



PROGRAMMED MAINTENANCE SERVICES
LIMITED

ABN 61 054 742 264

HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2015

APPENDIX 4D – HALF YEAR REPORT

Results for announcement to the market

For the half-year ended 30 September 2015

(Previous corresponding period: half-year ended 30 September 2014)

				\$ '000
Revenue from ordinary activities <i>(Appendix 4D item 2.1)</i>	down	1.0%	to	709,735
Profit from ordinary activities after tax attributable to members <i>(Appendix 4D item 2.2)</i>	down	291.5%	to	(18,692)
Profit for the period attributable to members <i>(Appendix 4D item 2.3)</i>	down	291.5%	to	(18,692)

The results for the half year ended 30 September 2015 shown above are not directly comparable to the previous half year ended 30 September 2014 due to the impact of the following items which are described in the attached results commentary and financial report:

	HY 30 Sep 15 \$'M	HY 30 Sep 14 \$'M
Non-trading items:		
<i>Impairment of goodwill</i>	27.8	-
<i>Skilled transaction, restructuring and other costs</i>	5.2	0.9
<i>Incentive payment (Turnpoint acquisition)</i>	-	1.4
<i>Equity accounted loss for the investment in OneShift</i>	0.1	0.3
<i>Tax on non-trading items</i>	(1.6)	(0.3)
<i>Total non-trading items</i>	31.5	2.3
<i>Profit before non-trading items</i>	12.8	12.1

			Amount per security (cents)	Franked amount per security (cents)
Dividends/distributions <i>(Appendix 4D item 2.4)</i>				
Interim dividend determined			6.5	6.5
Previous corresponding period			6.5	6.5
Record date for determining entitlements to the dividend 7 January 2016 (payment date of 21 January 2016) The dividend reinvestment plan will remain suspended until further notice.				

			30 September 2015 (cents)	30 September 2014 (cents)
Net Tangible Assets per Ordinary Share			122.6	122.2

HALF YEAR FINANCIAL REPORT

Half-year ended 30 September 2015

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This Half-year Financial Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 31 March 2015 and any public announcements made by Programmed Maintenance Services Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the Australian Securities Exchange.

R E S U L T S C O M M E N T A R Y

Results for first half to 30 September 2015

NPAT before non-trading items \$12.8 million, up 6%

Statutory loss \$18.7 million after non-cash goodwill impairment of \$28 million

Interim dividend 6.5 cps, fully franked

Integration with Skilled well ahead of schedule

Programmed (ASX:PRG), which provides staffing, maintenance and facility management services, today announced an after-tax profit of \$12.8 million before non-trading items for the six months to 30 September 2015 (1H FY15: \$12.1 million). After non-trading items, including non-cash impairment of goodwill associated with the Resources division, the company's after-tax loss was \$18.7 million (1H FY15: after tax profit of \$9.8 million).

Non-trading items were Skilled transaction costs, restructuring and other costs totalling \$5.2 million; non-cash impairment of goodwill associated with the Resources segment of \$27.8 million (as announced on 13 November 2015); and \$0.1 million for Programmed's share of the net loss by its associate OneShift.

The acquisition of Skilled Group Limited was completed on 16 October 2015, so its results are not reflected in Programmed's first half financial report.

Group revenue, at \$710 million, was similar to the previous corresponding period (1H FY15: \$717 million), with a 5.0% increase in the Property & Infrastructure division's revenue offset by lower revenue by the Resources division. The Workforce division's revenue increased after three years of decline, providing a positive sign of non-resources sector growth.

Earnings before interest and tax (EBIT) by the Property & Infrastructure and Workforce divisions were significantly up, with increases of 68% and 30% respectively, whilst the Resources division's EBIT fell 66%. As a result, group EBIT before non-trading items was \$20.1 million (1H FY15: \$20.6 million).

Interest paid was down 37% to \$1.9 million and net debt was \$18 million at 30 September 2015.

The board has determined to maintain the interim dividend at 6.5 cents per share fully franked, payable on 21 January 2016 to shareholders on the register at 7 January 2016.

Chris Sutherland, Managing Director of Programmed, said: 'Our strategy to provide staffing, maintenance and facility management services across all industry sectors has been particularly important during this six month period. The significant growth in our Property & Infrastructure division's earnings, offsetting the sharp fall in revenue and earnings by our Resources division, was very pleasing.

'We are at the coalface of the Australian economy and our results suggest this was the six month period when the baton was passed from the resources sector to the infrastructure and household services sectors of the economy.

'Importantly, our Workforce division has seen increased demand for the first time in three years. Customers in markets that have been weak over the past few years, such as retailing, tourism, transport, industrial and manufacturing, are hiring people and spending on their assets again, supported by the lower Australian dollar. Additionally, education and health / aged care opportunities continue to grow.

RESULTS COMMENTARY (CONTINUED)

'We have moved quickly to integrate Skilled's business, capture efficiencies and seek new revenue opportunities from across the combined group. From Monday 19 October 2015, we have had a new combined management team marching forward as one team with a clear vision and a simple four point plan built upon safety, people and culture, systems and growth. After just five weeks we are well ahead of our integration schedule and will deliver more than \$20 million annualised of cost synergies by 31 December 2015. We have communicated with our more than 25,000 employees who are working with us each day, along with over 20,000 customers.'

