PROGRAMMED Group

ASX Release

Wednesday, 25 May 2011

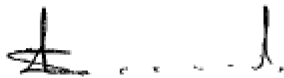
Company Announcements Office
ASX Limited
Exchange Centre
Level 4
20 Bridge Street
SYDNEY, NSW 2000

Dear Sir,

FY11 RESULTS & MARKET UPDATE

Please find attached the Media Release containing details of the Programmed Group's results for the year ended 31 March 2011, together with a market update.

Yours sincerely,
PROGRAMMED MAINTENANCE SERVICES LIMITED



Stephen Leach
Company Secretary

PROGRAMMED Group

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FY2011 statutory profit $10.4 million

FY2011 EBITA[1] $48 million before restructuring costs

Second half EBITA[1] $31.8 million (2H2010: $31.1 million)

Programmed Group, which provides staffing, maintenance and project services, today announced earnings before interest, tax and amortisation (EBITA) of $48.0 million from continuing operations for the year ended 31 March 2011, before restructuring costs of $5.9 million. This compares with $58.0 million for FY2010 and our forecast in November 2010 of approximately $46 million.

In the second half, EBITA from continuing operations was $31.8 million (2H2010: $31.1 million) and after-tax profit from continuing operations was $17.5 million (2H2010:$14.1 million).

The company's after-tax profit from continuing operations for the full year was $22.2 million (FY2010: $25.8 million). The statutory after-tax profit from both continuing and discontinued operations was $10.4 million after a loss of $11.8 million resulting from exiting the UK business.

Revenue from continuing operations was $1,220 million, an increase of 6.8% over FY2010 ($1,142 million).

The board has determined to pay a fully franked final dividend of 6.0 cents per share, in line with the previous year, bringing dividends for the full year to 9.0 cents per share fully franked (FY2010: 9.0 cents). The final dividend will be paid on 27 July 2011 to shareholders on the register at 8 July.

Chris Sutherland, managing director of Programmed, said: 'We are pleased that the restructuring we have undertaken has resulted in a significant improvement in earnings for the second half. In particular, the changes in our Property Services business, where costs were reduced by $7.5 million on an annualised basis, have already had a substantial impact on the business' earnings.

'The group's improved performance in the second half followed a disappointing first half when earnings were impacted by weaker demand across retail and commercial markets and by reduced manning levels within our marine business due to an industrial dispute.

'With stronger demand projected for our services and a lower cost base in all three divisions than two years ago, we are expecting improved earnings in FY2012.'

[1]continuing operations

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Group Results	Year ended 31 March 2011 $m	Year ended 31 March 2010[1] (Restated)[2] $m	% change
Continuing operations			
Revenue	1,220.2	1,142.0	6.8%
EBITDA (before restructuring costs)	60.2	70.6	(14.8%)
Depreciation	(12.2)	(12.6)	3.2%
EBITA (before restructuring costs)	48.0	58.0	(17.3%)
Restructuring costs	(5.9)	0.0	
EBITA	42.1	58.0	(27.5%)
Amortisation	(0.5)	(1.6)	68.8%
EBIT	41.6	56.4	(26.3%)
Net Interest	(13.7)	(17.1)	19.9%
Profit Before Tax	27.9	39.3	(29.1%)
Income Tax Expense[3]	(5.7)	(13.5)	57.8%
Profit From Continuing Operations	22.2	25.8	(14.1%)
Discontinued operations[4]	(11.8)	(0.9)	
Profit After Tax (statutory basis)	10.4	24.9	(58.5%)
Profit After Tax (pre amortisation)	10.9	26.5	59.1%
Earnings Per Share (pre amortisation)	9.2	25.0	(63.3%)
Earnings Per Share (continuing operations)	18.8	24.3	(22.5%)
Weighted Average Shares on Issue (million)	118.2	106.2	11.3%

[1] *FY 2010 results includes 2 months contribution from KLM Group*

[2] *FY 2010 results have been restated as a result of the change in accounting policy for painting programmes announced on 10 November 2010 and reclassification of discontinued operations*

[3] *FY 2011 includes $1.9m tax benefit from retrospective change in tax consolidation rules to allow additional deductions for assets acquired after 1 July 2002*

[4] *Discontinued operations comprise the United Kingdom painting business and include a loss of $3.2m attributable to transfer of a foreign curreny translation reserve to profit & loss*

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Revenue by division (continuing operations)	First Half FY2011 $m	First Half FY2010[1,2] $m	Second Half FY2011 $m	Second Half FY2010[1,2] $m	Full Year FY2011 $m	Full Year FY2010[1,2] $m
Property & Infrastructure	298.1	239.0	305.2	260.9	603.3	499.9
Resources & Industrial	103.5	147.6	110.0	118.7	213.5	266.3
Workforce	201.5	180.8	196.0	186.0	397.5	366.8
Total	603.1	567.4	611.2	565.6	1,214.3	1,133.0

[1] *FY 2010 results includes 2 months contribution from KLM Group*
[2] *FY 2010 results have been restated as a result of the change in accounting policy for painting programmes announced on 10 November 2010 and reclassification of discontinued operations*

EBITA[1] by division (continuing operations)	First Half FY2011 $m	First Half FY2010[2,3] $m	Second Half FY2011 $m	Second Half FY2010[2,3] $m	Full Year FY2011 $m	Full Year FY2010[2,3] $m
Property & Infrastructure	10.5	14.1	21.0	17.6	31.5	31.7
Resources & Industrial	4.3	12.3	10.0	10.3	14.3	22.6
Workforce	5.3	4.0	5.8	4.0	11.1	8.0
Unallocated	(3.9)	(3.5)	(5.0)	(0.8)	(8.9)	(4.3)
Total	16.2	26.9	31.8	31.1	48.0	58.0

[1] *Before restructuring costs*
[2] *FY 2010 results includes 2 months contribution from KLM Group*
[3] *FY 2010 results have been restated as a result of the change in accounting policy for painting programmes announced on 10 November 2010 and reclassification of discontinued operations*

Property & Infrastructure division

The Property and Infrastructure division includes the Property Services, KLM Electrical and Facilities Management businesses. The UK painting business' results are reported as discontinued operations.

