



**PEOPLE
TAKING CARE
OF PROPERTY**

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ASX Announcement

28 November 2007

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 results for the half year ended 30th September 2007.

Yours sincerely,
PROGRAMMED MAINTENANCE SERVICES LIMITED

A handwritten signature in blue ink that reads "Ian H. Jones".

Ian H. Jones
Secretary

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ASX/media release
28 November 2007

First half earnings per share up 13%

Interim dividend up 12%

Programmed Maintenance Services Limited, a leading provider of workforce, property maintenance and asset management services, today announced a profit after tax of \$10.3 million on a comparable basis for the six months to 30 September 2007. The statutory profit after tax of \$11.6 million includes a tax benefit of \$1.3 million arising from the reduction in the New Zealand corporate tax rate from 1 April 2008.

These results include 16 weeks' profit contribution from Integrated Group, which was acquired on 7 June 2007, and compare with \$7.8 million for the first half of FY2007. Earnings per share on a comparable basis increased by 13 per cent to 12.4 cents.

The directors have increased the interim dividend by 12 per cent to 9.5 cents per share fully franked, payable on 24 January 2008 to shareholders on the register at 9 January. The dividend reinvestment plan remains suspended.

| Results summary for the six months ended | 30 – 9 – 07 (A\$m) | 30 – 9 – 06 (A\$m) | % increase |
|--|-----------------------|-----------------------|-------------|
| Revenue | 352.1 | 156.3 | 125.3 |
| Earnings before interest, tax, depreciation and amortisation | 29.8 | 20.0 | 49.0 |
| Earnings before interest and tax | 21.7 | 14.5 | 50.3 |
| Profit before tax | 15.2 | 11.5 | 32.6 |
| Income tax expense | (3.7) | (3.7) | 0.0 |
| Statutory profit after tax | 11.6 | 7.8 | 48.0 |
| Tax change benefit | 1.3 | 0.0 | - |
| Comparable profit after tax | 10.3 | 7.8 | 31.5 |
| Earnings per share (cents) – comparable basis | 12.4 | 11.0 | 12.7 |
| Interim dividend (cents) | 9.5 | 8.5 | 11.8 |
| Franking (%) | 100.0 | 100.0 | - |

'We are very pleased with this result, which validates both our decision to merge with Integrated Group and the growth strategy we have followed since the company's ASX listing in 1999,' said Mr Max Findlay, managing director. 'In these eight years, Programmed Maintenance Services has

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progressed from a trade-based business, with 82 per cent of revenue coming from painting services in Australia and New Zealand, to a broadly-based group providing a wide range of workforce, property maintenance and asset management services. Earnings per share have grown every year during this period, with an average increase of 10.5 per cent per annum.

'The merger with Integrated Group has transformed the company, broadening our range of services and geographic footprint, more than doubling net assets and revenue, and providing a more diversified and secure earnings base. Access to the Workforce labour pool is improving our labour flexibility; and the larger scale of our operations enables us to improve support functions, upgrade technology, and expand the career potential for our employees. We also have greater financial strength to pursue organic growth opportunities and further acquisitions.

'Integration of the two companies is progressing smoothly, and it is clear that the benefits of the merger will be in line with our expectations. Our retention strategy has been successful, with Integrated Group management demonstrating their commitment to the merged group's vision and strategy, and there is a determination in all our businesses to capitalise on the growth opportunities provided by our broader customer and service base. We are on track to achieve the anticipated cost synergies of between \$2.5 million and \$3 million in FY2009, but we expect the main benefits to come from cross-selling services and leveraging our expanded market footprint.

'The merger has had a substantial impact on the company's operating cash flow, which has increased to \$36 million from \$12 million in the previous corresponding period. The average EBIT margin for the first half, at 6 per cent, reflects the lower margins of the new services we now provide and is in line with plan. We expect the average margin to increase in the second half.

'Programmed Maintenance Services now occupies a unique position in the Australian market, providing labour, trade services and facility management. In New Zealand and the United Kingdom, our existing infrastructure and experience give us the opportunity to expand our range of services in these markets and, in the longer term, potentially elsewhere.'