Operational Structure

As of 19 October 2015 (when Programmed and Skilled came together), a new operational structure has been established to ensure that divisions can operate efficiently and there is no overlap in their services, and to enable referrals and sales of additional services across the combined group.

Programmed will report for the full year ending 31 March 2016 according to this new structure which will consist of three segments: Staffing (combining Professionals and Skilled Workforce divisions); Maintenance (combining Facility Management and Property Services divisions); and Marine. As detailed in the investor presentation released today, the separate businesses in each division will be combined and operated as one division under the master Programmed brand. Consolidation of management teams within each division has already been completed, and rebranding the different businesses and combining their offices will be completed by 31 March 2016, with a significant proportion of this work already achieved.

In combining Programmed and Skilled, a new Group Management Committee has been formed, consisting of 14 executives originating from Programmed and 10 executives originating from Skilled, who all are charged with delivering Programmed's vision and plan. Programmed is pleased that 38% members of the committee are female, achieving diversity by gender as well company background.

Integration Update

A detailed integration plan was developed based upon what was needed to be achieved on Day 1 (19 October 2015) and within the first 5 days, 5 weeks and 5 months (called a 5/5/5 plan). Detailed 5/5/5 plans were developed for 23 work streams and 5 divisions. On 6 October 2015, the new management team was announced to all Programmed and Skilled employees and the first Group Management Committee meeting was held on 8 October 2015. Highlights of Day 1 included:

- New operational structure was in place so all employees knew what part of the business they were in and to whom they reported;
- Corporate support functions areas (including ICT networks, business systems, human resources, risk & legal, insurances, workers compensation and communications) were integrated and supporting the whole company from the first day;
- ICT networks were connected, enabling any employee from Programmed or Skilled full access to staff directories, global address books, wi-fi & cable connections, and systems and drives from every office (Programmed or Skilled);
- Email addresses and signature blocks with the correct branding were deployed to every user;
- A new intranet landing page was deployed to every user as a source of information and news, and enabling him or her to ask questions or provide feedback to the leadership team; this included a video welcome from the Managing Director explaining the company's vision, values and plans;
- Welcome to the 'new, better, stronger Programmed' packs were distributed to every employee across the group – Group Talk, Safety News, welcome letter, summary of corporate strategy and a welcome gift.

RESULTS COMMENTARY (CONTINUED)

Over the first five weeks, all customers, suppliers and business partners have been communicated with, including face-to-face meetings with major shared customers. Advertisements have been placed in the financial media and on billboards on major arterial roads and at airports so job seekers and customers are aware that Programmed and Skilled have been combined. In addition, the Managing Director has visited many locations and met with staff, sharing with them the Programmed strategy, vision and plans for the combined group and its operating philosophy.

Programmed is on track to deliver more than \$20 million annualised of cost synergies by the end of December 2015 from the integration of Programmed and Skilled. More than 20 offices will have been vacated by the end of December, with operations merged with other offices. One-off costs in the second half of FY16 associated with the Skilled transaction, redundancies from the integration and other restructuring costs are expected to be approximately \$17 million.

Board Changes

Programmed is pleased to announce that Mr Jim Walker, formerly a director of Skilled, has agreed to join the board of Programmed effective 19 November 2015. He brings a wealth of knowledge and experience, further strengthening the depth and breadth of expertise among directors.

Mr Walker has had a distinguished career at WesTrac, holding the position of Managing Director and Chief Executive Officer and leading the company's rapid development in industrial and mining services in Australia and China. Prior to joining WesTrac, he held roles with other Caterpillar dealers in Australia, including Hastings Deering and Morgan Equipment, and with the Bougainville dealership in Papua New Guinea.

In addition to Skilled, Mr Walker is a former director of Seven Group Holdings Ltd, National Hire Group Limited and Coates Group Holdings Pty Ltd, and was National President of the Australian Institute of Management. He currently is the Chairman of the WA State Training Board and Macmahon Holdings Ltd and a Non-executive Director of Seeing Machines Ltd and RACWA Holdings Pty Ltd.

Mr Jonathan Whittle, the founder of Integrated Group and a director of Integrated Group and then Programmed (after it acquired Integrated Group in 2007) for the past 23 years, has decided to retire effective 19 November 2015. Mr Whittle has provided significant knowledge and experience, particularly in the staffing business, to the board and his valuable contributions and insights will be missed.

Mr Whittle has served on all the company's board committees and his active participation has made a significant contribution to the growth and strategic development of Programmed.

Programmed Chairman, Mr Bruce Brook said 'On behalf of the board, I would like to thank Jon for his years of exceptional service and support to the company, and his wise counsel and advice to myself and my colleagues. We welcome Jim to the board and look forward to his contribution. Recognising the increase in scale and scope of the combined Programmed / Skilled business (\$3 billion+ revenue / 25,000+ employees each day), we have decided to expand the size of the board and are currently seeking to appoint an additional director.'

