PROGRAMMED

2016 ANNUAL REPORT

THE 2016 ANNUAL GENERAL MEETING

of shareholders in the company will be held at 10.00am (WST) on Wednesday, 27 July 2016 at the Parmelia Hilton Perth, 14 Mill Street, Perth, Western Australia.

PROGRAMMED IS A LEADING PROVIDER OF STAFFING, MAINTENANCE AND FACILITY MANAGEMENT SERVICES.

We employ directly approximately 20,000 people across a broad range of government and private sector businesses.

We provide services to more than 10,000 customers, often under long-term contracts. We deliver these services through our network of over 100 branches throughout Australia and New Zealand.

Our business model is built around our ability to recruit, deploy, manage and maintain a large directly-employed workforce of professional, skilled and semi-skilled staff with a wide range of capabilities.

2016 CORPORATE GOVERNANCE STATEMENT AND APPENDIX 4G DISCLOSURES

Programmed has published its 2016 Corporate Governance Statement and the disclosures required by Appendix 4G of the ASX Listing Rules in the Investor Centre section of its website: www.programmed.com.au/index.php/investor-centre

Shareholders are encouraged to read the Corporate Governance Statement and Appendix 4G disclosures.

CONTENTS

Programmed Maintenance Services Limited
ABN 61 054 742 264

OUR 3 DIVISIONS

STAFFING

Recruitment and labour hire services to a range of industries.

MAINTENANCE

Maintenance, building and operational services to a range of industries.

MARINE

Management, manning and operational services to the offshore oil and gas industry.

THE PROGRAMMED DIFFERENCE

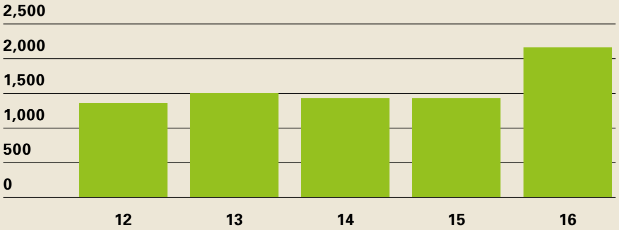
THE PROGRAMMED DIFFERENCE IS OUR ABILITY TO:

- Recruit and develop people
- Manage industrial relations in an increasingly difficult environment
- Deploy the right person with the right competency to each job
- Manage human resources in an increasingly regulated environment
- Get safety right on the ground
- Deliver operational improvements, flexibility and high levels of satisfaction to our customers

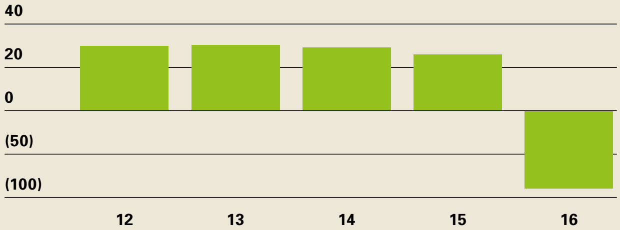
PERTH-BASED PAINTER JOHN HAYDOCK WORKS WITHIN THE PROPERTY SERVICES TEAM, OFTEN CARRYING OUT SPECIALIST PAINT WORK AT HEIGHTS.

RESULTS IN BRIEF

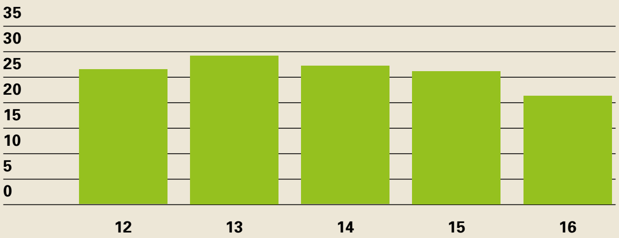
REVENUE: $2.2b (continuing operations)



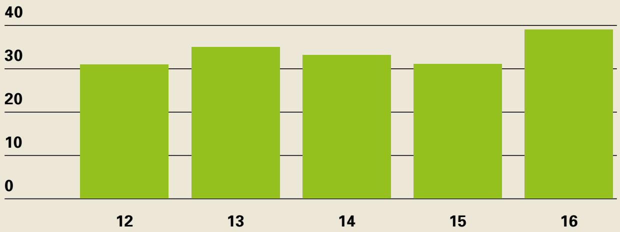
PROFIT AFTER TAX: Reported loss of $98m after amortisation and non-trading items



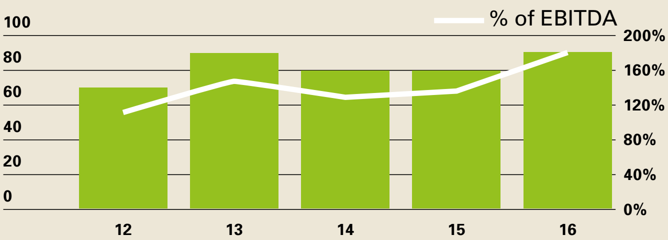
EARNINGS PER SHARE: 21.8 cps before amortisation and non-trading items



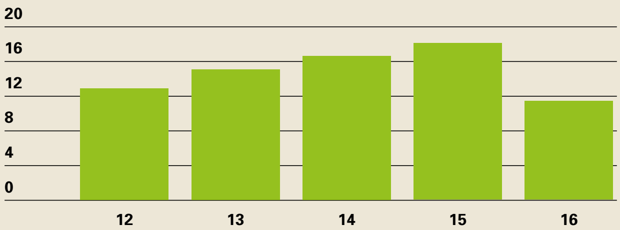
PROFIT AFTER TAX: $38.8m before amortisation and non-trading items



GROSS OPERATING CASH FLOW: $90.9m



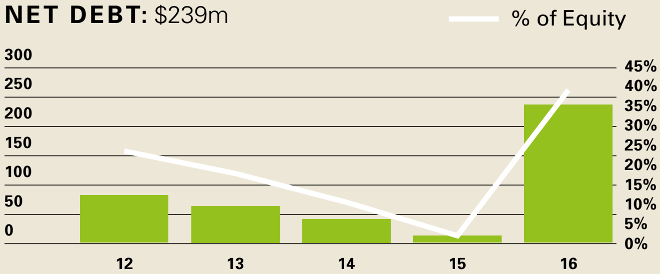
DIVIDENDS: 11.5 cents per share fully franked

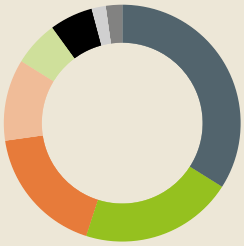


REVENUE* BY DIVISION

41% Staffing
43% Maintenance
16% Marine

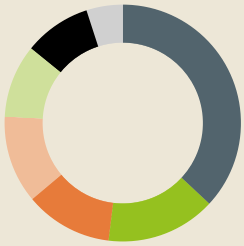
NET DEBT: $239m





REVENUE* BY STATE/ COUNTRY

34% WA
21% NSW
18% VIC
11% QLD
6% SA
6% NZ
2% TAS
2% Other



REVENUE* BY SECTOR

37% Government & infrastructure
15% Offshore oil & gas
12% Retail & commercial
12% Manufacturing & industrial
10% Onshore mining
9% Other
5% Transport

* Includes six months contribution from Skilled

CHAIRMAN'S LETTER

BRUCE BROOK
Chairman

100+

Number of Programmed office locations throughout Australia and New Zealand.

The founder of Programmed, Norman Miles, died late last year, some 60 years after he founded our company. We recognise and are grateful for his vision and innovation that led to the development of long-term painting maintenance programs, a product that has been highly successful and that we continue to sell today.

Few companies survive 60 years, and we are delivering a strategy to ensure we are a strong, sustainable company for the next 60 years and beyond. This involves creating new opportunities to grow in the coming decade post the resources capex boom.

This is an important point because too often commentators focus on daily and monthly movements in share prices, encouraging companies to make short-term decisions, when the key to creating long-term shareholder value is a clear vision and an effective long-term plan.

At Programmed, we have a clear vision to be a leading provider of staffing, maintenance and facility management services, without injury. We have a diverse team; the right people; a strong culture built around safety, care and empathy for people and good customer service; and we put much effort into managing our safety, environmental and community obligations.

"We have a diverse team; the right people; a strong culture built around safety, care and empathy for people and good customer service."

We believe this is the best way for us to create long-term, sustainable value for our shareholders.

We have also determined that our diversity across all industry sectors, all towns and cities across Australia and New Zealand, and many thousands of customers is fundamental to our future success. It will ensure that we can find and attract new business as, over the next 60 years, some customers or industry sectors reduce demand or disappear and new customers and industry sectors grow and develop.

We also believe that we need to be the most effective, scalable and efficient provider of services in the markets that we serve to ensure we maintain our leading position and retain business.

Thus, we concluded the acquisition of Skilled during the past year, in order to benefit from greater scale and diversification.

It will take a number of years for the benefits of size, scale and efficiency to be fully realised as we integrate business systems and seek growth across our expanded network. We have a large platform that will allow us to continue to invest in technology and lower our unit operating costs for many years to come.

Our FY2016 results included revenue and earnings from Skilled for six months and reflect a company adjusting its costs and integrating its operations to deliver the long-term plan for the business. Revenue was $2,209 million, up 54% on the previous year, and profit before amortisation and non-trading items was $38.8 million, up 24.7%. We incurred one-off non-trading expenses totalling $33.9 million to complete the Skilled transaction, integrate Programmed and Skilled and secure more than $30 million of ongoing cost savings, and down-size parts of our business facing the resources sector to reflect the significant reduction in demand for services. We have taken a non-cash impairment charge of $102.4 million to the goodwill of our Marine division, where activity has reduced significantly following the steep fall in oil and gas prices. After amortisation and non-trading items, we reported a loss of $98.0 million compared to a $25.7 million profit in FY2015.

Importantly, we are pleased to have maintained very strong cash flow. Net debt, which was $302 million on completion of the Skilled acquisition last October, fell to $239.1 million at 31 March 2016. We have announced a final dividend of 5 cents per share, fully franked, payable on 26 July 2016,

OUR ZERO HARM JOURNEY

Over the past year, our team has been working hard to deliver our company's vision to be a leading provider of staffing, maintenance and facility management services, without injury.

Our people are committed to this vision by ensuring they protect the wellbeing of not only themselves, but their co-workers, the public, and the environments and communities in which they work and live.

Our belief that all injuries can be prevented, combined with the actions we take to achieve Zero Harm, ensure that our team members go home uninjured.

Safety is embedded in our culture and we stand by four safety beliefs which are:

- All injuries are preventable, including injuries at home
- Working safely is a condition of employment
- Employee action and involvement are essential
- I will get the level of safety I demonstrate I want.

At Programmed, safety is just how we do things, and we live by the statement 'If you see it, you own it'.

We encourage all our employees to take an active role in visibly demonstrating safety leadership regardless of their organisational positon and location.

We promote the importance of health and wellbeing by providing employees with a program designed to enhance their sense of contribution and appreciation of the role they play in the organisation. We also actively seek team members to display care and empathy for those they work with.

In the coming year, we will continue to strive for an injury-free workplace where all employees feel valued and are actively involved in ensuring the safety of themselves and the people around them.

bringing dividends for the year to 11.5 cents fully franked. The dividend reinvestment plan has been reinstated, with a discount of 2.5%.