The division's overall earnings were similar to FY2010, with improved performance by the Property Services business in the second half following a weak first half caused partly by customers' budget cuts and reluctance to commit to new expenditure. This improvement in Property Services' earnings follows restructuring initiatives during the year including:

- Reduction in overheads by $7.5 million per annum across Australia and New Zealand, leading to a restructuring charge of $3.5 million in 1H 2011
- Appointment of Steve Taylor, formerly CEO of the Facilities Management business, as CEO of the division to drive business improvement
- Introduction of additional programme models to meet customers' diverse requirements and lessen the impact of higher financing costs
- Change in accounting policy for painting programmes – using a prevailing rate of interest to determine the implicit rate of interest in contracts to reflect more appropriately the business' financial position and performance

- Improved internal systems and processes to improve commercial management and customer interaction and to lower administration costs
- Exit the loss-making UK painting business

These changes positively impacted Property Services' results in 2H 2011, with the business achieving similar volumes to FY2010 but with a significantly lower cost base, resulting in an improved second half operating profit.

The KLM business outperformed expectations in its first full year contribution to group results, completing a number of profitable contracts. The acquisition of KLM has added to the group's capabilities and further opportunities exist to sell its electrical, communication, data and audio visual services to customers across the Property and Infrastructure division.

The Facilities Management business was impacted by reductions in expenditure and tighter budgets, although public housing contract wins resulted in similar revenue to the prior year and improved second half earnings. There is a healthy pipeline of opportunities to target through the next year.

Resources and Industrial division

The Marine Services business and the Construction & Maintenance business (formerly SWG) were combined to form the Resources and Industrial division in the first half of FY2011.

Marine manning levels were relatively low in the first half as the business recovered from a major industrial dispute in early 2010. Activity increased in the second half as a number of vessels were mobilised for projects which previously had been delayed, although some offshore construction work has been pushed out further into FY2012.

The restructure of SWG has been completed with the sale of the offshore contracting business to a third party and the merger of SWG's back office functions with those of the Marine business. This has resulted in a lowering of the fixed cost base by more than $5 million per annum and incurred restructuring costs of $2.3 million. While the business incurred a first half loss, the refocus of activities towards smaller maintenance and managed workforce opportunities, resulted in a return to profitability in the second half.

Workforce division

The staffing services division delivered a pleasing result on the back of tight cost control and improving demand for labour. Revenue growth was achieved on a lower fixed cost base while maintaining consistent gross margins throughout the year. The business will continue to benefit as the economy recovers and demand for labour grows, particularly in mining and infrastructure.

Discontinued operations – UK painting business

The company announced in May 2010 its intention to exit its loss-making UK painting business and booked a provision of $7.6 million in 1H2011 for the estimated cost after tax. The company completed most of the redundancies and restructuring before entering into a sale agreement with Hankinson Painting Group (UK) for the remaining painting contracts.

Under the terms of the sale agreement, Programmed will receive 80% of all contract recoverables collected up to 31 March 2014 and 50% of the balance of the contract recoverables still due at 31 March 2014. The after-tax loss of $11.8 million from the sale of the UK business includes a non-cash expense of $3.2 million relating to the realisation of a foreign currency translation reserve through profit and loss which was not foreseen in 1H2011.

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Balance sheet and cash flows

Gross operating cash flow was lower than FY2010 as a result of lower earnings, restructuring costs, UK exit costs and increased working capital requirements. The ratio of gross cash flow to EBITDA (continuing and discontinued operations) was 69% compared with 83% in FY2010 due to the increase in working capital. Interest payments were lower due to the repayment of senior debt during the year.

Net debt at 31 March 2011 was $118.3 million compared with $106.6 million at 31 March 2010 due to the factors mentioned above. The net debt to equity ratio was 33.6% compared with 30.3%, well below the target of 40%.

Board renewal

The chairman, Mr Geoff Tomlinson has advised the Board of his intention not to seek re-election at the forthcoming AGM. It is the intention of the Board to elect Mr Bruce Brook as chairman, on Mr Geoff Tomlinson's retirement.

The company thanks Mr Tomlinson for 12 years of dedicated service to the company since its listing in 1999.

The Board will seek a new director to join the Board over the next few months.

Business outlook for FY12

Demand in the retail, commercial and light industrial sectors remains tight. Whilst new opportunities are being developed with the government sector, many retail and commercial clients are cautious about their prospects and are restricting maintenance and project expenditure.

Demand in the resources sector has increased with additional offshore oil and gas opportunities forecast in FY2012.

The general staffing sector is recovering, with leading indicators pointing to increased labour demand, but small and medium size businesses generally remain cautious.

Overall, the group's earnings are expected to improve in FY2012, with stronger demand projected for its services and a lower cost base in all three divisions than two years ago.

For further information contact:

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