RESULTS COMMENTARY (CONTINUED)

Group Results	1H FY16 30 Sep 2015 \$m	1H FY15 30 Sep 2014 \$m	% change
Revenue	709.7	716.9	(1.0%)
Results Before Non-Trading Items			
EBITDA	25.3	26.3	(3.8%)
Depreciation and amortisation	(5.2)	(5.7)	8.8%
EBIT	20.1	20.6	(2.4%)
Interest	(1.9)	(3.0)	36.7%
Profit before Tax	18.2	17.6	3.4%
Income tax expense	(5.4)	(5.5)	1.8%
Profit after Tax (before non-trading items)	12.8	12.1	5.8%
Non-Trading Items			
Skilled transaction, restructuring and other costs	(5.2)	(0.9)	
Resources goodwill impairment (non-cash)	(27.8)		
Incentive payment (Turnpoint acquisition)		(1.4)	
Share of net loss of associate (OneShift)	(0.1)	(0.3)	
Tax on non-trading items	1.6	0.3	
Profit / (Loss) after Tax (statutory basis)	(18.7)	9.8	
Earnings per Share (before non-trading items)	10.8	10.2	5.9%
Earnings per Share (statutory basis)	(15.7)	8.2	
Weighted Average Shares on Issue (million)	118.8	118.4	

Property & Infrastructure	1H FY16 30 Sep 2015 \$m	1H FY15 30 Sep 2014 \$m	% change
Revenue	416.9	397.3	5%
EBIT	18.7	11.1	68%

The Property & Infrastructure division, which contributed 54% of the company's EBIT in FY15, provides a range of maintenance, property and operational services, including painting, electrical, communications, grounds, signage, specialist turf, general building repairs and facility management.

Significant improvement in earnings from task-based painting, grounds, signage, electrical and communication works was due largely to improved systems, combined with tight operational control.

Painting program demand was stable, with no material reduction of capital invested, in contrast to recent years when the capital invested has been falling with demand.

The division's facility management activities grew significantly on the back of a number of new long-term contracts secured in the prior year.

The facility management business has a strong pipeline of opportunities and recently, as member of the *Juris Partnership* consortium, was announced as the preferred bidder on the ACT Law Courts Public Private Partnership Project. The project will include the refurbishment of the existing Magistrates Court and Supreme Court, integrating a new building to combine the courts into a single facility with improved amenities, and maintaining the courts for 25 years. Programmed

RESULTS COMMENTARY (CONTINUED)

will provide asset management and maintenance services over the 25 year term and will also provide interim services for some existing assets during the construction phase, commencing on 1 March 2016.

Resources	1H FY16 30 Sep 2015 \$m	1H FY15 30 Sep 2014 \$m	% change
Revenue	96.1	130.1	(26%)
EBIT	3.9	11.6	(66%)

The Resources division, which contributed 34% of the company's EBIT in FY15, provides a range of workforce, maintenance, construction support and operational services to both the offshore oil and gas and onshore mining sectors.

Revenue and earnings were significantly lower as demand for vessel management, manning, catering and logistical services fell due to i) completion of some major offshore construction projects and ii) the significant fall in the oil price which resulted in cancellation of some existing exploration work and deferral of exploration and development work previously forecast.

Some new opportunities are being sought relating to seismic, drilling, construction and production projects on the NW Shelf and in the Timor Sea, Bass Strait and New Zealand waters, but demand is expected to be weak in the near term.

A number of opportunities are also being sought for maintenance services in the onshore mining sector, and the acquisition of Skilled will provide additional capability to assist in securing new work.

Workforce	1H FY16 30 Sep 2015 \$m	1H FY15 30 Sep 2014 \$m	% change
Revenue	196.0	188.4	4%
EBIT	3.9	3.0	30%

The Workforce division, which contributed 13% of the company's EBIT in FY15, provides staffing services across most industry sectors, and particularly the manufacturing, light industrial, transport and logistics, construction and mining sectors.

This was the first period in three years that demand from growing parts of the economy has offset falls in demand from weaker parts. The business is seeing positive signs in the blue collar economy where customers in segments such as retail, manufacturing (food), industrial and transport are now planning to invest in assets and hire staff.

The Federal Government has restructured how unemployed people are managed back to work and recently awarded a number of new National Employment Services contracts. Programmed has formed an alliance with APM (a national provider of workforce and rehabilitation services) which has secured contracts in nine regions, including the metropolitan areas of Sydney and Perth and the major regional centres of Geelong and Gold Coast. These contracts commenced on 1 July 2015.

Unallocated Costs

Unallocated costs, which relate to corporate overheads and non-trading income and expenses, were \$6.4 million (1H FY15: \$5.1 million).

RESULTS COMMENTARY (CONTINUED)

Cash Flow and Net Debt

Cash flow was positive and demand for painting programs solid, and thus there was no additional release of capital from painting programs as occurred in recent years. Hence, gross operating cash flow was lower than pcp at \$17.4 million (1H FY15: \$46.1 million). Net operating cash flow was \$9.7 million (1H FY15: \$36.1 million).

Net debt was \$18 million at 30 September 2015 compared to \$7 million at 31 March 2015.