The board works closely with management to monitor our safety performance which improved during the year, as measured by both the Long Term Injury Frequency Rate (40% lower pcp) and the Total Injury Frequency Rate (33% lower pcp). However, very sadly we experienced a fatality which is covered in the review of operations.

I would like to recognise and thank Jon Whittle, who retired from the board last year, for his nine years as a strong contributing board member. I also welcome Jim Walker, who was previously a director of Skilled and former CEO of WesTrac, and Lisa Paul, who brings a wealth of experience from her previous roles in the Australian public service, most recently as head of the Federal Government Department of Education and Training. This means we are now one of only a handful of ASX200 companies that have an equal number of male and female non-executive directors on the board, and I thank all my board colleagues for their ongoing support and commitment.

I welcome former shareholders of Skilled to our company and thank all shareholders for their support during this transformational year for Programmed.

Finally, I would like to thank Chris Sutherland and the entire Programmed team for the successful integration of Programmed and Skilled and for their efforts on behalf of customers and shareholders in a challenging year.

Bruce Brook
Chairman, 25 May 2016

BUSINESS SUMMARY

STAFFING

Activities

Recruitment and labour hire services including:

- Short term, temporary and casual staffing
- Permanent recruitment
- Trades / transport / warehousing / manufacturing / mining staff
- IT / engineering / healthcare / management / administration / call centre staff
- General labour

Services provided to all industry sectors across Australia and New Zealand, including mining, energy, construction, manufacturing, industrial, infrastructure, utilities, agriculture, communications, transport and logistics, government, health, aged care, and education.

2016 Commentary

- Programmed and Skilled management and front offices integrated successfully and more than 20 offices consolidated.
- No material customers or revenue lost arising from Skilled acquisition.
- Programmed now Australia's largest blue collar staffing business; steps being taken to promote the benefits of the company's strong safety systems and compliance.
- White collar businesses, operating in growing markets, consolidated under Programmed Professionals brand.
- OneShift's customers and job seekers continued to grow.

MAINTENANCE

Maintenance, building and operational services including:

- Painting
- Grounds maintenance and landscaping
- Specialist turf construction and maintenance for golf and horse racing
- Corporate imaging and signage
- Building repair
- Electrical and lighting installation and repair
- Audio visual, data and communications installation and repair
- Complete maintenance services
- Asset management / facility management
- Shutdowns
- Project management / minor capital works

Services provided to thousands of customers across most industries in Australia and New Zealand, often under long-term contracts and preventative maintenance programs.

- Margin higher due to improved operational control.
- New long-term facility management and grounds maintenance contracts.
- Painting volumes stable, with reduced invested capital.
- New WA Government contract expected to generate revenue between $90 million and $120 million p.a., with possible total revenue of $1.5 billion+ over 15 years.
- Demand growing for staff and maintenance services in retailing, tourism, transport, manufacturing, education, health and aged care.
- Industrial and mining revenue lower, and activities being refocused on operational support and maintenance.

MARINE

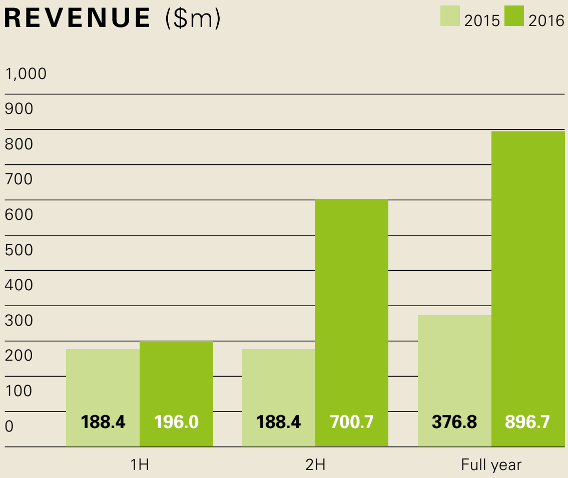
Management, manning and operational services including:

- Maintenance
- Construction support
- Marine manning
- Vessel management
- Logistic support
- Catering

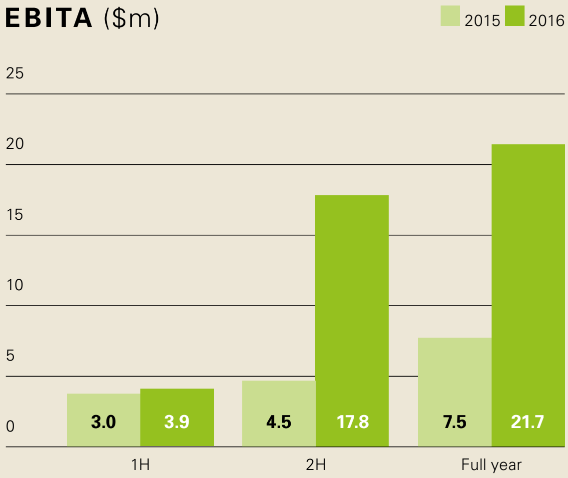
Services provided to the offshore oil and gas industry across Australia, New Zealand and Singapore.

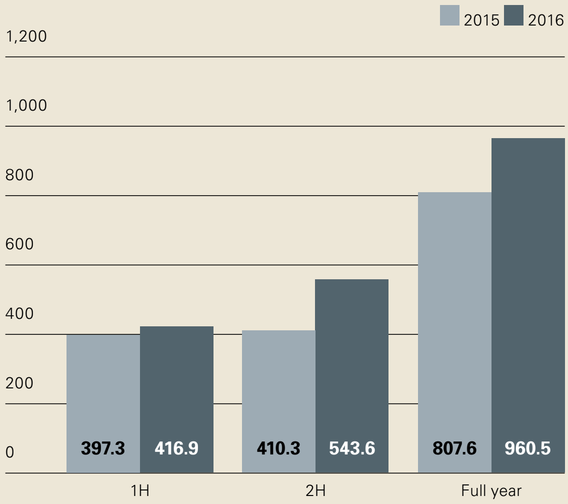
- A number of major offshore projects completed in the second half.
- Lower demand for marine services following steep decline in oil and gas prices.
- Business downsized significantly to suit lower activity forecast for FY2017.
- Broadsword vessels sold for $25 million and business treated as a discontinued operation, with revenue and earnings excluded from results.

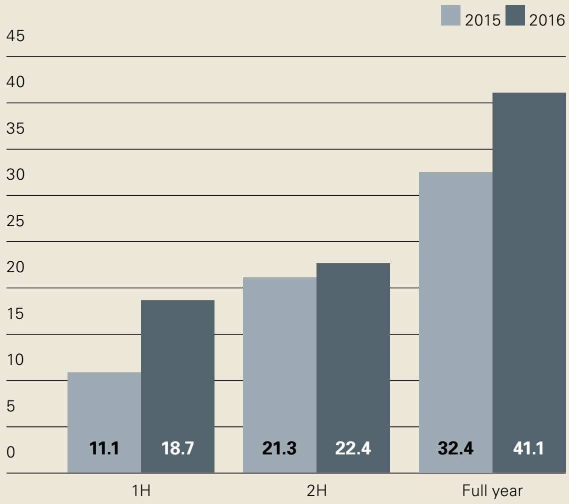
REVENUE ($m)

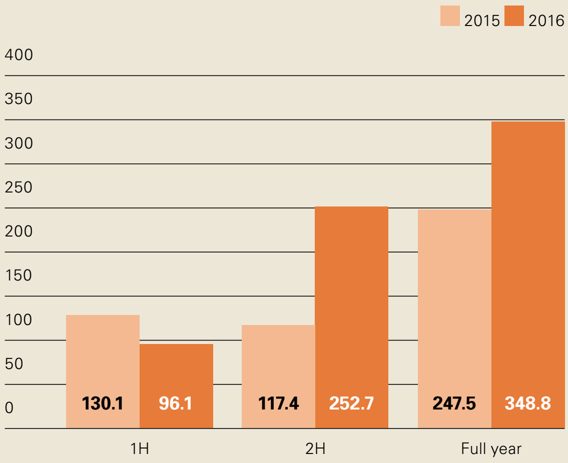


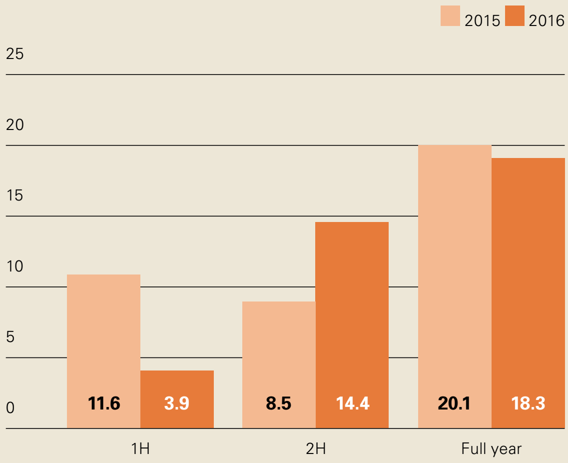
EBITA ($m)











MANAGING DIRECTOR'S REVIEW OF OPERATIONS

CHRIS SUTHERLAND
Managing Director

10,000+

Number of Programmed customers.

Our results for FY2016 reflect a transitional year for Programmed as we completed the acquisition of Skilled and incurred one-off costs to integrate the business, while also managing the significant downturn in the oil and gas sector.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

It was with great sadness that we report a fatality in our marine operations during the financial year. Tragically, Andrew Kelly was killed on a vessel working on the North West Shelf, and our prayers and support remain with his family. This tragedy reinforces our resolve to do everything we believe is possible to prevent workplace incidents; it also reminds us of the need to ensure that focus on eliminating or controlling critical risks is not lost among many other day-to-day processes, regulations and reports.

Our Lost Time Injury Frequency Rate fell a further 40% from 1.7 to 1.0 on more than 37,000,000 hours worked. Equally pleasing was a 33% fall from 18 to 12 in the Total Injury Frequency Rate, which includes all lost time, medical treatment and first aid injuries. These results cover all permanent, casual and contracted employees plus all employees of subcontractors engaged by us and all our labour hire employees who work under the direct supervision and work systems of others. As many companies do not report injuries to casual and contracted workers or subcontractors' workers, direct comparisons are seldom possible.

To further reduce the number of injuries, incidents and near misses, we are continuing to focus on leadership, behaviour and personal responsibility. In addition, we are raising awareness of the risks of working at heights, electrical isolation and operating plant and machinery, as these areas are major contributors to the number of incidents and near misses reported over the past 12 months.

Our safety culture has been based upon core programs such as safety conversations, safety pauses, good news stories and managers ringing injured workers at home. It has been exciting to see many employees develop their own safety leadership at home and at work, influencing the adoption of safe work practices across the wider community.

STRATEGY

We have a clear vision to be a leading provider of staffing, maintenance and facility management services, without injury.

To deliver our vision we have a plan built on four key components:

"We have a clear vision to be a leading provider of staffing, maintenance and facility management services, without injury."

i. Safety

We need to have every employee come home uninjured every night as a basic tenet of our operations. This also means our productivity improves and our costs are lower. Customers will hire Programmed because we work safely and can help them improve the safety of their own operations.

We continue to expand and develop initiatives to improve the leadership and safety culture of our entire team.

We integrated the operations of Skilled within our existing HSE framework by March 2016, and our critical risk standards have been updated to reflect a more diverse range of activities. We have upgraded our core HSE reporting and management system to better reflect the key attributes of our safety program and make it more accessible through any mobile device, with the new system operational in April 2016.