Outlook

'The outlook for the second half is generally positive, with strong order books across most businesses,' said Mr Findlay. 'The services and workforce businesses have strong projections and are anticipated to show further growth in the second half'

'As previously signalled, the painting businesses in Australia and New Zealand had a slow start to the year, due predominantly to poor weather. Projections for the second half are strong, and these businesses' results for the full year will depend on our success in overcoming shortages of skilled labour in Western Australia and Auckland to enable us to achieve our volume targets in the peak summer season. Alternative sources of labour are currently being evaluated.'

AUSTRALIA

Property maintenance

| Results summary for the six months ended | 30 – 9 – 07 (A\$m) | 30 – 9 – 06 (A\$m) | % increase |
|--|-----------------------|-----------------------|------------|
| Revenue | 129.3 | 109.4 | 18.3 |
| Earnings before interest and tax | 8.5 | 7.8 | 9.4 |

The Australian property maintenance business continued to increase its revenue and earnings, but margins were affected by the cold, wet start to the winter on the eastern seaboard which hampered painting work.

Despite the slow start, the painting business, which specialises in long-term maintenance programmes, has secured a number of significant new customers and renewed several existing contracts. The focus during the peak summer period will be to increase volume and margins, as well as to recruit additional experienced tradespeople in Western Australia where there is a considerable shortage.

The building services business, which has diversified its revenue and skill base during the past two years, performed well, due partly to a national maintenance contract with a major retail group and several new contracts. Revenue from refurbishing retirement villages in New South Wales has improved, following lower activity in FY2007.

The grounds business, which provides grounds maintenance, management and landscaping services for national organisations, schools and sports clubs, continued to grow strongly, achieving record revenue and earnings. The Defence Department contract in south-east Queensland is progressing well, and a branch was opened in Darwin to service a new local government contract. The drought is presenting challenges in some areas and the business is offering planting and maintenance schedules that minimise water use, including drought-tolerant plants, mulch and drip irrigation.

The Tungsten business, which provides a wide range of infrastructure and facilities management services, achieved strong increases in revenue and earnings and positioned itself for further growth, winning new contracts with an annualised value of \$70 million. These include a \$9 million per annum contract to manage all buildings, infrastructure and essential services on Rottnest Island, off Perth. The Tungsten management team has been strengthened to support the growth which is expected over the next five years. The business is referring an increasing volume of work to other group businesses.

Workforce

| Results summary for the six months ended | 30 – 9 – 07 (A\$m) | 30 – 9 – 06 (A\$m) | % change |
|--|-----------------------|-----------------------|----------|
| Revenue | 159.6 | NA | NA |
| Earnings before interest and tax | 5.0 | NA | NA |

The Workforce labour hire and marine businesses have both performed strongly since they became part of Programmed Maintenance Services on 7 June 2007.

The labour hire business, which provides recruitment and labour hire services to the industrial, manufacturing and resources sectors, is beginning to capitalise on the company's expanded customer base and to cross-sell the services of other company businesses. Further growth is planned through opening branches in additional regional centres, increasing the business' footprint in major cities, and small bolt-on acquisitions.

The marine business, which trades as Total Marine Services in Australia and provides a full range of vessel management, manning and catering services, increased its volume of work, particularly in offshore exploration. There are exciting opportunities to expand this business, and steps are being taken to recruit experienced mariners from other parts of the world to overcome a shortage in Australia and New Zealand.

Industrial services

| Results summary for the six months ended | 30 – 9 – 07 | 30 – 9 – 06 | % increase |
|---|--------------------|--------------------|-------------------|
| | (A\$m) | (A\$m) | |
| Revenue | 19.0 | 15.6 | 21.7 |
| Earnings before interest and tax | 1.4 | 1.1 | 25.6 |

The Barry Bros. industrial services business, which provides drain maintenance, non-destructive digging, high pressure cleaning and water recycling services, increased its revenue and earnings, despite the continuing impact of the drought. Revenue growth, however, did not match the growth in new equipment during the past year, and initiatives are being taken to increase utilisation, including equipment redeployment to services which recycle or use less water.