D I R E C T O R S ' R E P O R T

The directors present their report together with the consolidated financial report of Programmed Maintenance Services Limited ("the Company") and its subsidiaries ("the Group") for the half-year ended 30 September 2015 and the auditors review report thereon.

The names of the directors of the company during or since the end of the half-year are:

B R Brook
 C G Sutherland
 J G Whittle
 E R Stein
 R J McKinnon
 A E Grant

REVIEW OF OPERATIONS

Consolidated revenue for the half-year ended 30 September 2015 was \$709.735 million, which is 1.0% lower than the corresponding period last year.

For the half-year ended 30 September 2015, the consolidated loss before tax amounted to \$14.937 million and consolidated loss after tax amounted \$18.692 million (consolidated profit before tax of \$14.971 million and consolidated profit after tax of \$9.759 million for the half-year ended 30 September 2014).

Refer to Results Commentary on page 4 for further information.

CHANGES IN STATE OF AFFAIRS

There was no significant change in the state of affairs of the Group during the half year.

SUBSEQUENT EVENTS

On 16 October 2015, the Company completed the acquisition of Skilled Group Limited ("Skilled"), through a scheme of arrangement. Consideration for the acquisition of 100% of the Skilled shares was 0.55 new shares of the Company and \$0.25 cash per Skilled share (less the amount of the Skilled 2015 financial year final dividend per share and any Skilled special dividend paid per share). Skilled shareholders received a final dividend in relation to the 2015 financial year of \$0.095 per Skilled share and a special dividend of \$0.155 per Skilled share, reducing the cash consideration of \$0.25 per Skilled share to nil.

The acquisition brings together two highly complementary businesses to create a leading diversified staffing, maintenance and facility management business.

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

	Book value \$'000
Net identifiable assets at 30 June 2015:	
Total identifiable assets	484,542
Total identifiable liabilities	(419,754)
	<u>64,788</u>
Skilled 2015 financial year final dividend and Skilled special dividend	(59,234)
Net identifiable assets	<u>5,554</u>
Goodwill arising on acquisition	316,326
Total consideration	<u>321,880</u>

DIRECTORS' REPORT (CONTINUED)

	Consideration \$'000
130,315,849 Programmed shares issued at \$2.47 per Programmed share	321,880
Cash consideration	-
Total consideration	<u>321,880</u>

The initial accounting for the acquisition of Skilled has only been provisionally determined as at 30 September 2015 based on the Skilled consolidated financial statements for the financial year ended 30 June 2015 and will be subject to a detailed fair value exercise by the directors. It has been assumed that the carrying value of the identified assets and liabilities at 30 June 2015 are equal to their fair value.

At the date of finalisation of these consolidated financial statements, the necessary market valuations and other calculations had not been finalised and no separately identifiable intangible assets have been recognised other than those already recognised in Skilled's 30 June 2015 statement of financial position. On completion, the excess of the cost of the acquisition over and above the net fair value of the identifiable assets and liabilities will be recognised as goodwill. Australian Accounting Standards allow a period of 12 months to finalise the accounting from the date of acquisition.

On 16 October 2015, the Group agreed new terms with its banks to provide lending facilities to September 2019, replacing the existing facilities which were due to expire in December 2017.

The lending facilities comprise of:

- A bank syndicated facility which includes four financing tranches aggregating \$600 million (previously \$200 million) comprising:
 - Working capital facility of \$170 million (4 year term)
 - Working capital facility of \$180 million (3 year term)
 - Bank guarantee facility of \$175 million (3 year term)
 - Facility to fund the cash consideration and transaction costs in relation to the acquisition of Skilled, of \$75 million (2 year term)
- A working capital and bank guarantee facility of NZ\$10 million (3 year term).
- An overdraft facility of \$15 million (repayable on demand).

Other arrangements remain for ongoing support of asset finance requirements (\$17 million).

There has not been any other matter or circumstance that has arisen since the end of the half year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 12 of the half-year financial report.

ROUNDING OFF OF AMOUNTS

The company is of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the half-year financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the directors



C G SUTHERLAND
MANAGING DIRECTOR
PERTH, WESTERN AUSTRALIA
19 NOVEMBER 2015

The Board of Directors Programmed
Maintenance Services Limited
47 Burswood Road
BURSWOOD WA 6100

19 November 2015

Dear Board Members

Auditor's Independence Declaration to Programmed Maintenance Services Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Programmed Maintenance Services Limited.

