PROGRAMMED Group

ASX Release

Wednesday 26 May 2010

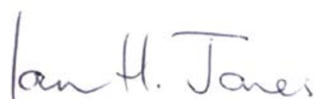
Company Announcements Office
ASX Limited
Exchange Centre
Level 4
20 Bridge Street
Sydney NSW 2000

Dear Sir,

FY10 RESULTS & MARKET UPDATE

Please find attached the Media Release containing details of the Programmed Group's results for the year ended 31 March 2010, together with a market update.

Yours sincerely,
PROGRAMMED MAINTENANCE SERVICES LIMITED



Ian H. Jones
Company Secretary

PROGRAMMED Group

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FY10 RESULTS AND MARKET UPDATE

Summary

- Revenue of $1,163.3 million, down 5% on pcp
- EBITA of $58.9 million, down 7% on pcp (down 14% on normalised FY09 result)
- Profit after tax of $26.2 million, down 7% on pcp
- Earnings per share (pre-amortisation) of 26.2 cents, down 21% on pcp
- Gross operating cashflow of $60.0 million, 83% of EBITDA

- Bank facility extended to May 2012
- Entitlement offer raises $69m in November/December 2009
- Successful acquisition of KLM Group for $29m cash in January 2010

- Net debt reduced by $71 million from $177 million (FY09) to $106 million (FY10)
- Net Debt / Equity reduced from 62% (FY09) to 29% (FY10)

- Dividend policy reviewed and 50% payout ratio reinstated
- Final dividend of 6.0 cents per share, representing 50% of 2H profit

- 25 year facility management contract secured for Ararat Prison in Victoria (value in excess of $200m)
- Letter of Intent received for marine manning and related services contract from Allseas, associated with the Gorgon offshore pipeline installation (value in excess of $100m)

FY10 Results

Programmed Group, the provider of staffing, maintenance and project services, today announced a net profit after tax of $26.2m (FY09 $28.1m) for the year ended 31st March 2010. EBITA (earnings before interest, tax and amortisation of intangibles) was $58.9m, down 7% on the prior year and down 14% on the normalised prior year result.

The directors have reinstated the 50% payout ratio for the FY10 final dividend. A fully franked final dividend of 6.0 cents per share has been declared, payable on 27 July 2010 to shareholders on the register at 8 July. It is the directors' current intention to maintain a 50% payout ratio into the future. The dividend reinvestment plan has been suspended.

Group Results	Year Ended 31 March 2010[1] $m	Year Ended 31 March 2009[2] $m	% Change
Revenue	**1,163.3**	**1,229.5**	**(5.4%)**
EBITDA (before SPT defence & restructuring costs and discontinued operations)	72.2	81.5	(11.4%)
Depreciation	(13.3)	(12.7)	(4.7%)
EBITA (before SPT defence & restructuring costs and discontinued operations)	**58.9**	**68.8**	**(14.4%)**
Spotless defence costs	0.0	(3.5)	
Restructuring costs	0.0	(3.4)	
Discontinued operations[3]	0.0	1.4	
EBITA	**58.9**	**63.3**	**(7.0%)**
Amortisation	(1.6)	(3.7)	56.5%
EBIT	**57.3**	**59.7**	**(4.0%)**
Net Interest	(17.4)	(19.5)	10.8%
Profit Before Tax	**39.9**	**40.2**	**(0.6%)**
Income Tax Expense	(13.7)	(12.1)	(13.2%)
Profit After Tax	**26.2**	**28.1**	**(6.6%)**
Profit After Tax (pre amortisation)	27.8	31.7	(12.4%)
Earnings Per Share (pre amortisation)	**26.2**	**33.1**	**(20.8%)**
Weighted Average Shares on Issue (million)	106.2	96.0	10.6%

[1] *Year ended 31 March 2010 results includes 2 months contribution from KLM Group*

[2] *Year ended 31 March 2009 results includes 9 months contribution from Engineering Services (SWG - purchased in July 2008) and 3 months contribution from Industrial Services (Barry Bros - sold in July 2008)*

[3] *Discontinued operations comprises Industrial Services (Barry Bros)*

Chris Sutherland, Managing Director of Programmed, said: 'Trading conditions over the past financial year have been difficult in some parts of our business. Revenue and EBITA were impacted by reduced customer demand for our services, but the decisive actions taken to reduce overheads, particularly in the Workforce business, ensured that the group result was not further impacted.'

'In a period of significant financial and economic weakness, we have successfully refinanced our debt until 2012, maintained strong cash flows, raised $69m of new equity, acquired KLM and restored our dividend policy to a 50% payout ratio for the final dividend.'

