Results for year ended** | **31 – 3 – 04 A$m** | **31 – 3 – 03 A$m** | **% change** |
|---|---|---|---|
| Revenue | 18.5 | 17.8 | 3.8% |
| Earnings before interest and tax * | 0.2 | 0.7 | (77.3%) |
| ** Earnings are after deduction of goodwill amortisation and UK head office costs* | | | |

The company's UK business, Whittle Painting Group, continued to build demand for its long-term maintenance programmes which are unique in the market. A further 50 programmes have been signed since 31 March 2003, bringing the total to 135 with a value of over $10.5 million. Approximately 50 per cent of the programmes to date are with government or private schools, and the high enquiry rate demonstrates the interest in the concept and the excellent opportunities for future growth.

Maintenance contracts now provide 16 per cent of revenue compared with 10 per cent a year ago and, while Whittle's earnings have been constrained by the re-orientation of the business from one-off painting work, management is increasingly optimistic about future prospects. The PPP (public private partnership) contract, worth $3 million over four years, to paint and maintain 4,300 council-owned houses at Lancaster is proving a great success for both the council and Whittle. It is a valuable reference site and has already led to a similar contract at Derby. The business has also won several contracts to maintain historic houses, and these will open up further opportunities.

The Birmingham branch continued to grow strongly and the Nottingham branch performed well. Manchester produced an inadequate return for 2004, but new management has begun to improve results. As part of the strategy to expand into the south of England, an additional branch was opened in Bristol earlier this month.

## CASH FLOW AND BALANCE SHEET

Net operating cash flow increased by 23 per cent to $16.0 million, reflecting the changing mix in group revenues. The increased operating cash flow was used primarily to reduce borrowings, with net debt falling to $41.7 million (41per cent of equity) compared with $46.9 million (54 per cent of equity) at 31 March 2003. The ratio of net debt to contract recoverables and work in progress fell to 28 per cent, compared with 34 per cent at 31 March 2003.

The total equity base is now $102.6 million, an increase of 17 per cent over 31 March 2003 ($87.7 million), due to the solid operating results and the equity contributions from the dividend reinvestment plan and from the exercising of share options. Net tangible assets per share at 31 March 2004 were $1.41, compared with $1.27 at 31 March 2003.

The company currently has over 2,700 shareholders, which is an increase of 12 per cent over May 2003.

## HUMAN RESOURCES

The company made a significant investment during the year in developing the skills and capabilities of its workforce. Training workshops, focused on business processes, safety, communications and service delivery, were held for team leaders and supervisors, and over 100 executives received leadership training in consultation with organizations including Mt. Eliza Business School and the Australian Institute of Management.

Several key business processes were re-engineered and accredited in line with the ISO 9000: 2000 standard. These improvements were supported by a communication programme throughout the company aimed at ensuring a consistently high level of customer service.

Upgraded occupational health and safety processes have significantly reduced the company's LTIFR (lost time injury frequency rate), with the vast majority of those suffering a lost time injury returning to work within one day. This has improved the productivity and morale of our staff and reduced the impact of workers' compensation premiums on our results.

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*Programmed Maintenance Services, founded in 1951, provides a growing range of property maintenance services to commercial, industrial and institutional property owners. It operates the largest contract painting businesses in Australia and New Zealand, an expanding contract painting business in the United Kingdom, one of Australia's three largest grounds management businesses, building services businesses in Australia and New Zealand, and an industrial services business in Australia. The company maintains 60,000 buildings for over 5,000 customers, only two of which provide more than 1 per cent of total revenue, and has 50 branches throughout Australia, New Zealand and the United Kingdom. Programmed Maintenance Services is listed on the Australian Stock Exchange and has a market capitalisation of $200 million.*

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