As lead audit partner for the review of the half year financial report of Programmed Maintenance Services Limited for the half year ended 30 September 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully


DELOITTE TOUCHE TOHMATSU



Tim Richards
Partner

Independent Auditor's Review Report to the Members of Programmed Maintenance Services Limited

We have reviewed the accompanying half-year financial report of Programmed Maintenance Services Limited, which comprises the condensed consolidated statement of financial position as at 30 September 2015, the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity, and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year (collectively the Company) as set out on pages 15 to 28.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 September 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

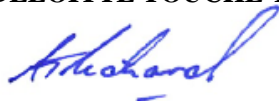
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Company is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 September 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



AT Richards

Partner

Chartered Accountants

Perth, 19 November 2015

DIRECTORS' DECLARATION

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the directors



C G SUTHERLAND
MANAGING DIRECTOR

PERTH, WESTERN AUSTRALIA
19 NOVEMBER 2015

C O N D E N S E D C O N S O L I D A T E D
S T A T E M E N T O F P R O F I T O R L O S S

FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2015

	Note	Consolidated	
		30 Sep 2015	30 Sep 2014
		\$'000	\$'000
Revenue		709,735	716,861
Other income		546	423
Share of net loss of associate accounted for using the equity method		(76)	(295)
Incentive payment in relation to the acquisition of the Turnpoint group		-	(1,421)
Changes in work in progress at cost and other inventories		5,657	588
Raw materials and consumables used		(48,612)	(61,094)
Employee benefits expense		(418,468)	(431,025)
Sub-contractor expenses		(208,439)	(174,047)
Depreciation and amortisation expense	3	(5,186)	(5,701)
Impairment of goodwill	6	(27,780)	-
Equipment and motor vehicle costs		(9,283)	(8,061)
Information technology and telecommunication costs		(3,737)	(3,843)
Other expenses		(7,384)	(14,399)
Earnings before interest and tax		(13,027)	17,986
Finance costs	3	(1,910)	(3,015)
(Loss)/profit before income tax		(14,937)	14,971
Income tax expense	4	(3,755)	(5,212)
(Loss)/profit attributable to members of Programmed Maintenance Services Limited		(18,692)	9,759
		Cents	Cents
Earnings per share			
Basic earnings per share		(15.7)	8.2
Diluted earnings per share		(15.2)	8.0

Notes to the condensed consolidated financial statements are included on pages 21 to 28

CONDENSED CONSOLIDATED STATEMENT OF

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2015

	Consolidated Half-year ended	
	30 Sep 2015	30 Sep 2014
	\$'000	\$'000
(Loss)/profit for the period	<u>(18,692)</u>	<u>9,759</u>
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translation of foreign operations	<u>(3,096)</u>	<u>(1,982)</u>
Other comprehensive income for the period (net of tax)	<u>(3,096)</u>	<u>(1,982)</u>
Total comprehensive income for the period attributable to owners of the parent entity	<u>(21,788)</u>	<u>7,777</u>

Notes to the condensed consolidated financial statements are included on pages 21 to 28

C O N D E N S E D C O N S O L I D A T E D S T A T E M E N T O F
F I N A N C I A L P O S I T I O N

AS AT 30 SEPTEMBER 2015

	Note	Consolidated	
		30 Sep 2015	31 Mar 2015
		\$'000	\$'000
CURRENT ASSETS			
Cash and cash equivalents		30,861	42,768
Trade and other receivables		237,044	236,078
Inventories		79,938	70,409
Current tax assets		1,168	83
Other		5,712	4,433
Total current assets		<u>354,723</u>	<u>353,771</u>
NON-CURRENT ASSETS			
Investments in associates		5,090	3,844
Trade and other receivables		53,615	57,560
Inventories		7,812	12,207
Property, plant and equipment		23,999	24,362
Deferred tax assets		19,520	17,833
Goodwill	6	218,361	246,431
Other intangible assets		19,145	16,529
Total non-current assets		<u>347,542</u>	<u>378,766</u>
TOTAL ASSETS		<u>702,265</u>	<u>732,537</u>
CURRENT LIABILITIES			
Trade and other payables		175,837	173,596
Borrowings		46,042	46,618
Current tax payables		3,544	834
Provisions		40,203	36,433
Total current liabilities		<u>265,626</u>	<u>257,481</u>
NON-CURRENT LIABILITIES			
Borrowings		2,888	3,230
Deferred tax liabilities		44,534	47,103
Provisions		5,870	6,287
Total non-current liabilities		<u>53,292</u>	<u>56,620</u>
TOTAL LIABILITIES		<u>318,918</u>	<u>314,101</u>
NET ASSETS		<u>383,347</u>	<u>418,436</u>
EQUITY			
Issued capital	8	236,086	236,086
Reserves		8,126	10,876
Retained earnings		139,135	171,474
TOTAL EQUITY		<u>383,347</u>	<u>418,436</u>

Notes to the condensed consolidated financial statements are included on pages 21 to 28

C O N D E N S E D C O N S O L I D A T E D S T A T E M E N T O F
C H A N G E S I N E Q U I T Y

FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2015

Consolidated	Issued capital	Foreign currency translation reserve	Capital profits reserve	Equity settled employee benefits reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 April 2014	236,060	(275)	5,535	2,560	166,499	410,379
Profit for the period	-	-	-	-	9,759	9,759
Exchange differences arising on translation of foreign operations	-	(1,982)	-	-	-	(1,982)
Total comprehensive income for the period	-	(1,982)	-	-	9,759	7,777
Recognition of share-based payments	-	-	-	383	-	383
Payment of dividends (note 7)	-	-	-	-	(13,008)	(13,008)
Balance at 30 September 2014	236,060	(2,257)	5,535	2,943	163,250	405,531
Balance at 1 April 2015	236,086	1,712	5,535	3,629	171,474	418,436
Loss for the period	-	-	-	-	(18,692)	(18,692)
Exchange differences arising on translation of foreign operations	-	(3,096)	-	-	-	(3,096)
Total comprehensive income for the period	-	(3,096)	-	-	(18,692)	(21,788)
Recognition of share-based payments	-	-	-	346	-	346
Payment of dividends (note 7)	-	-	-	-	(13,647)	(13,647)
Balance at 30 September 2015	236,086	(1,384)	5,535	3,975	139,135	383,347