Strategy Update

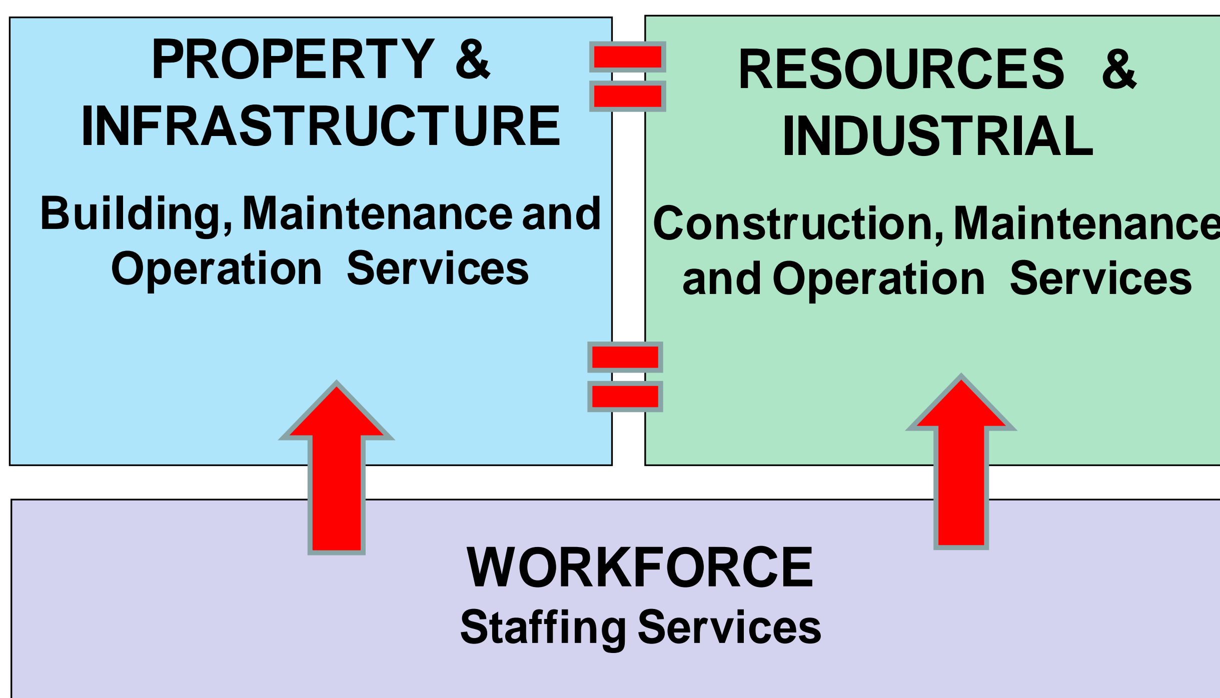
Programmed has reviewed the current strategies and plans for its business, taking into account changes in market conditions over the past 18 months. This has resulted in the proposed exit from the UK and refocus of SWG as announced on 12 May.

Programmed's vision remains to be the leading provider of staffing, maintenance and project services and its business is focused in three major segments:

a) Property & Infrastructure, providing building, maintenance and operation services to the property and infrastructure sectors;

b) Resources & Industrial, providing construction, maintenance and operation services to the resources and industrial sector; and

c) Workforce, providing staffing services.



Programmed's key growth **STRATEGIES** are:

a) to provide additional services to existing Property & Infrastructure customers;

b) to expand existing services in the Resource & Industrial market;

c) to expand our staffing services market; and

d) to add new service capability.

Review of Operations

Property & Infrastructure	Year Ended 31 March 2010[1] $m	Year Ended 31 March 2009 $m	% Change
Revenue			
Property Services			
Australia [2]	*175.9*	*178.4*	*(1.4%)*
New Zealand	*32.9*	*39.3*	*(16.3%)*
United Kingdom	*19.5*	*28.6*	*(31.8%)*
Property Services	**228.3**	**246.3**	**(7.3%)**
Facilities Management[2]	267.1	238.6	11.9%
KLM Group	29.7	0.0	0.0%
Total Revenue	**525.1**	**484.9**	**8.3%**
EBITA			
Property Services			
Australia [2]	*20.4*	*22.1*	*(7.7%)*
New Zealand	*6.2*	*8.6*	*(27.9%)*
United Kingdom	*(0.9)*	*2.0*	*(145.0%)*
Property Services	**25.7**	**32.7**	**(21.4%)**
Facilities Management[2]	6.2	5.4	14.8%
KLM Group	0.6	0.0	0.0%
Total EBITA	**32.5**	**38.1**	**(14.7%)**

[1] *Year ended 31 March 2010 results includes 2 months contribution from KLM Group*

[2] *Certain contracts previously included in Property Services in FY2009 have been reallocated to Facilities Management in FY2010. The 31 March 2009 comparatives have been restated as follows:*
Revenue - 31 March 2009 comparatives have been restated by an amount of $(48.8)m.
EBITA - the 31 March 2009 comparatives have been restated by an amount of $($0.5)m.