10,000+

Number of safety-based training modules completed 1 April 2015 – 31 March 2016.

WE'RE PROGRAMMED FOR SAFETY

Programmed Safety is a new consulting business that has been developed to improve the safety performance of our customers, strengthen our brand and act as a differentiator for the business. It spans a range of services, from cultural and behavioural change programs, wellbeing, training and risk-specific advice, and management of injured workers – all of which align with our overall goal of Zero Harm.

These programs eventuated after a number of factors converged, including the fact that our insurer, QBE, had become our biggest advocate for the 'Programmed Difference' after seeing the improvement in our workers compensation performance. As a result, QBE encouraged us to offer our operational know-how to others, starting with its clients.

We are now starting to consult in the areas of HSE and wellbeing, injury management and claims management. What sets us apart is that the service we are beginning to offer our clients has access to industry leaders who aren't 'career consultants', but rather operational personnel with a successful story to tell and lessons to communicate.

As a team, we also have the ability to demonstrate that safety is good for business. We can successfully design and implement a culture around Zero Harm, while linking Zero Harm to the removal of unplanned events and unlocking the true business value of working safely.

The main reason for clients to select our new service is our proven operational experience in achieving and exceeding HSE targets in a large people business that is geographically diverse and services multiple industries, often on sites not under our operational control.

Programmed Safety will leverage off more than 50 years' experience in delivering staffing, maintenance and facility management services safely across most industries.

ABBEY'S ROAD TO SUCCESS

Programmed apprentice Abbey Ullrich may only be 16, but she is already passionate about her chosen career and is very clear on her future direction.

The Falls Creek, Victoria resident is already blazing a trail for young women at Programmed, having commenced a four year apprenticeship in January 2016 as a fitter machinist.

After being given the opportunity to undertake work experience with Programmed in August last year, Abbey hasn't looked back, particularly after she learnt the company offered a range of trade apprenticeships.

"I've always been interested in machinery; I rode motorbikes as a kid and loved pulling them apart," she says. "I also grew up on a farm and the whole family had to share the maintenance jobs around the property, things like mending fences and fixing things, so I've always been very hands-on.

"While I was undertaking my work experience I tried all the trades on offer, including working in the electrical department and spending time in the machines area.

"After that, I was absolutely stoked to gain a great reference and report, so I applied to Programmed's apprenticeship program and a couple of months later gained an interview, and it all went from there."

Abbey will continue to work in the machine department until June 2016, after which she will have completed her six months training and will begin working on site. During her apprenticeship, she is also at TAFE one day a week.

"I was just so thrilled to be given the opportunity at Programmed and I absolutely love it," she adds.

"I'm really enjoying working on the machines and learning how to properly use all the tools and measure correctly," she says. "I'm blown away that everyone genuinely enjoys helping each other; it's a great team to be involved in.

"Yes, it's really challenging but I'm learning so much in such a short amount of time. All the supervisors are extremely supportive; they don't treat me as just a young girl; and I really couldn't think of anything better to be doing all day."

IN THE FUTURE, ABBEY IS HOPING TO DO HER THIRD YEAR IN HYDRAULICS AND PNEUMATICS, AFTER WHICH HER END GOAL IS TO BECOME AN ENGINEER.

16,180

Numer of safety conversations held 1 April 2015 – 31 March 2016.

We are being asked by customers to assist them to improve their own safety performance and thus have launched our own safety consulting business.

Our results tell us that our plan is working. Not only are we injuring significantly less people, our customers are recognising that our ability to improve the safety, and as a consequence the productivity, of their operations is a key value-add in our ability to secure their ongoing business and in their decision to outsource more work.

ii. People and Culture

Our employee numbers have doubled, after completing the acquisition of Skilled, to more than 20,000 employees working every day. We seek a common standard of personal behaviour across the organisation based upon personal safety leadership, care and empathy and good old-fashioned customer service. These behaviours define the Programmed Culture.

iii. Systems and Integration

We are integrating all Skilled's operations on to our core business systems for HSE, HR, payroll, finance, staffing and customer relationship management. We are approximately half way through this process and expect to complete the integration by the end of our FY2017 financial year.

iv. Growth

We are investing in strategic marketing of our services across the combined group, and also to specific industry sectors and customers, based upon the "Programmed Difference" and the new opportunities that arise across the combined Programmed and Skilled customer base. We have transitioned all businesses to the one master Programmed brand to further promote the capabilities and capacity of the combined organisation.

We have a standard operating platform that is readily scalable and we will seek to increase the range of services we provide to grow earnings and lower our average unit operating cost. The combination with Skilled creates larger scale and we will focus on extending the standard operating platform across all operations, delivering efficiencies to create a more competitive service provider and to provide more benefits for customers.

The new assets that have been built in the resources and energy sector will require operational and maintenance support for the next 20 to 40 years, and we are seeking opportunities to provide staffing, maintenance and facility management services to support them.

Operational and maintenance expenditures are forecast to grow across all classes of infrastructure, including health, education, water, justice, public housing, ports and transport, and new assets are being built to meet the demands of a growing and aging population. We have been successful recently in securing major infrastructure contracts and will seek further ways to participate in the staffing, maintenance and facility management of new and existing infrastructure.

GROUP RESULTS

Programmed's profit after tax for the year ended 31 March 2016 was $38.8 million before amortisation and non-trading items, an increase of 24.7% from FY2015 ($31.2 million).

The one-off costs of the Skilled transaction, integration, restructuring and other expenses totalled $33.9 million. More than $30 million of ongoing cost synergies were achieved by 31 March 2016.

The steep declines in oil and gas prices that occurred over the past year have significantly impacted the demand for marine services, and thus a non-cash marine goodwill impairment of $102.4 million has been booked to ensure the balance sheet reflects present market activity.

Other non-trading items were $1.7 million related to discontinued operations (Broadsword) and $0.5 million representing a share of an associate's net loss. Amortisation of identifiable intangibles (non-cash) was $9.3 million and a tax credit of $11.0 million applied to all non-trading items and amortisation.

Thus, after these amortisation and non-trading items totalling $136.8 million, we reported a loss of $98.0 million after tax.

EBITA (earnings before interest, tax and amortisation) before non-trading items was $65.5 million, compared to $50.9 million in FY2015, an increase of 29%.

EBITDA (earnings before interest, tax, depreciation and amortisation) before non-trading items was $80.6 million, compared to $61.4 million in FY2015, an increase of 31%.

Revenue was $2,209 million, up 54% on FY2015 ($1,434 million), with the increase arising from the acquisition of Skilled.

STAFFING

This segment combines Programmed's Workforce business and Skilled's Workforce Services and Technical Professionals businesses. The Staffing division provides a range of staffing services across all industry sectors.

50

Numer of cultural backgrounds and nationalities from which our team members originate from.

Revenue was $897 million, up 138% on FY2015 ($377 million) due to the six month contribution from Skilled. As a result, EBITA was $21.7 million, 189% up on the $7.5 million in FY2015.

The management and front office of the business have been integrated successfully and more than 20 offices have been consolidated. All the white collar businesses have been consolidated under a single management structure and brand. No material customers or revenue have been

CEOs FOR GENDER EQUITY

An important part of our business is our ongoing commitment to gender diversity and women in leadership. This is driven from the top, by managing director Chris Sutherland who is currently chairman of a Western Australian group called 'CEOs for Gender Equity' – an initiative aimed at improving gender equity in jobs and pay.

Eighteen Western Australian based CEOs joined together to address a key concern, that Western Australian enterprises have the lowest female representation on boards and in management and the highest gender pay gap of any state or territory.

This group has funded the appointment of a fulltime executive to deliver a strategic plan designed to address improve gender equity outcomes in jobs and pay.

CEOs for Gender Equity

Mr Sutherland, is a champion for gender diversity and regularly speaks publicly around issues such as low representation of females studying mathematics. Mr Sutherland believes the study of mathematics in years 11 and 12 is an important contributing factor to achievement of higher incomes and financial independence for women.

To view our diversity report see page 55.

EY INTERNATIONAL WOMEN'S DAY PANEL DISCUSSION ON GENDER EQUITY. FROM LEFT; PROF. LYN BEAZLEY AO FTSE, HON. LIZA HARVEY MLA, PROGRAMMED MD CHRIS SUTHERLAND AND BROOKFIELD EXECUTIVE DIRECTOR SHARON WARBURTON.

lost arising from the acquisition of Skilled and we project increased revenue on an annualised basis in FY2017.

OneShift, the start-up online recruitment business, in which Programmed invested $5 million for a 27.5% equity stake in October 2013, continues to develop and grow. Its new job / candidate matching product for the retail and hospitality industry was launched in February this year.

MAINTENANCE

This segment combines Programmed's Property & Infrastructure businesses with Skilled's industrial maintenance businesses (including the former Ativo and Thomas & Coffey). The Maintenance division provides maintenance, building and operational services to asset owners across all industry sectors. Services include painting, grounds maintenance and landscaping, specialist turf construction and maintenance for golf and horse racing, corporate imaging and signage, building repair, electrical and lighting installation, audio visual, data and communications, complete maintenance services, asset management, industrial maintenance, shut downs, project management and minor capital works.

The division's revenue was 19% higher at $961 million, and EBITA increased 27% to $41.1 million (FY2015: $32.4 million). Growth in revenue arose from the additional maintenance businesses of Skilled and new long-term facility management contracts. The higher margin was the result of improved operational control across many areas of the business.

Painting volumes were similar to the prior year, but on reduced invested capital due to a greater mix of sundry work. Invested capital in long-term painting maintenance programs was $90.5 million at the end of FY2016, compared with $97.2 million a year earlier. Painting margins were higher due to lower overheads and improved job management, offset partially by lower indexation revenue from existing contracts.

Our grounds maintenance operations performed well, with improved margins and a number of new outsourcing contracts.

Our focus on fit-out, maintenance and upgrades of electrical, data and communications systems in existing buildings and infrastructure is delivering new work.

The division's infrastructure maintenance portfolio continued to grow, with the highlight being the Western Australian Government Department of Finance's Building Management and Works Maintenance Services Arrangement contract. This new contract is expected to generate revenue of between $90 million and $120 million per annum and will more than double the scope and annual value of services that Programmed currently provides to this government department.

2.5 million+

Number of plants and flowers planted.

The contract, which will involve providing services to seven government agencies, has a maximum duration of 15 years, with an initial term of five years and two five year options, and has a possible total value in excess of $1.5 billion.

Existing public assets are getting older and require upgrades and greater levels of maintenance to maintain service. The growing population is requiring new assets to be built, thus creating further opportunities, and increasingly governments at all levels are looking for privately funded and managed solutions.

Revenue from the industrial and mining sector (arising from the addition of Skilled) declined in the second half, compared to this business' prior period, reflecting less project opportunities in the mining sector. The company's industrial and mining activities are being refocused on operational support and maintenance opportunities with traditional customers in iron ore and coal where consolidation of service providers is continuing. The company is also seeking new opportunities in gold, energy and processing where customers are investing further capital.

MARINE

This segment combines Programmed's Resources division, which has been primarily marine-related, and Skilled's marine businesses (formerly Skilled Maritime, Skilled Offshore, Broadsword and OMSA).

The Marine division provides a range of workforce, maintenance, construction support and operational services to the offshore oil and gas and marine services sector. Revenue was $349 million, up 41% on FY2015 ($247 million), due to the acquisition of Skilled. A number of major offshore projects were completed in the second half and the business has been significantly downsized to suit the lower activity forecast over the next year arising from the steep decline in oil and gas prices.