Notes to the condensed consolidated financial statements are included on pages 21 to 28

C O N D E N S E D C O N S O L I D A T E D S T A T E M E N T O F
C A S H F L O W S

FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2015

	Note	Consolidated Half-year ended	
		30 Sep 2015 \$'000	30 Sep 2014 \$'000
Cash Flows from Operating Activities			
Receipts from customers ¹		784,073	801,820
Payments to suppliers and employees		(766,722)	(755,677)
Interest and other cost of finance paid		(1,790)	(2,888)
Income tax paid		(5,888)	(7,122)
Net cash provided by operating activities		<u>9,673</u>	<u>36,133</u>
Cash flows from investing activities			
Interest received		181	171
Payment for property, plant and equipment		(2,112)	(3,811)
Proceeds from sale of property, plant and equipment		822	670
Payment for development software		(2,941)	(339)
Payments for investments		(1,322)	(5)
Payments for mobilisation of contracts		(518)	(790)
Net cash used in investing activities		<u>(5,890)</u>	<u>(4,104)</u>
Cash flows from financing activities			
Proceeds from borrowings		20,000	55,000
Repayment of borrowings		(21,661)	(61,904)
Dividends paid	7	(13,647)	(13,008)
Net cash used in financing activities		<u>(15,308)</u>	<u>(19,912)</u>
Net (decrease)/increase in cash and cash equivalents		(11,525)	12,117
Cash and cash equivalents at the beginning of the period		42,768	29,477
Effects of exchange rate changes on the balance of cash held in foreign currencies		(382)	(208)
Cash and cash equivalents at the end of the period		<u>30,861</u>	<u>41,386</u>
Reconciliation of cash			
Cash and cash equivalents per balance sheet and cash flow statement		<u>30,861</u>	<u>41,386</u>

Notes to the condensed consolidated financial statements are included on pages 21 to 28

¹Receipts from customers include interest revenue on long term maintenance contracts of \$2.499 million (2014: \$2.823 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2015

1. Significant accounting policies

Programmed Maintenance Services Limited (the "Company") is a company domiciled in Australia. The condensed consolidated financial statements of the Company for the six months ended 30 September 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The consolidated financial statements of the Group as at and for the year ended 31 March 2015 are available upon request at the Company's registered office at 47 Burswood Road, Burswood, Western Australia or at www.programmed.com.au.

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and 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.

The company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2015 annual financial report for the financial year ended 31 March 2015.

2. Segment Information**Basis of segmentation**

The Group's business is organised into the following operating and reportable segments:

- Integrated Workforce
- Property & Infrastructure
- Resources

Information has been reported for the 3 segments in the half year ended 30 September 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 September 2015

2. Segment Information (continued)

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

	Integrated Workforce		Property & Infrastructure		Resources		Total consolidated	
	30 Sep 2015	30 Sep 2014	30 Sep 2015	30 Sep 2014	30 Sep 2015	30 Sep 2014	30 Sep 2015	30 Sep 2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	195,963	188,416	414,385	394,473	96,068	130,067	706,416	712,956
Finance revenue on long term maintenance contracts	-	-	2,499	2,823	-	-	2,499	2,823
Segment revenue	195,963	188,416	416,884	397,296	96,068	130,067	708,915	715,779
Other revenue, including interest and rental revenue (unallocated)							820	1,082
							709,735	716,861
Segment result								
Segment profit	3,862	3,023	18,723	11,148	3,860	11,568	26,445	25,739
Impairment of goodwill	-	-	-	-	(27,780)	-	(27,780)	-
	3,862	3,023	18,723	11,148	(23,920)	11,568	(1,335)	25,379
Skilled transaction, restructuring and other costs							(5,179)	(869)
Incentive payment in relation to the acquisition of the Turnpoint group							-	(1,421)
Share of net loss of associate							(76)	(295)
Unallocated costs							(6,437)	(5,168)
Earnings before interest and tax							(13,027)	17,986
Finance costs							(1,910)	(3,015)
(Loss)/profit before tax							(14,937)	14,971
Income tax expense							(3,755)	(5,212)
(Loss)/profit for the year							(18,692)	9,759

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 September 2015

3. Profit

	Consolidated	
	Half-year ended 30 Sep 2015 \$'000	Half-year ended 30 Sep 2014 \$'000

Profit before income tax includes the following specific expenses:

Finance Costs:

Total interest costs	801	1,496
Other finance costs	1,109	1,519
	<u>1,910</u>	<u>3,015</u>

Depreciation and amortisation of non-current assets:

- Plant and equipment	4,363	4,915
- Identifiable intangibles	444	363
- Other non-current assets	379	423
	<u>5,186</u>	<u>5,701</u>