Australia

In Australia, the declines in Painting revenue (FY10 $104m vs FY09 $114m) and earnings were almost offset by increases from Grounds and Corporate Imaging. Painting benefited from maintenance work in the education sector due to the Federal Government's economic stimulus, but demand was lower in other sectors. There was margin pressure in some capital cities where the lack of new commercial building work had increased competition for maintenance work. The business is responding by seeking further cost savings across its operating structure and targeting new work and projects deferred during the past 12 months. It is increasing efforts to sell other services to its large customer base.

The Grounds business continues to grow through offering a high quality national service capability and its customer base is increasing as the total market continues to move to an outsource contract model. In addition the business is rolling out its landscaping and construction capability nationally.

The Corporate Imaging business also continues to grow. It plans to develop further its project / store refurbishment capability as increasingly customers seek Programmed to re-image both the inside and outside of retail outlets with new brand / corporate livery and furnishings.

Programmed completed the acquisition of the KLM electrical and communication service business on 22 January 2010. This has been integrated successfully into the group and all KLM offices now use the common Programmed IT data network and email exchange. Workers compensation and other insurances have been, or are ready to be, rolled into the group insurance arrangements. Corporate roles and expenses associated with the company's previous ASX listing have been cut. The group has begun selling KLM's capability to its broader customer base and current trading results are in line with expectations.

The Facility Management business achieved solid growth in revenue and earnings from existing contracts, and the Federal Government stimulus increased activity relating to the government housing contracts in New South Wales and South Australia.

Programmed is continuing to build a stronger and more capable Facility Management business. This is a large market and it is competing against more established players, but its strategy of leveraging the group's internal workforce and maintenance capabilities makes it different to its competitors. In the past year the management team has been strengthened to prepare the business for further growth.

The business has tendered for a number of major opportunities over the past year, including opportunities in the Private Public Partnership (PPP) market. Programmed is pleased to have been awarded a 25 year contract for the facility maintenance of the Ararat Prison in Victoria as part of the winning Aegis Consortium. The total contract value is in excess of $200m and is the largest contract ever won by the group. There are a number of other PPP opportunities that will be sought over the coming 12 months.

New Zealand

In New Zealand, the average margin in the painting business has declined over the past five years as a result of increased competition and a flat economy. Programmed has responded by lowering overheads and moving the business closer to the Australian operation, combining most business functions on a transnational basis.

The plan in New Zealand is to hold the group's current painting market share albeit at lower margins than previous years and to develop its other services to enable further revenue growth over time. Thus signage / corporate imaging and workforce service businesses have been opened over the past 12 months and there are plans to develop facility management, grounds, building and electrical services in time as the general market recovers and opportunities are identified.

United Kingdom

As announced on 12 May, the group proposes to exit the UK painting business which has no significant relationship or synergy with the rest of the group's operations or customers. Its FY10 revenue was $19.5m, representing less than 2% of group revenue, and it made a loss of $0.9m. Market conditions in the UK remain difficult and recovery is not expected in FY11.

The business had significant working capital and contract recoverables of $12m at 31 March 2010, and the proposed option is to scale it down and convert the capital to cash. Restructuring is proposed during the northern summer so existing programmes are serviced, while no new contracts are sought.

The proposal would result in a provision in Programmed's FY11 accounts of approximately $7.6m after tax to cover expected redundancies, lease liabilities, writedown of PPE 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 projected net cash/capital return to Programmed would be POSITIVE $5m which would be re-invested in the group's businesses in Australia and New Zealand.

The group has entered into a consultation process with its UK employees about the proposed changes prior to reaching any conclusion.

Resources & Industrial	Year Ended 31 March 2010 $m	Year Ended 31 March 2009[1] $m	% Change
Revenue			
Marine	191.6	214.1	(10.5%)
SWG	74.6	84.1	(11.3%)
Total Revenue	**266.2**	**298.2**	**(10.7%)**
EBITA			
Marine	19.8	20.6	(4.1%)
SWG	2.8	4.3	(34.9%)
Total EBITA	**22.6**	**24.9**	**(9.4%)**

[1] *Year ended 31 March 2009 results includes 9 months contribution from Engineering Services (SWG)*

The results of the Marine business were impacted by industrial activity in Australia with some clients deferring work planned for the last quarter of FY10, together with legal costs incurred in responding to the dispute. Agreement was reached with the unions in March, and manning levels have begun to increase. Importantly, overall margins were maintained in FY10 and the Marine business enjoys solid relationships with its customers.