The vessels owned by Broadsword were sold for $25 million and its business has been treated as a discontinued operation, with its revenue and earnings excluded from the company's FY2016 results from continuing operations.

NET UNALLOCATED COSTS (FY2016: $15.6 MILLION VS $9.1 MILLION PCP)

These relate to corporate overheads and a range of non-trading income and expenses, including foreign exchange movements on UK and New Zealand payments.

ANNA'S LEGAL EYE

Anna Bagley is Programmed's group general manager, risk and legal.

Her career path has been impressive by anyone's standards. Only 10 years after completing her university studies – and while still in her early 30s – she had progressed to general counsel and company secretary with a mid-size ASX-listed company.

Anna has solid experience across a broad range of legal services in a number of different industries. She has continued to be involved with the legal profession, volunteering with the Australian Corporate Lawyers Association, now Association of Corporate Counsel (ACC), as company secretary. She is currently a member of the Victorian Division Committee and chair of its National Mentoring Advisory Committee which is one of the largest mentoring programs in Australia.

But like many teenagers finishing secondary school, Anna didn't know what career she wanted to pursue so she continued her interest in the subjects she enjoyed most – English, Ancient History and Sciences. This prompted her to enrol in two full-time degrees at the University of Queensland: a Bachelor of Science majoring in Biochemistry and Pharmacology and a Bachelor of Laws (Honours), later going on to complete post-graduate degrees in IT and law.

By her own admission Anna's approach to life is to accept every opportunity that presents itself. Her career advice for others is to take time to understand your interests and passions, then find work that allows you to pursue your goals, because that will result in greater self-satisfaction.

ANNA LEADS THE RISK AND LEGAL TEAM AND IS A MEMBER OF PROGRAMMED'S GROUP MANAGEMENT COMMITTEE.

AMORTISATION AND NON-TRADING ITEMS (FY2016: $136.8 MILLION VS $5.5 MILLION PCP, AFTER TAX)

These relate to amortisation of identifiable intangibles ($9.3 million); the Skilled transaction, integration, restructuring and other expenses ($33.9 million); marine goodwill impairment ($102.4 million); a share of the net loss of associates ($0.5 million); discontinued operations (Broadsword: $1.7 million); and a tax credit ($11.0 million) relating to these non-trading items.

BALANCE SHEET AND CASH FLOWS

Gross operating cash flow was $90.9 million, up 12% on FY2015 ($80.9 million) and 182% of EBITDA after cash non-trading items. Net operating cash flow was $58.7 million, 11% lower than FY2015 ($65.7 million).

With the continued focus on capital management and strong operating cash flow, the group's net debt reduced to $239 million at 31 March 2016 from $302 million at 16 Oct 2015 on completion of the acquisition of Skilled. The net debt to equity ratio was 39% at 31 March 2016.

The group operated throughout the year within its loan covenants.

LOOKING AHEAD

We have a clear vision and a long-term plan.

Our business model, providing staffing, maintenance and facility management services across all industry sectors, gives Programmed considerable strength in an economy that continues to present new challenges.

Customers in markets such as retailing, tourism, transport and manufacturing are hiring people and spending on their assets again, and there are growing opportunities in the education, health and aged care sectors. Demand is growing for staff and maintenance services across these sectors which represent more than 2/3 of group revenue going forward. Demand for labour in the resources sectors, however, has weakened due to the completion of major projects, cutbacks in mining companies' exploration and operating budgets, and a sharp drop in services for the oil and gas industry following the decline in oil and gas prices.

GROUP MANAGEMENT COMMITTEE

FRONT ROW; STEVE TAYLOR, KATINA NADEBAUM, GLENN THOMPSON, ANNA BAGLEY, DAMIAN BURTON, SHARON CAFFEL. SECOND ROW; CARLY ARMSTRONG, HELEN MCKENZIE, PATRICIA MORRIS, TERRI HOSKING, JIM SHERLOCK, JENNIFER BOULDING, CHRIS SUTHERLAND. BACK ROW; RICHARD PAPWORTH, SIMON HARDBOTTLE, NIC FAIRBANK, SUZANNE RODDA-HOPKINS, MALCOLM DEERY, PETA HICKEY, STEPHEN LEACH.

MISSING; TANYA SMITH, MALCOLM ROBERTS.

The integration of Skilled, which Programmed acquired in October 2015, is ahead of plan, with cost savings of more than $30 million per annum delivered. The group and divisional management teams have bonded and are operating successfully, and all businesses have been rebranded under the master Programmed brand. Integration of the core business IT systems will be completed during the next 12 months, with projected one-off integration and restructuring costs of approximately $10 million.

We are marketing our staffing and maintenance services strategically to all customers of the combined Programmed and Skilled operations.

Programmed is the largest blue collar staffing business in Australia and we are seeking to ensure customers understand the benefits of strong safety systems and compliance, along with getting the right person for the right job each and every day.

We have created a large national white collar staffing business, Programmed Professionals, operating in a number of markets where growth is occurring, such as health and aged care.

We are enacting strategies to secure a significant share of future operational and maintenance expenditure on the infrastructure of the major resource companies, utilities and government. We have had considerable success over the past two years, winning a number of new PPP (public-private partnership) contracts as well as new long-term maintenance contracts in public housing, education, tourism and agriculture, all sectors forecast to grow over the next decade.

A pipeline of large infrastructure maintenance opportunities continues to be developed and we are well positioned to bid for, and secure, a share of this work over the next 12 months.

We have a strong diverse board and management team working hard to build a bigger, better Programmed.

On 4 February 2016, we projected our FY2017 EBITA to be in the range $100 to $110 million which, with depreciation estimated at $20 million, equates to FY2017 EBITDA in the range $120 to $130 million. This remains our projection based on current estimates; excluding non-trading items; subject to actual trading conditions, and assuming no material changes to the macroeconomic environment.

We thank our shareholders for supporting us, our more than 20,000 employees for the efforts they make every day, and our customers for trusting us with the operations and / or maintenance of their facilities, plant and production output.

C. Sutherland

Chris Sutherland
Managing Director
25 May 2016

OUR PEOPLE

IAN ATIENZA HAS NOW COMPLETED HIS TRAINEESHIP WITH PROGRAMMED TRAINING SERVICES AND IS WORKING FULL-TIME.

At Programmed, our business is built around the provision of people, and it's our people who continue to deliver the Programmed Difference. We're committed to ensuring our workforce reflects the diversity of our community and that all employees are part of an enjoyable and rewarding working environment.

Our people are encouraged to deliver safety leadership, care and empathy, and good customer service each and every day.

DIVERSITY

Understanding and drawing on the strengths provided by diversity help us to meet the needs of our customers, build strong relationships across the communities we serve, and engage the many talents of our team.

Our commitment to diversity currently focuses on cultural diversity, increasing Aboriginal and Torres Strait Islander employment, providing opportunities to people with a disability and improving gender balance. We have also increased access to more flexible working arrangements for our employees. We co-sponsor the Diversity Council of Australia's Building Inclusion project and are committed to reconciliation through partnerships with Clontarf, Yalari and Whitelion.

DISCOVERING CAREER POTENTIAL

Working at Programmed is all about giving every opportunity that comes your way a red-hot go, according to Jason Taylor, regional manager Sydney and Western NSW for the Property Services business.

"From the time I joined in 1994, I could see Programmed was a company that would provide career openings and opportunities to advance, and that's what I've found to be the case," he says.

"The business is really good at identifying people with the right attitude and developing them alongside entire teams, as well as succession planning.

"Managers are very tuned in to what training is needed, and opportunities are there for each employee to improve his or her skills and ultimately progress within the business. At Programmed you can advance your career internally without needing to leave the organisation to move up the ladder."

Jason's career progression is proof of the company's commitment to upskilling its staff. After joining the organisation in 1994 as an apprentice painter and decorator, he had progressed to foreman by the time he was at the end of his apprenticeship. From there he moved into a works coordinator role, where he oversaw purchasing and quality, and soon afterwards became a project coordinator, looking after state-based customers in sales and operations.

Fast forward three years, and Jason had been promoted to account manager, looking after full-time sales in Western Sydney, before making the move to Orange in New South Wales to become a branch manager. After that, it was back to Sydney to take up positions as business development manager paint, state manager paint, and now regional manager Property Services.

During those years, Jason has committed to his own personal development. He completed a graduate diploma in management, and also Programmed's internal leadership course, Momentum.

So what would his advice be to younger people joining the organisation today? "I'd say to work hard, be consistent and don't just expect opportunities; prove yourself before your next role is even available. That way, by the time it is, you'll be ready for the challenge," he says.

AUBURN-BASED JASON ALSO ACTS AS A MENTOR TO APPRENTICES AND TRAINEES WITHIN THE BUSINESS.

We continued our involvement with Rocky Bay, which provides disability services in Western Australia, by taking part in the Perth 'Walk with Me' challenge.

Over the coming year, we will continue to promote an inclusive and safe workplace where all employees have the opportunity to reach their potential and employee differences are respected and valued.

GENDER BALANCE

At Programmed, we know that a gender-balanced board, management and workforce are good for business and we're committed to achieving gender balance across our organisation.

We are advocates for gender equality and opportunity. We strive to give our workforce the freedom to change where, when and how they work, as they move through different stages of their life.

We're now ranked equal fourth for board gender diversity out of the top 200 companies listed on the Australia Securities Exchange, having made significant progress over the past 12 months. Our board has 50 per cent female non-executive directors, up from 40 per cent a year ago; our group management committee is 50 per cent female; our non-field-based workforce is 50 per cent female, up from 39 per cent; and our total workforce including all field-based workers is 28 per cent female, up from 16 per cent.

GROUP MANAGEMENT COMMITTEE

As part of Programmed's integration with SKILLED Group in October 2015, we've formed a new group management committee made up of 20 business leaders across the company from a range of skill-sets and disciplines. The committee provides opportunities to share ideas and gain industry insights and acts as an avenue for future business innovation.

This committee is our key leadership group where standards and values are set and agreed, and group strategies are finalised and actioned.

LEARNING AND DEVELOPMENT

A key part of the Programmed Difference is our ability to identify, develop and place people in the right role at the right time. We take an active part in the learning, career development and progression of our employees.

8 million+

Metres of grass mowed.

Development initiatives include apprenticeships and traineeships, coaching and mentoring, and training in health and safety, compliance and technical skills. In the past year, our employees and subcontractors collectively undertook more than 20,000 documented training activities.

We employ more than 1,100 trainees and apprentices in more than 30 vocations company-wide. We know how to train and develop a 16-year-old from a traineeship position to a supervisor or manager. Our apprentices and trainees provide us with enhanced resources to meet and exceed customer service requirements, contribute to improved contract performance and provide a pathway for succession planning.

As a result of our online learning resources for employees and contractors, and the continued development of our Learning Management System, our people now have access to more than 115 web-based courses specifically tailored to our operational needs.

During the year, a number of employees completed the Accelerated Management Program that provides participants with the knowledge and behavioural insights required for successful leadership. We also ran a 40 hour Literacy and Numeracy Program across several regions in New Zealand, providing employees with tuition in numeracy as well as writing and reading skills in order to improve communication with colleagues, comprehension of workplace documents and increased problem solving ability.

Our Personal Security Program was rolled out within the Facility Management business and is an occupational risk minimisation strategy which aims to improve the safety and security of Programmed personnel by improving their level of situational awareness and ability to manage and/or withdraw from escalating or challenging situations including aggression and violence.