Impairment of goodwill (note 6)

	<u>27,780</u>	<u>-</u>
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4. Income taxes

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

(Loss)/profit from operations	<u>(14,937)</u>	<u>14,971</u>
Income tax expense calculated at 30%	(4,481)	4,491
Effect of amounts that are not deductible/(assessable) in determining taxable profit:		
Impairment of goodwill	8,334	-
Amortisation of intangibles	134	108
Effect of different tax rates of subsidiaries operating in other jurisdictions	(268)	(693)
Benefit of tax losses not recognised	-	15
Other sundry items	36	709
	<u>3,755</u>	<u>4,630</u>
Adjustments recognised in the current year in relation to the current tax of prior years	-	582
Income tax expense	<u>3,755</u>	<u>5,212</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 September 2015

5. Contracts and work in progress at recoverable value

Consolidated	Half-year ended 30 Sep 2015	Year ended 31 Mar 2015	Half-year ended 30 Sep 2014
	\$'000	\$'000	\$'000
Contracts in progress at recoverable value			
Balance at the beginning of period	97,229	110,166	110,166
Increase/(decrease) in amounts recoverable	602	(14,292)	(7,634)
Effect of foreign currency movements	(1,709)	1,355	(1,569)
	<u>96,122</u>	<u>97,229</u>	<u>100,963</u>
Balance at end of period			
Categorised as:			
Current trade and other receivables	42,507	39,669	46,389
Non-current trade and other receivables	53,615	57,560	54,574
	<u>96,122</u>	<u>97,229</u>	<u>100,963</u>
Work in progress at recoverable value			
Balance at the beginning of period	36,710	28,103	28,103
Increase/(decrease) in amounts recoverable	(7,543)	8,441	3,483
Effect of foreign currency movements	(259)	166	(317)
	<u>28,908</u>	<u>36,710</u>	<u>31,269</u>
Balance at end of period			
Categorised as:			
Current inventories	21,096	24,503	23,451
Non-current inventories	7,812	12,207	7,818
	<u>28,908</u>	<u>36,710</u>	<u>31,269</u>
Total contracts and work in progress at recoverable value			
Categorised as:			
Current	63,603	64,172	69,840
Non-current	61,427	69,767	62,392
	<u>125,030</u>	<u>133,939</u>	<u>132,232</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 September 2015

6. Goodwill

The carrying amount of goodwill is tested for impairment annually or whenever there is an indicator of impairment. The group assesses the recoverable amount of the cash generating unit ("CGU") to which the goodwill is allocated.

The Resources CGU has been impacted by lower demand for marine services due to the completion of a number of major offshore projects and the significant fall in oil price resulting in cancellation and deferral of some further works. Demand for services in the Resources CGU is mainly dependent on activity in the offshore oil and gas industry.

Given the impact on the Resources business, the group assessed the recoverable amount of the CGU based on its fair value less costs of disposal.

As a result of the CGU's operational forecast and outlook, the review indicated that the recoverable amount of the CGU was less than the carrying amount. This assessment has resulted in the impairment of goodwill allocated to the CGU of \$27,780 thousand at 30 September 2015.

The recoverable amount was assessed by determining the present value of the estimated future cash flows of the CGU (offshore and onshore businesses) using a pre-tax discount rate of 12.56% (March 2015: 12.58%). The cash flows were based on the forecasts for the 2016 and 2017 financial years then extrapolated for a total of four years at a growth rate of between 1.00% and 2.00% (March 2015: Between 0.00% and 1.95%). The cash flows beyond the five year period have been extrapolated using a steady 2.60% per annum growth rate (March 2015: 2.00%).

Changes in the key assumptions in the table below would have the following approximate impact on the recoverable amount of the Resources CGU:

	Change in variable	Effect on recoverable amount \$'000
Forecast gross margin	+ 0.25%	2,673
	- 0.25%	(2,673)
Pre-tax discount rate	+ 1.5%	(16,087)
	- 1.5%	21,726
Growth rate: Cash flows beyond five years	+ 0.25%	3,404
	- 0.25%	(3,165)

Changes in the assumptions used in the CGU valuation model, when considered in isolation, will result in the following impairment impact on the profit or loss.

	Change in variable	Effect on profit or loss \$'000
Forecast gross margin	- 0.25%	(2,673)
Pre-tax discount rate	+ 1.5%	(16,087)
Growth rate: Cash flows beyond five years	-0.25%	(3,165)

It must be noted that each of the sensitivities above assumes that a specific assumption moves in isolation, while the other assumptions are held constant. In reality, a change in one of the aforementioned assumptions could be accompanied by a change in another assumption, which may increase or decrease the net impact.