The business has secured a letter of intent to provide marine manning and related services to Allseas, an international offshore contractor, to support the Gorgon offshore pipeline installation over an 18 month period. This work will commence towards the end of this year and is valued in excess of $100m.

A key plank of Programmed's strategy is to expand the group's service capability to the resources and industrial sectors and it remains firmly committed to achieving this. Trading has been difficult for construction and maintenance services in the past 18 months, with many resource and industrial companies (in particular small and medium size companies) reducing expenditure and deferring projects and maintenance. In addition major projects that are currently being awarded carry greater risks than previous projects. The results have been lower than expected and the decision has been taken to refocus the SWG business and seek a lower cost structure.

Consequently, as announced on 12 May, Programmed is in the final stages of negotiating the sale of 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 upon 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. This will enable the construction and maintenance business unit to offer its services more seamlessly to existing group customers in the offshore oil and gas sector and to develop new customers in the resources and industrial sectors.

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. This is expected to be outweighed in the future as Programmed benefits from additional work with DOF Subsea and from offering a broader range of services to oil and gas customers, where the group believes there are significant opportunities. No impairment of goodwill is envisaged.

Workforce	Year Ended 31 March 2010[1] $m	Year Ended 31 March 2009 $m	% Change
Revenue	**366.8**	**431.6**	**(15.0%)**
EBITA	**8.0**	**12.7**	**(37.0%)**

The restructuring of the Workforce business a year ago has produced a good result for the business in FY10, considering the significant downturn in the market. Casual labour demand in small and medium size enterprises remains relatively flat, but is increasing in large enterprises, particularly within the mining and construction sectors.

The overall EBITA margin has fallen from the previous year due to the reduction in permanent placement revenue and a greater proportion of revenue from large volume national customers. The margin decline has been partially offset by overhead savings achieved across the business.

The plan for FY11 is to maintain a tight administration cost base, invest further in the Integrated brand and increase the marketing and sales effort. A number of small branches located within existing Programmed offices are planned to provide better local internal support for the group's maintenance businesses as well as to expand the market.

Cash Flow and Balance Sheet

The gross operating cash flow of $60m in FY10 was lower than the previous year due to reduced earnings. Sound working capital management, including a reduction in overdue debtors, has ensured that gross operating cash flow was 83 per cent of FY10 EBITDA. Interest payments were higher than the previous year due to both timing of interest payments on bill rollovers and nearly $2m paid on refinancing of the debt facility.

In May 2009, Programmed announced a range of capital management initiatives to reduce debt and provide greater balance sheet comfort for shareholders, together with funds to invest as opportunities arose. The capital management initiatives targeted an improvement in the net debt/equity ratio to 40% over a two year period, including a temporary reduction in the dividend payout ratio to 30% of earnings until 30 September 2010 and continuation of the dividend reinvestment plan.

Programmed's balance sheet has been significantly strengthened during FY10 with the total equity base at 31 March 2010 being $371.2m (31% higher than $284.4m at 31 March 2009). Net debt has fallen to $106.5m (down 40%) at 31 March 2010, with the group's net debt/equity ratio down substantially to 28.7% (from 62.3% at 31 March 2009) following debt repayments from the capital raising.

An entitlement offer was completed in December 2009 and raised $69m. It is noted that the funds were proposed for investing / acquisition purposes. A notional $40m is available after the purchase of KLM. Should the appropriate acquisition / investment become available, Programmed would drawdown on its debt facilities, after which the notional net debt/equity ratio would be approximately 39%.

As this notional debt/equity ratio is below the target 40%, the directors have reviewed the temporary dividend reduction policy and decided to increase the payout ratio from 30% to 50%, earlier than initially projected. Accordingly, the directors have declared a fully franked final dividend for FY10 of 6 cents per share, representing a 50% payout ratio of the second half profit.

Business Outlook for FY11

Conditions within the Property & Infrastructure segment remain tight. Whilst new opportunities are being developed with the Government sector, many retail and commercial clients are cautious about their own prospects and are maintaining low levels of maintenance and project expenditures.

Conditions within the Resources & Industrial segment have improved with an expansion of offshore oil and gas opportunities forecast in the second half.

A general but slow recovery is occurring within the Workforce segment with leading indicators pointing to increased casual labour demand. However, generally small and medium size businesses have yet to increase their demand for staff and remain cautious.

For further information contact:

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