CARING FOR OUR COMMUNITY

The communities where we operate, and in which our employees live, are an important part of our business.

Our team members are encouraged to identify community projects that are important to them, as well as take on active roles in delivering sponsorship and volunteering opportunities.

Our community commitment is focused on:

- investing in community sporting clubs, fundraising events, and charitable foundations; and
- helping to improve the wellbeing of individuals in the communities where we work.

INVESTING IN COMMUNITIES

Our employees have a broad range of skills to offer, with many actively taking part in community projects across Australia and New Zealand.

In South Australia, horticultural expert Martin Crabb regularly hosts community garden programs throughout a network of primary schools in Adelaide. The program aims to educate children on how to create a sustainable and edible garden while promoting outdoor activity.

We continue our long-standing partnership with the "Hip Cat Circus" — a program designed to build confidence and self-esteem in its young participants.

We're a foundation partner with not-for-profit Perth-based organisation, Ngala, which provides early parenting and childhood services to the community.

We continue to support career humanitarian Moira Kelly and her family and our Facility Management team recently built a fence and ramp, making her home more accessible for her children, all of whom have a physical disability.

Our partnership with Whitelion — an organisation that helps support youth at risk in the community — has expanded to Western Australia where employees are now taking part in community volunteering initiatives. Two Programmed

HORTICULTURAL EXPERT MARTIN CRABB WITH COMMUNITY GARDEN STUDENTS FROM ST JOHN THE BAPTIST SCHOOL IN PLYMPTON, SOUTH AUSTRALIA. PHOTO: THE SOUTHERN CROSS NEWSPAPER

teams also participated in Perth's first ever 'Bail Out' raising valuable funds for the organisation.

In Queensland, our Electrical Technologies business, in conjunction with Programmed customer Telstra, partnered with National Rugby League team, the Cowboys to help deliver their NRL Cowboys house – an accommodation and learning centre built in Townsville that provides support and education to remote communities. The team helped design, build and install the audio-visual component of the centre.

Our Facility Management and Property Services teams have been engaged to provide facility maintenance services to the new Ronald McDonald House in Nedlands, Western Australia. As part of the arrangement we provide low-cost services with any profits invested back into the house. In addition, our team is able to volunteer at the house, cooking and baking for the families who reside there. We also launched our 'green thumb' community garden initiative that allows the children receiving treatment to visit the terrace garden to learn about gardening.

In the Northern Territory, our Property Services team is taking an active role in the correctional justice rehabilitation process, with four employees currently part of the 'scented to a job scheme'. This initiative provides an avenue for those in correctional facilities to re-enter the workforce with adaptable skill-sets.

We're now in our eighth year as major sponsor of the Fremantle Football Club. We facilitate community visits from members of the team as well as community-driven competitions. Most recently, our 'Win a Clubhouse Makeover' competition was won by Perth-based junior football club the Coolbinia Bombers which runs 'Starkick' – a program designed in line with 'Auskick' that allows young children with disabilities to play football.

FINANCIAL REPORT

PROJECT MANAGER BOBBY THOMPSON LOOKS AFTER A NUMBER OF GROUNDS CONTRACTS THROUGHOUT PERTH, SPECIALISING IN SPORTS TURF MANAGEMENT.

CONTENTS

DIRECTORS' REPORT

The Directors present their report together with the financial report of the consolidated entity, being Programmed Maintenance Services Limited ("the Company") and its controlled entities, for the year ended 31 March 2016 and the auditor's report:

1. DIRECTORS

The names of the directors of the Company during or since the end of the financial year are:

B R Brook	Chairman, Non-Executive
C G Sutherland	Managing Director
E R Stein	Non-Executive Director
R J McKinnon	Non-Executive Director
A E Grant	Non-Executive Director
J Walker	Non-Executive Director (Appointed 19 November 2015)
L M Paul	Non-Executive Director (Appointed 3 February 2016)
J G Whittle	Non-Executive Director (Retired 19 November 2015)

Details relating to each Director's qualifications, experience and special responsibilities, as at the date of this Directors' report, are set out below.

BRUCE ROBERT BROOK, AGE 61

B.Com, B. Acc, FCA, MAICD

Independent, Non-Executive Chairman

Bruce Brook joined the Board in June 2010 and was appointed Chairman in August 2011. He is a chartered accountant with extensive experience in the mining industry, as well as experience in the financial services and manufacturing industries. Mr Brook was the Chief Financial Officer of WMC Resources Limited from 2002 to 2005 and has approximately 30 years experience in senior finance positions at major public companies including Gold Fields of South Africa Limited, Rio Tinto Limited, Pacific Dunlop and ANZ Banking Group. His current other Non-Executive directorships include CSL Limited (since August 2011), NYSE listed Newmont Mining Corporation (since October 2011) and the Deep Exploration Technologies Co-operative Research Centre. Mr Brook joined the ASIC Director Advisory Panel in November 2013 and was appointed a member of the Anaesthesia and Pain Management Foundation Board of Governors in January 2014. He was previously a Non-Executive director of the Export Finance and Insurance Corporation and a member of the Financial Reporting Council.

Previous directorships of other listed companies within the last three years: Boart Longyear Limited (February 2007 to June 2015).

Mr Brook is the Chairman of the Board's Nomination Committee and a member of the Board's Remuneration & People Committee.

CHRISTOPHER GLEN SUTHERLAND, AGE 52

BEng (Hons), FIE (Aust)

Managing Director

Chris Sutherland was appointed Managing Director of the Company in January 2008. Mr Sutherland had been the Chief Executive of Integrated Group Limited since February 2006 (which merged with Programmed in June 2007) and prior to this appointment was an Executive Director of Asset Services for WorleyParsons. He is an experienced executive who has held senior management positions in various engineering, maintenance and contracting businesses with operations in Australia, Asia, Europe and the USA. He holds a Bachelor of Engineering (UWA) and completed the Advanced Management Program at Harvard Business School in 2001.

EMMA RACHEL STEIN, AGE 55

BSc. (Physics) Hons, MBA, FAICD, Hon Fellow (UWS)

Independent, Non-Executive Director

A Non-Executive Director since June 2010, Emma

DIRECTORS' REPORT

Stein has considerable experience in international energy and utilities markets, investments in long life assets and projects, and the upstream oil and gas sector. Formerly the UK Managing Director for French utility Gaz de France's energy retailing operations, Ms Stein moved to Australia in 2003. She is also a Non-Executive Director of Alumina Limited (since February 2011), Transpacific Industries Limited (since August 2011) and DUET Group (since June 2004). Her community activities include being a NSW Ambassador for the Guides. Ms Stein was previously a member of the University of Western Sydney's Board of Trustees.

Previous directorships of other listed companies within the last three years: Clough Limited (July 2008 to December 2013).

Ms Stein is the Chair of the Board's HSE Committee, a member of the Board's Audit & Risk Committee and a member of the Board's Nomination Committee.

ROBERT JOHN MCKINNON, AGE 66

FCPA, FCSA, MAICD

Independent, Non-Executive Director

A Non-Executive Director since November 2011, Bob McKinnon has 40 years experience in finance and general management positions in the light manufacturing and industrial sectors in Australia, New Zealand and Canada. He is the former Managing Director of Austal Ships and Fleetwood Corporation Limited, and spent 28 years with Capral Aluminium (formerly Alcan Australia) in various financial and senior executive positions. Mr McKinnon was also a Non-Executive Director of Bankwest until November 2012 and the Chairman of the Esperance Port Authority until September 2014. His current directorships include Chairman of Tox Free Solutions Limited (since July 2010) and Non-Executive Director of Peet Limited (since May 2014).

Mr McKinnon is the Chairman of the Board's Audit & Risk Committee and a member of the Board's Nomination Committee.

ANDREA ELIZABETH GRANT, AGE 54

BEd, DipTch, MAICD

Independent, Non-Executive Director

A Non-Executive Director since September 2012, Andrea Grant is a senior human resources professional with over 20 years experience with both global and Australian companies across the finance, pharmaceutical, automotive and telecommunication industries. She is the former Group Managing Director of Human Resources for Telstra, Executive Director of HR for GM Holden, Regional HR Director for GM's Asia Pacific Engineering function and Human Resources Director of Merck, Sharp and Dohme (New Zealand) Ltd a subsidiary of Merck & Co. Ms Grant is now the Managing Director of People Ingenuity, a boutique HR business.

Ms Grant holds a Bachelor of Education and a Post-Graduate Diploma in teaching. She is also a graduate of the London Business School's Advanced Development Program.

Ms Grant is the Chair of the Board's Remuneration & People Committee and a member of the Board's Nomination Committee.

JAMES WALKER, AGE 63 (APPOINTED 19 NOVEMBER 2015)

MAICD

Independent, Non-Executive Director

A Non-executive Director since November 2015, Jim Walker has over 40 years of experience in the resources sector, most recently as Managing Director and Chief Executive Officer of WesTrac Pty Ltd, where he led the company's rapid development in industrial and mining services locally and in China. Prior to this, Mr Walker held various roles with other Australian Caterpillar dealers. His current directorships include Chairman of the WA State Training Board (since January 2014) and Macmahon Holdings Ltd (since March 2014) and Non-Executive Director of Seeing Machines Ltd (since May 2014) and RACWA Holdings Pty Ltd (since November 2013).

Previous directorships of other listed companies within the last three years: Skilled Group Limited (November 2013 to October 2015).

Mr Walker is a graduate member of the Australian Institute of Company Directors (AICD) and Australian Institute of Management (AIM WA), holding the position of President WA (2008 to 2010) and National President – Australia (2010 to 2013).

Mr Walker is a member of the Board's Nomination Committee, the Board's HSE Committee, and the Board's Remuneration & People Committee.

LISA PAUL, AGE 57 (APPOINTED 3 FEBRUARY 2016)

BA (Hons), FAICD, FACEL, FAIM, FIPAA, FANZSOG

Independent, Non-Executive Director

A Non-Executive Director since February 2016, Lisa Paul has been a Chief Executive in the Australian Public Service for the last eleven years, most recently as the Secretary of the Australian Government Department of Education and Training. During different times in her Australian Public Service career, she has held national responsibility for early childhood, schooling, vocational education, skills and training, higher education, international education, research, science, employment, workforce and workplace relations. Her current Non-Executive directorships include Australian Research Alliance for Children and Youth (since April 2010), Social Ventures Australia (since August 2013), Australian Schools Plus (February 2015), Navitas Limited (since February 2016), the Australian American Education Leadership Foundation (since March 2016) and APM Australia (since March 2016). Ms Paul is also a member of the advisory board to the Melbourne Accelerator Program, and was previously a member of the Board of CSIRO.

In 2011, Ms Paul was made an Officer of the Order of Australia for distinguished service to public sector leadership in key policy and program implementation, and also received the Australia Chartered Accountants' Federal Government Leader of the Year award. In 2003, she was awarded a Public Service Medal for leading the Australian Government's domestic response to the Bali bombings.

Ms Paul is a fellow of the Australian Institute of Company Directors, a fellow of the Australian Council for Educational Leaders, National Fellow of the Institute of Public Administration Australia, a fellow of the Australian Institute of Management, an Australian National University Public Policy Fellow, a Fellow of the Australia New Zealand School of Government and a member of Chief Executive Women.

Ms Paul is a member of the Board's Audit and Risk Committee, the Board's Nomination Committee and the Board's HSE Committee.