No indicators of impairment were identified for the Group's Integrated Workforce and Property & Infrastructure CGU's.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 September 2015

6. Goodwill (continued)

	Note	Half-year ended 30 Sep 2015 \$'000	Half-year ended 30 Sep 2014 \$'000
Gross carrying amount			
Balance at beginning of financial year		246,431	246,071
Impairment off goodwill		(27,780)	-
Additional amounts recognised from business combinations occurring during the period		-	221
Net foreign exchange differences		(290)	(215)
		<u>218,361</u>	<u>246,077</u>

7. Dividends

During the period, Programmed Maintenance Services Limited made the following dividend payments:

	Half-year ended 30 Sep 2015		Half-year ended 30 Sep 2014	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Fully paid ordinary shares				
Final dividend	<u>11.5</u>	<u>13,647</u>	<u>11.0</u>	<u>13,008</u>

On 19 November 2015, the directors declared a fully franked interim dividend of 6.5 cents per share (2014: 6.5 cents) to the holders of fully paid ordinary shares in respect of the half-year ended 30 September 2015, to be paid to shareholders on 21 January 2016. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$16.205 million (2014: \$7.712 million).

8. Issued capital

	30 Sep 2015 \$'000	30 Sep 2014 \$'000
118,989,126 fully paid ordinary shares (2014: 118,651,911)	<u>236,086</u>	<u>236,060</u>

	Half-year ended 30 Sep 2015		Half-year ended 30 Sep 2014	
	No.'000	\$'000	No.'000	\$'000
Ordinary shares				
Balance at the beginning of the half-year	118,667	236,086	118,254	236,060
Issue of shares	<u>322</u>	<u>-</u>	<u>398</u>	<u>-</u>
Balance at the end of the half-year	<u>118,989</u>	<u>236,086</u>	<u>118,652</u>	<u>236,060</u>

Apart from those noted above, there were no other movements in the issued share capital of the company in the current or prior half-year reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 September 2015

8. Issued capital (continued)

Performance rights and options

The following reconciles the outstanding Performance rights and options under the Long Term Incentive Plan at the beginning and end of the half-year:

	Performance rights		Performance options	
	Half year ended		Half year ended	
	30 Sep 2015 No.	30 Sep 2014 No.	30 Sep 2015 No.	30 Sep 2014 No.
Balance at the beginning of the half-year	4,434,000	3,720,500	-	30,534
Granted during the half-year	1,498,000	1,315,000	-	-
Exercised during the half-year	(321,948)	(397,919)	-	-
Lapsed during the half-year	<u>(372,052)</u>	<u>(174,081)</u>	-	-
Balance at the end of the half-year	<u>5,238,000</u>	<u>4,463,500</u>	<u>-</u>	<u>30,534</u>

9. Subsequent events

On 16 October 2015, the Company completed the acquisition of Skilled Group Limited ("Skilled"), through a scheme of arrangement. Consideration for the acquisition of 100% of the Skilled shares was 0.55 new shares of the Company and \$0.25 cash per Skilled share (less the amount of the Skilled 2015 financial year final dividend per share and any Skilled special dividend paid per share). Skilled shareholders received a final dividend in relation to the 2015 financial year of \$0.095 per Skilled share and a special dividend of \$0.155 per Skilled share, reducing the cash consideration of \$0.25 per Skilled share to nil.

The acquisition brings together two highly complementary businesses to create a leading diversified staffing, maintenance and facility management business.

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

	Book value \$'000
Net identifiable assets at 30 June 2015:	
Total identifiable assets	484,542
Total identifiable liabilities	<u>(419,754)</u>
	64,788
Skilled 2015 financial year final dividend and Skilled special dividend	<u>(59,234)</u>
Net identifiable assets	<u>5,554</u>
Goodwill arising on acquisition	<u>316,326</u>
Total consideration	<u>321,880</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 September 2015

9. Subsequent events (continued)

	Consideration \$'000
130,315,849 Programmed shares issued at \$2.47 per Programmed share	321,880
Cash consideration	-
Total consideration	<u>321,880</u>

The initial accounting for the acquisition of Skilled has only been provisionally determined as at 30 September 2015 based on the Skilled consolidated financial statements for the financial year ended 30 June 2015 and will be subject to a detailed fair value exercise by the directors. It has been assumed that the carrying value of the identified assets and liabilities at 30 June 2015 are equal to their fair value.

At the date of finalisation of these consolidated financial statements, the necessary market valuations and other calculations had not been finalised and no separately identifiable intangible assets have been recognised other than those already recognised in Skilled's 30 June 2015 statement of financial position. On completion, the excess of the cost of the acquisition over and above the net fair value of the identifiable assets and liabilities will be recognised as goodwill. Australian Accounting Standards allow a period of 12 months to finalise the accounting from the date of acquisition.

On 16 October 2015, the Group agreed new terms with its banks to provide lending facilities to September 2019, replacing the existing facilities which were due to expire in December 2017.

The lending facilities comprise of:

- A bank syndicated facility which includes four financing tranches aggregating \$600 million (previously \$200 million) comprising:
 - Working capital facility of \$170 million (4 year term)
 - Working capital facility of \$180 million (3 year term)
 - Bank guarantee facility of \$175 million (3 year term)
 - Facility to fund the cash consideration and transaction costs in relation to the acquisition of Skilled, of \$75 million (2 year term)
- A working capital and bank guarantee facility of NZ\$10 million (3 year term).
- An overdraft facility of \$15 million (repayable on demand).

Other arrangements remain for ongoing support of asset finance requirements (\$17 million).

There has not been any other matter or circumstance that has arisen since the end of the half year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.