NEW ZEALAND

Property maintenance

| Results summary for the six months ended | 30 – 9 – 07 | 30 – 9 – 06 | % change |
|---|--------------------|--------------------|-----------------|
| | (A\$m) | (A\$m) | |
| Revenue | 19.2 | 16.2 | 18.8 |
| Earnings before interest and tax | 3.8 | 3.9 | (3.2) |

The performance of the New Zealand property maintenance business was affected by wet weather, which reduced painting volumes and overhead recovery, and by a shortage of skilled tradespeople in the Auckland area.

Projections for the southern regions for the busy summer season are strong, and steps are being taken to address the skills shortage through new recruitment initiatives and training programmes in Auckland.

Workforce

| Results summary for the six months ended | 30 – 9 – 07 | 30 – 9 – 06 | % change |
|---|--------------------|--------------------|-----------------|
| | (A\$m) | (A\$m) | |
| Revenue | 8.4 | NA | NA |
| Earnings before interest and tax | 1.3 | NA | NA |

The Workforce business in New Zealand performed well, due mainly to increased offshore exploration in the Taranaki Basin and opportunities to service on-land exploration requirements.

UNITED KINGDOM

Property maintenance

| Results summary for the year ended | 30 – 9 – 07 | 30 – 9 – 06 | % increase |
|---|--------------------|--------------------|-------------------|
| | (A\$m) | (A\$m) | |
| Revenue (A\$m) | 16.5 | 15.1 | 9.6 |
| Earnings before interest and tax* | 1.7 | 1.6 | 6.0 |

* Earnings are after deduction of UK head office costs

The UK business, Whittle Painting Group, continued to increase its revenue and earnings, with a strong second quarter more than compensating for the impact of floods on first quarter trading. Results were slightly affected by the 3 per cent strengthening of the Australian dollar against the pound compared with the previous year.

The value of the company's maintenance programmes, which are unique in the UK market, continued to gain recognition, especially in the education sector. A further 74 contracts have been signed since April, bringing the total to nearly 500 with an overall value of \$17.5 million (A\$40 million), and recoverables grew by more than 15 per cent during the half year.

Whittle's market footprint is expected to expand during FY2008, with the opening of three new branches, bringing the total to 12.

CASH FLOW AND BALANCE SHEET

Gross operating cash flow increased by 137 per cent to \$43.8 million, reflecting the inclusion of the Integrated Group businesses. Net operating cash flow on a comparable basis was \$21.0 million, but on a statutory basis was \$36.0 million due to timing differences in the Workforce business related to the acquisition. Income tax payments were lower than the previous corresponding period due primarily to a tax refund in New Zealand.

The inclusion of Integrated Group has also impacted on the consolidated balance sheet at 30 September 2007. The company's total assets were \$650.2 million and total equity was \$245.9 million, substantially higher than the 31 March 2007 totals of \$340.2 million and \$136.6 million respectively. Total intangible assets rose to \$212.0 million, compared with \$11.4 million at 31 March 2007. Due to this growth in intangibles, net tangible assets per share at 30 September 2007 were 37.7 cents, compared with \$1.75 at 31 March 2007.

Higher borrowings to fund the acquisition of Integrated Group increased net debt at 30 September 2007 to \$204.0 million (83 per cent of equity), compared with \$91.5 million (67 per cent of equity) at 31 March 2007, and net interest payments were \$6.8 million, compared with \$3.1 million.

Programmed Maintenance Services is a leading international provider of workforce, property maintenance and asset management services. The group has annual revenue of \$800 million and employs more than 9,000 people throughout Australia, New Zealand and the United Kingdom.

The group's Workforce labour hire business places around 7,000 skilled and semi-skilled workers every day, and its Workforce marine businesses in Australia and New Zealand supply crews and ancillary services to the oil and gas industry. The property maintenance business maintains over 60,000 buildings and structures in Australia, New Zealand and the United Kingdom through long-term painting and corporate re-imaging, building maintenance and grounds services. The Tungsten business provides facilities and infrastructure management, assurance and consultancy services, and Barry Bros. is one of Australia's largest drain and pressure jetting operations with services including vacuum loading, non-destructive digging, CCTV, water recycling and hydro jetting.

Programmed Maintenance Services is listed on the Australian Stock Exchange with a market capitalisation of over \$450 million.

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