JONATHAN GLADSTONE WHITTLE, AGE 61 (RETIRED 19 NOVEMBER 2015)

Independent, Non-Executive Director

A Non-Executive Director since June 2007, Jonathan Whittle was the Managing Director of Integrated Group Limited from the time of Integrated's formation in November 1992. In February 2006 he retired from his executive role and became a Non-Executive Director of Integrated. He has extensive experience in the recruitment industry, having worked for and then managed the West Australian operations of a multinational recruitment agency prior to establishing Integrated Workforce.

Mr Whittle was a member of the Board's Nomination Committee, the Board's Audit & Risk Committee, the Board's Remuneration & People Committee and the Board's HSE Committee.

DIRECTORS' REPORT continued

Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of Board committees) held during the financial year and the number of meetings attended by each Director:

	Standard Board Meetings		Special Board Meetings[1]		Audit & Risk Committee		Nomination Committee		Remuneration & People Committee		HSE Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
B Brook	8	8	8	8	*	*	4	4	5	5	*	*
C Sutherland	8	8	8	8	*	*	*	*	*	*	*	*
J Whittle	6	6	7	7	2	2	2	2	2	2	3	3
E Stein	8	8	8	6	3	3	4	4	*	*	4	4
R McKinnon	8	8	8	8	3	3	4	4	*	*	*	*
A Grant	8	8	8	8	*	*	4	4	5	5	4	3
J Walker	2	2	1	1	*	*	2	2	3	3	1	1
L Paul	2	2	0	0	1	1	1	1	*	*	*	*

1. Special Board meetings were held during the financial year due to corporate activities.

Note:
A Number of meetings held during the time the Director held office during the year or was a member of the relevant committee.
B Number of meetings attended by the Director.
* Not a member of the relevant committee.

2. COMPANY SECRETARIES

STEPHEN LEACH *B.COM, CA*

Mr Leach has been the Chief Financial Officer of the Company since August 2007 and was appointed Company Secretary in February 2008. Mr Leach was previously the Chief Financial Officer and Company Secretary of Integrated Group Limited from October 2005. Prior to joining Integrated Group Limited, Mr Leach was Group Financial Controller of Macmahon Holdings Limited.

KATINA NADEBAUM *B. COM, CA, MAICD*

Ms Nadebaum joined the Company in June 2011 as joint Company Secretary. Previously, Ms Nadebaum was the Company Secretary of Macmahon Holdings Limited. Ms Nadebaum has previously held the role of Company Secretary for various public companies and has also worked as an accountant in public practice where she provided corporate and company secretarial advice.

3. PRINCIPAL ACTIVITIES

During the financial year the consolidated entity was a large provider of staffing, maintenance and facility management services operating in three divisions: Maintenance, Staffing and Marine.

The Maintenance division provides maintenance, building and operational services to asset owners across all industry sectors. Services include painting, grounds maintenance and landscaping, specialist turf construction and maintenance for golf and horse racing, corporate imaging and signage, building repair, electrical and lighting installation, audio visual, data and communications, complete maintenance services, asset management, industrial maintenance, shut downs, project management and minor capital works.

The Staffing division provides recruitment and labour hire services to a range of industries including health, mining, construction, industrial, manufacturing, transport and logistics.

These services are tailored to suit customer needs, from the provision of a single staff member to complete workforce and contract labour management. The division operates through a network of more than 60 branches across Australia and New Zealand and is supported by extensive health, safety and environment management systems, industrial relations and payroll services.

The Marine division provides management, manning and operational support to the offshore oil and gas industry across Australia, New Zealand and Singapore. Services include maintenance, construction support, marine manning, vessel management, logistic support and catering.

Changes to the nature of activities of the consolidated entity during the financial year resulted from the acquisition of Skilled Group Ltd, which expanded our staffing services to health and IT sectors and expanded our maintenance activities to industrial and mining sectors.

There were no other significant changes in the nature of the activities of the consolidated entity during the financial year.

4. OPERATING AND FINANCIAL REVIEW

Our results for FY2016 reflect a transitional year for Programmed as we completed the acquisition of Skilled and incurred one-off costs to integrate the business, while also managing the significant downturn in the oil and gas sector.

Health, safety and environment (HSE)

It was with great sadness that we report a fatality in our marine operations during the financial year. Tragically, Andrew Kelly was killed on a vessel working on the North West Shelf, and our prayers and support remain with his family. This tragedy reinforces our resolve to do everything we believe is possible to prevent workplace incidents; it also reminds us of the need to ensure that focus on eliminating or controlling critical risks is not lost among many other day-to-day processes, regulations and reports.

Our Lost Time Injury Frequency Rate fell a further 40% from 1.7 to 1.0 on more than 37,000,000 hours worked. Equally pleasing was a 33% fall from 18 to 12 in the Total Injury Frequency Rate, which includes all lost time, medical treatment and first aid injuries. These results cover all permanent, casual and contracted employees plus all employees of subcontractors engaged by us and all our labour hire employees who work under the direct supervision and work systems of others. As many companies do not report injuries to casual and contracted workers or subcontractors' workers, direct comparisons are seldom possible.

To further reduce the number of injuries, incidents and near misses, we are continuing to focus on leadership, behaviour and personal responsibility. In addition, we are raising awareness of the risks of working at heights, electrical isolation and operating plant and machinery, as these areas are major contributors to the number of incidents and near misses reported over the past 12 months.

Our safety culture has been based upon core programs such as safety conversations, safety pauses, good news stories and managers ringing injured workers at home. It has been exciting to see many employees develop their own safety leadership at home and at work, influencing the adoption of safe work practices across the wider community.

Strategy

We have a clear vision to be a leading provider of staffing, maintenance and facility management services, without injury.

To deliver our vision we have a plan built on four key components:

i. Safety

We need to have every employee come home uninjured every night as a basic tenet of our operations. This also means our productivity improves and our costs are lower. Customers will hire Programmed because we work safely and can help them improve the safety of their own operations.

We continue to expand and develop initiatives to improve the leadership and safety culture of our entire team. We integrated the operations of Skilled within our existing HSE framework by March 2016, and our critical risk standards have been updated to reflect a more diverse range of activities. We have upgraded our core HSE reporting and management system to better reflect the key attributes of our safety program and make it more accessible through any mobile device, with the new system operational in April 2016. We are being asked by customers to assist them to improve their own safety performance and thus have launched our own safety consulting business.

Our results tell us that our plan is working. Not only are we injuring significantly less people, our customers are recognising that our ability to improve the safety, and as a consequence the productivity, of their operations is a key value-add in our ability to secure their ongoing business and in their decision to outsource more work.

ii. People and Culture

Our employee numbers have doubled, after completing the acquisition of Skilled, to more than 20,000 employees working every day. We seek a common standard of personal behaviour across the organisation based upon personal safety leadership, care and empathy and good old-fashioned customer service. These behaviours define the Programmed Culture.

iii. Systems and Integration

We are integrating all Skilled's operations on to our core business systems for HSE, HR, payroll, finance, staffing and customer relationship management. We are approximately half way through this process and expect to complete the integration by the end of our FY2017 financial year.

iv. Growth

We are investing in strategic marketing of our services across the combined group, and also to specific industry sectors and customers, based upon the "Programmed Difference" and the new opportunities that arise across the combined Programmed

DIRECTORS' REPORT continued

and Skilled customer base. We have transitioned all businesses to the one master Programmed brand to further promote the capabilities and capacity of the combined organisation.

We have a standard operating platform that is readily scalable and we will seek to increase the range of services we provide to grow earnings and lower our average unit operating cost. The combination with Skilled creates larger scale and we will focus on extending the standard operating platform across all operations, delivering efficiencies to create a more competitive service provider and to provide more benefits for customers.

The new assets that have been built in the resources and energy sector will require operational and maintenance support for the next 20 to 40 years, and we are seeking opportunities to provide staffing, maintenance and facility management services to support them.

Operational and maintenance expenditures are forecast to grow across all classes of infrastructure, including health, education, water, justice, public housing, ports and transport, and new assets are being built to meet the demands of a growing and aging population. We have been successful recently in securing major infrastructure contracts and will seek further ways to participate in the staffing, maintenance and facility management of new and existing infrastructure.

Group Results

Programmed's profit after tax for the year ended 31 March 2016 was $38.8 million before amortisation and non-trading items, an increase of 24.7% from FY2015 ($31.2 million).

The one-off costs of the Skilled transaction, integration, restructuring and other expenses totalled $33.9 million. More than $30 million of ongoing cost synergies were achieved by 31 March 2016.

The steep declines in oil and gas prices that occurred over the past year have significantly impacted the demand for marine services, and thus a non-cash marine goodwill impairment of $102.4 million has been booked to ensure the balance sheet reflects present market activity.

Other non-trading items were $1.7 million related to discontinued operations (Broadsword) and $0.5 million representing a share of an associate's net loss. Amortisation of identifiable intangibles (non-cash) was $9.3 million and a tax credit of $11.0 million applied to all non-trading items and amortisation.

Thus, after these amortisation and non-trading items totalling $136.8 million, we reported a loss of $98.0 million after tax.

EBITA (earnings before interest, tax and amortisation) before non-trading items was $65.5 million, compared to $50.9 million in FY2015, an increase of 29%.

EBITDA (earnings before interest, tax, depreciation and amortisation) before non-trading items was $80.6 million, compared to $61.4 million in FY2015, an increase of 31%.

Revenue was $2,209 million, up 54% on FY2015 ($1,434 million), with the increase arising from the acquisition of Skilled.

Staffing

This segment combines Programmed's Workforce business and Skilled's Workforce Services and Technical Professionals businesses. The Staffing division provides a range of staffing services across all industry sectors.

Revenue was $897 million, up 138% on FY2015 ($377 million) due to the six month contribution from Skilled. As a result, EBITA was $21.7 million, 189% up on the $7.5 million in FY2015.

The management and front office of the business have been integrated successfully and more than 20 offices have been consolidated. All the white collar businesses have been consolidated under a single management structure and brand. No material customers or revenue have been lost arising from the acquisition of Skilled and we project increased revenue on an annualised basis in FY2017.

OneShift, the start-up online recruitment business, in which Programmed invested $5 million for a 27.5% equity stake in October 2013, continues to develop and grow. Its new job / candidate matching product for the retail and hospitality industry was launched in February this year.

Maintenance

This segment combines Programmed's Property & Infrastructure businesses with Skilled's industrial maintenance businesses (including the former Ativo and Thomas & Coffey). The Maintenance division provides maintenance, building and operational services to asset owners across all industry sectors. Services include painting, grounds maintenance and landscaping, specialist turf construction and maintenance for golf and horse racing, corporate imaging and signage, building repair, electrical and lighting installation, audio visual, data and communications, complete maintenance services, asset management, industrial maintenance, shut downs, project management and minor capital works.

The division's revenue was 19% higher at $961 million, and EBITA increased 27% to $41.1 million (FY2015: $32.4 million). Growth in revenue arose from the additional maintenance businesses of Skilled and new long-term facility management contracts. The higher margin was the result of improved operational control across many areas of the business.

Painting volumes were similar to the prior year, but on reduced invested capital due to a greater mix of sundry work. Invested capital in long-term painting maintenance programs was $90.5 million at the end of FY2016, compared with $97.2 million a year earlier. Painting margins were higher due to lower overheads and improved job management, offset partially by lower indexation revenue from existing contracts.

Our grounds maintenance operations performed well, with improved margins and a number of new outsourcing contracts.

Our focus on fit-out, maintenance and upgrades of electrical, data and communications systems in existing buildings and infrastructure is delivering new work.

The division's infrastructure maintenance portfolio continued to grow, with the highlight being the Western Australian Government Department of Finance's Building Management and Works Maintenance Services Arrangement contract. This new contract is expected to generate revenue of between $90 million and $120 million per annum and will more than double the scope and annual value of services that Programmed currently provides to this government department.

The contract, which will involve providing services to seven government agencies, has a maximum duration of 15 years, with an initial term of five years and two five year options, and has a possible total value in excess of $1.5 billion.

Existing public assets are getting older and require upgrades and greater levels of maintenance to maintain service. The growing population is requiring new assets to be built, thus creating further opportunities, and increasingly governments at all levels are looking for privately funded and managed solutions.

Revenue from the industrial and mining sector (arising from the addition of Skilled) declined in the second half, compared to this business' prior period, reflecting less project opportunities in the mining sector. The company's industrial and mining activities are being refocused on operational support and maintenance opportunities with traditional customers in iron ore and coal where consolidation of service providers is continuing. The company is also seeking new opportunities in gold, energy and processing where customers are investing further capital.

Marine

This segment combines Programmed's Resources division, which has been primarily marine-related, and Skilled's marine businesses (formerly Skilled Maritime, Skilled Offshore, Broadsword and OMSA).

The Marine division provides a range of workforce, maintenance, construction support and operational services to the offshore oil and gas and marine services sector. Revenue was $349 million, up 41% on FY2015 ($247 million), due to the acquisition of Skilled. A number of major offshore projects were completed in the second half and the business has been significantly downsized to suit the lower activity forecast over the next year arising from the steep decline in oil and gas prices.

The vessels owned by Broadsword were sold for $25 million and its business has been treated as a discontinued operation, with its revenue and earnings excluded from the company's FY2016 results from continuing operations.

Net Unallocated Costs (FY2016: $15.6 million vs $9.1 million pcp)

These relate to corporate overheads and a range of non-trading income and expenses, including foreign exchange movements on UK and New Zealand payments.

Amortisation and Non-Trading Items (FY2016: $136.8 million vs $5.5 million pcp, after tax)

These relate to amortisation of identifiable intangibles ($9.3 million); the Skilled transaction, integration, restructuring and other expenses ($33.9 million); marine goodwill impairment ($102.4 million); a share of the net loss of associates ($0.5 million); discontinued operations (Broadsword: $1.7 million); and a tax credit ($11.0 million) relating to these non-trading items.

Balance Sheet and Cash Flows

Gross operating cash flow was $90.9 million, up 12% on FY2015 ($80.9 million) and 182% of EBITDA after cash non-trading items. Net operating cash flow was $58.7 million, 11% lower than FY2015 ($65.7 million).

With the continued focus on capital management and strong operating cash flow, the group's net debt reduced to $239 million at 31 March 2016 from $302 million at 16 Oct 2015 on completion of the acquisition of Skilled. The net debt to equity ratio was 39% at 31 March 2016.

The group operated throughout the year within its loan covenants.

Looking Ahead

We have a clear vision and a long-term plan.

Our business model, providing staffing, maintenance and facility management services across all industry sectors, gives Programmed considerable strength in an economy that continues to present new challenges.

Customers in markets such as retailing, tourism, transport and manufacturing are hiring people and spending on their assets again, and there are growing opportunities in the education, health and aged care sectors. Demand is growing for staff and maintenance services across these sectors which represent more than 2/3 of group revenue going forward. Demand for labour in the resources sectors, however, has weakened due to the completion of major projects, cutbacks in mining companies' exploration and operating budgets, and a sharp drop in services for the oil and gas industry following the decline in oil and gas prices.

The integration of Skilled, which Programmed acquired in October 2015, is ahead of plan, with cost savings of more than $30 million per annum delivered. The group and divisional management teams have bonded and are operating

DIRECTORS' REPORT continued

successfully, and all businesses have been rebranded under the master Programmed brand. Integration of the core business IT systems will be completed during the next 12 months, with projected one-off integration and restructuring costs of approximately $10 million.

We are marketing our staffing and maintenance services strategically to all customers of the combined Programmed and Skilled operations.

Programmed is the largest blue collar staffing business in Australia and we are seeking to ensure customers understand the benefits of strong safety systems and compliance, along with getting the right person for the right job each and every day.

We have created a large national white collar staffing business, Programmed Professionals, operating in a number of markets where growth is occurring, such as health and aged care.

We are enacting strategies to secure a significant share of future operational and maintenance expenditure on the infrastructure of the major resource companies, utilities and government. We have had considerable success over the past two years, winning a number of new PPP (public-private partnership) contracts as well as new long-term maintenance contracts in public housing, education, tourism and agriculture, all sectors forecast to grow over the next decade.

A pipeline of large infrastructure maintenance opportunities continues to be developed and we are well positioned to bid for, and secure, a share of this work over the next 12 months.

We have a strong diverse board and management team working hard to build a bigger, better Programmed.

On 4 February 2016, we projected our FY2017 EBITA to be in the range $100 to $110 million which, with depreciation estimated at $20 million, equates to FY2017 EBITDA in the range $120 to $130 million. This remains our projection based on current estimates; excluding non-trading items; subject to actual trading conditions, and assuming no material changes to the macroeconomic environment.

We thank our shareholders for supporting us, our more than 20,000 employees for the efforts they make every day, and our customers for trusting us with the operations and / or maintenance of their facilities, plant and production output.

5. DIVIDENDS

Dividends paid or declared by the Company to Shareholders since 1 April 2015 were:

Paid during the year

Dividends Paid	Cents per share	Total amount $'000	Franked/Unfranked	Date of payment
Final 2015	11.5	13,647	Fully franked	24 July 2015
Interim 2016	6.5	16,205	Fully franked	21 January 2016

Determined after end of year

Dividends Proposed	Cents per share	Total amount $'000	Franked/Unfranked	Date of payment
Final 2016[1]	5.0	12,466	Fully franked	26 July 2016

1. No provision has been made for the final 2016 dividend in the financial report for the financial year as the dividend was not declared or determined by the Directors on or before the end of the financial year.

6. SUBSEQUENT EVENTS AFTER THE BALANCE DATE

As at the date of this Directors' report, the Directors are not aware of any other matter or circumstance that has arisen in the interval between the end of the financial year under review and the date of this Director's report that, in the opinion of the Directors, has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

7. LIKELY DEVELOPMENTS, FUTURE BUSINESS STRATEGIES AND PROSPECTS

Information regarding the likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations, as well as information that shareholders would reasonably require to make an informed assessment of the consolidated entity's business strategies and prospects for future financial years, is included in the Operating and Financial Review above.

8. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed elsewhere in this Annual Report, in the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year.

9. ENVIRONMENTAL REGULATIONS

The consolidated entity's activities are at times subject to environmental legislation and regulation by various authorities in Australia and New Zealand. The consolidated entity aims to achieve a high standard on environmental matters and has established procedures to be followed should an incident occur that has the potential to adversely impact the environment. During the financial year:

- licences were renewed and taken out as and when required by environmental legislation or authorities; and
- the Directors did not receive notification by any government agency, nor are they aware of any significant breaches of environmental laws or licence conditions, in respect of the consolidated entity's operations during the financial year under review.

10. REMUNERATION REPORT – AUDITED

Introduction

Dear Shareholder,

Programmed is pleased to present the Remuneration Report for the year ended 31 March 2016.

This report contains Programmed's remuneration policies, practices and results, and outlines the links between business outcomes and rewards.

Programmed's philosophy to Board and executive KMP remuneration is to adopt a fair and balanced approach to motivate and reward its executive team to deliver ongoing business results which meets the expectations of its shareholders.

Good progress was made in the 2016 financial year with the continued refinement of executive remuneration practice and other corporate initiatives. Key areas of focus with regard to executive remuneration include:

- the refinement of the Remuneration Report with improved disclosure principles adopted to present a clearer analysis of executive KMP remuneration
- an expanded remuneration philosophy which amongst other things sets out our thinking around short term incentive deferral
- an expanded illustration of key performance measures for executive key management personnel
- the commencement of a review of long term incentive valuation methodologies and the introduction to the Report of market valuation of Performance Rights
- independent evaluation of Board and executive KMP remuneration to ensure alignment to market and shareholder expectations

In addition, Programmed has maintained its strong commitment to corporate initiatives including:

- a continued focus on diversity in the areas of cultural, disability and gender diversity
- the achievement of 50 per cent gender diversity of the Board and group management committee
- the ongoing development of flexible work policy and practice
- increasing employment of apprentices and trainees and the ongoing learning and development of our people
- continued support of community projects, sponsorships and volunteering initiatives as part of our community engagement program

The Board believes that these initiatives demonstrate a strong link between performance and reward that strengthens the alignment of Executives with the long-term success of Programmed and its shareholders.

We therefore commend this report to you and welcome your suggestions for further improvements.

Andrea Grant
Chair – Remuneration and People Committee

OUR PEOPLE

At Programmed, our business is built around the provision of people, and it's our people who continue to deliver the Programmed Difference. We're committed to ensuring our workforce reflects the diversity of our community and that all employees are part of an enjoyable and rewarding working environment.

Our people are encouraged to deliver safety leadership, care and empathy, and good customer service each and every day.

DIVERSITY

Understanding and drawing on the strengths provided by diversity help us to meet the needs of our customers, build strong relationships across the communities we serve, and engage the many talents of our team.

Our commitment to diversity currently focuses on cultural diversity, increasing Aboriginal and Torres Strait Islander

DIRECTORS' REPORT continued

employment, providing opportunities to people with a disability and improving gender balance. We have also increased access to more flexible working arrangements for our employees. We co-sponsor the Diversity Council of Australia's Building Inclusion project and are committed to reconciliation through partnerships with Clontarf, Yalari and Whitelion.

We continued our involvement with Rocky Bay, which provides disability services in Western Australia, by taking part in the Perth 'Walk with Me' challenge.

Over the coming year, we will continue to promote an inclusive and safe workplace where all employees have the opportunity to reach their potential and employee differences are respected and valued.

GENDER BALANCE

At Programmed, we know that a gender-balanced board, management and workforce are good for business and we're committed to achieving gender balance across our organisation.

We are advocates for gender equality and opportunity. We strive to give our workforce the freedom to change where, when and how they work, as they move through different stages of their life.

We're now ranked equal fourth for board gender diversity out of the top 200 companies listed on the Australia Securities Exchange, having made significant progress over the past 12 months. Our board has 50 per cent female non-executive directors, up from 40 per cent a year ago; our group management committee is 50 per cent female; our non-field-based workforce is 50 per cent female, up from 39 per cent; and our total workforce including all field-based workers is 28 per cent female, up from 16 per cent.

GROUP MANAGEMENT COMMITTEE

As part of Programmed's integration with SKILLED Group in October 2015, we've formed a new group management committee made up of 20 business leaders across the company from a range of skill-sets and disciplines. The committee provides opportunities to share ideas and gain industry insights and acts as an avenue for future business innovation.

This committee is our key leadership group where standards and values are set and agreed, and group strategies are finalised and actioned.

LEARNING AND DEVELOPMENT

A key part of the Programmed Difference is our ability to identify, develop and place people in the right role at the right time. We take an active part in the learning, career development and progression of our employees.

Development initiatives include apprenticeships and traineeships, coaching and mentoring, and training in health and safety, compliance and technical skills. In the past year, our employees and subcontractors collectively undertook more than 20,000 documented training activities.

We employ more than 1,100 trainees and apprentices in more than 30 vocations company-wide. We know how to train and develop a 16-year-old from a traineeship position to a supervisor or manager. Our apprentices and trainees provide us with enhanced resources to meet and exceed customer service requirements, contribute to improved contract performance and provide a pathway for succession planning.

As a result of our online learning resources for employees and contractors, and the continued development of our Learning Management System, our people now have access to more than 115 web-based courses specifically tailored to our operational needs.

During the year, a number of employees completed the Accelerated Management Program that provides participants with the knowledge and behavioural insights required for successful leadership. We also ran a 40 hour Literacy and Numeracy Program across several regions in New Zealand, providing employees with tuition in numeracy as well as writing and reading skills in order to improve communication with colleagues, comprehension of workplace documents and increased problem solving ability.

Our Personal Security Program was rolled out within the Facility Management business and is an occupational risk minimisation strategy which aims to improve the safety and security of Programmed personnel by improving their level of situational awareness and ability to manage and/or withdraw from escalating or challenging situations including aggression and violence.

Key Management Personnel

This Remuneration Report sets out remuneration information for the consolidated entity's Key Management Personnel for the financial year ended 31 March 2016. The prescribed details for each person covered by this report are set out below.

Details of Key Management Personnel

The Remuneration Report sets out remuneration information for the consolidated entity's Key Management Personnel, which includes the Non-Executive Directors, the Managing Director and those executives who have the authority and responsibility for planning, directing and controlling the activities of the consolidated entity. These individuals are outlined in the table below.

Person	Position	Period in position during the year
Directors: Non-executive		
Bruce Brook	Chairman	Full year
Jonathan Whittle	Non-Executive Director	Retired 19 November 2015
Emma Stein	Non-Executive Director	Full year
Robert McKinnon	Non-Executive Director	Full year
Andrea Grant	Non-Executive Director	Full year
James Walker	Non-Executive Director	Appointed 19 November 2015
Lisa Paul	Non-Executive Director	Appointed 3 February 2016
Directors: Executive		
Christopher Sutherland	Managing Director	Full year
Executives:		
Stephen Leach	Chief Financial Officer	Full year
Nicolas Fairbank	COO/CEO, Programmed Skilled Workforce	Full year
David Timmel	CEO, Programmed Skilled Workforce	Appointed 16 October 2015, ceased 19 December 2015
Glenn Thompson	CEO, Programmed Property Services	Full year
Michael Waymark	CEO, Programmed Facility Management	Resigned 6 March 2016
Damian Burton	CEO, Programmed Marine	Appointed 3 August 2015
Jennifer Boulding	CEO, Programmed Professionals	Appointed 16 October 2015

Remuneration policy

REMUNERATION GOVERNANCE AND EXTERNAL REMUNERATION INFORMATION

The Board oversees the Company's remuneration arrangements. In performing this function, the Board is assisted by recommendations from the Remuneration & People Committee ("Committee"), external consultants and internal advice. The Committee is responsible for the detailed review of the remuneration arrangements of Directors, the Managing Director and other executives and for making recommendations to the full Board in respect of those arrangements. The Board sets the remuneration arrangements for Directors and the Managing Director. The Managing Director, in consultation with the Board, sets remuneration arrangements for other executives.

Further details of the role and function of the Committee are set out in the Remuneration & People Committee Charter, which is available on the Company's website.

To perform its role, the Committee can directly engage and receive information, advice and recommendations from independent external advisers. The Company has arrangements in place to ensure that the engagement and use of external remuneration consultants by the Committee is free from undue influence by the members of Key Management Personnel to whom the information, advice or recommendation relates.

During the financial year, the Committee sought independent advice from Hay Group and Crichton & Associates to review and provide remuneration information, advice and recommendations in the form of market assessment and comparative data in relation to the remuneration of the entity's Non-executive Directors, Managing Director and other executive reports to the Managing Director. Hay Group also provided other services including job evaluation services, access to their remuneration database and training services to the consolidated entity. The consideration paid to Hay Group in respect to the market advice and data was $38,280 and in relation to these other services was $73,861. The consideration paid to Crichton & Associates in respect to market advice and data was $19,757.

In accordance with the protocols approved by the Board, Hay Group and Crichton & Associates were commissioned by the Chairman of the Committee. Where requested all reports, advice and recommendations relating to the Managing Director's

DIRECTORS' REPORT continued

remuneration, the senior management's remuneration and the Non-Executive Directors' fees are required to be provided directly to the Chairman of the Committee. In addition to these internal protocols, in each case where advice is provided, Hay Group and Crichton & Associates are required to provide a formal declaration confirming that the recommendation was made free from undue influence by the members of the Key Management Personnel to whom the recommendation related.

For the reasons set out above, the Board is satisfied that the remuneration recommendations received by Hay Group and Crichton & Associates and referred to above were made free from undue influence by the members of the Board and Key Management Personnel to whom the recommendations relate.

NON-EXECUTIVE DIRECTORS

The remuneration policy for Non-Executive Directors aims to attract, retain, motivate and to remunerate fairly and responsibly having regard to the level of fees paid to Non-Executive Directors relative to other similarly sized Australian companies, the size and nature of the consolidated group's operations and the responsibilities and work requirements of Board members.

Non-Executive Director fees are paid in cash and determined by the Remuneration & People Committee following consideration of market conditions and any information, advice or recommendations from remuneration consultants. In addition to these fees, Non-Executive Directors are entitled to reimbursement of reasonable travel, accommodation and other expenses incurred in attending meetings of the Board, Board committees or shareholders, or while engaged on Company business. Other than statutory superannuation payments, there are no retirement benefits or other allowances paid on behalf of Non-Executive Directors. Non-Executive Directors are not eligible for any bonus or incentive payments and the Non-Executive Directors do not participate in any share-based incentive plans.

The maximum aggregate amount that can be paid to Non-Executive Directors (the "fee pool") is currently $1,350,000 per annum, including superannuation, which includes an allowance for an increase in the number of directors if required. Actual Non-Executive Directors' fees paid for the reporting period were $750,065. Shareholders approved an increase of $500,000 (previously $850,000) to the fee pool at the General Meeting held on 23 March 2016.

Details of the fees paid to Non-Executive Directors for the 2016 and 2015 financial years are set out on pages 41 and 42 of this Directors' report.

EXECUTIVES

In this section, the term "executives" means the Managing Director and other executives of the consolidated entity (that is, all members of Key Management Personnel other than the Non-Executive Directors).

The remuneration policy for the executives aims to provide fair and equitable remuneration in order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the consolidated entity's operations. The policy has been consistently applied over past years and sets remuneration levels that are:

- market competitive, based on independent benchmark research provided by the remuneration consultants; and
- structured for the executives to reward the achievement of defined annual goals directly linked to performance and the creation of longer term shareholder wealth.

The remuneration packages of the executives are reviewed at least annually by the Committee. These packages combine:

- fixed annual remuneration, including superannuation and allowances;
- short term performance incentives assessed over the Company's financial year; and
- long term performance incentives assessed over periods of four to five years.

FIXED ANNUAL REMUNERATION

The market rate of fixed annual remuneration is determined through analysis of data provided by the remuneration consultants and consideration of the consolidated entity's particular circumstances. The consolidated entity seeks to benchmark the remuneration paid to the executives based on comparative data provided by the consultants.

The comparative data used for the Managing Director is obtained from listed Australian companies. For other executives, the comparative data from both listed Australian companies and subsidiaries of international groups is used where relevant.

The actual level of remuneration appropriate for each executive is determined based on the following principles:

a. market based remuneration – remuneration is based on the current position held by the relevant key executive; and

b. positioning within the market range – where a key executive sits within the relevant market range is determined by performance as well as market and internal relativities. Key executives that are top performers are remunerated between the midpoint and the upper end of the range while less experienced or lesser performing key managers are remunerated between the entry and mid-point of the range. Progression within the range is based on an assessment of performance during the preceding assessment period.

Each executive is given the opportunity to receive their fixed remuneration in a variety of forms, including cash and other benefits. This enables the form of fixed remuneration to be optimal for each executive without creating undue cost for the consolidated entity.

SHORT TERM INCENTIVES PHILOSOPHY

Our philosophy is that short term incentives must be affordable and is widely spread with typically more than 80% of total short term incentives payments to employees other than senior executives. When making decisions in relation to short term incentive payments a balanced approach between financial and strategic outcomes is adopted.

Programmed has considered the practice of deferring a part of the Key Management Personnel's annual incentive payment and/or paying this component in shares and has determined it will not defer any portion of the annual short term incentive. The board has adopted this position as the level of short term incentive paid is relatively modest compared to organisations that adopt a deferred component model and hence any deferred amount is not likely to be material to the outcome, the costs of administration of a deferral arrangement would outweigh the benefits, and our Long Term Incentive Plan ("LTIP") meets the needs of longer term alignment for shareholders that deferral of a component of short term incentive and/or payment in deferred shares is supposed to deliver.

Additionally, Programmed does have clawback provisions in its STIP, which allow the recovery of past bonuses where there is material misstatement or fraudulent behaviour. The board believes that these mechanisms are adequate to meet the needs of the business at this time. This policy is reviewed and considered on a regular basis and may be subject to change if the board considers it is in the best interests of shareholders to do so.

The short term incentives disclosed in the 2016 financial year have been approved by the Board and unless otherwise noted are consistent with the Company's established Short Term Incentive Plan ("STIP"). The Board and the Committee use key performance indicators ("KPIs") that measure the overall success of the consolidated entity. The majority of KPIs related to achievement of corporate targets in respect of financial performance, employee safety, employee retention and development and business improvement projects, as illustrated by the table below.

Safety	Lost Time Injury Frequency Rate; Total Recordable Injury Frequency Rate; Zero Fatalities and/or Permanent disabling Injuries in the Workplace; Safety Conversations completed by the Executive and his/ her team;
Financial Performance	Group or Divisional Earnings Before Interest Tax & Amortisation (EBITA); Growth in EBITA; Return on Capital Employed; Working Capital to Sales Ratio; Bad Debt Management
People and Culture	Attachment & Retention Rate; Employee Engagement; Gender Balance and Diversity
Role Specific Objectives	Measures established each year with the Managing Director specific to the Executive's role which improve performance in the areas of safety, people and culture, systems and growth.

The Committee considers the final results and KPIs for each year prior to determining if any short term incentives are to be paid. If the annual financial results and KPI targets are met, the Committee then:

a. determines the amount of the Managing Director's short term incentive; and

b. reviews and approves the Managing Director's recommendations as to the allocation of the short term incentive to applicable executives.

Payment of any applicable short term incentives is made in the financial year following the relevant assessed financial year. All of the executives of the consolidated entity have similar "Executive Service Agreements" (key contractual details are set out on pages 51 to 55 of this Directors' report), which specify the fixed annual remuneration as well as entitlements to short term and long term incentives.

DIRECTORS' REPORT continued

Managing Director

Under his Executive Service Agreement, the Managing Director can receive a short term incentive paid in cash up to the value of 75% (2015: 75%) of his fixed annual remuneration payable upon achievement or exceeding of established performance objectives.

The tables below show the weightings applied to performance measures for the Managing Director for the 2016 and 2015 financial years:

2016 Performance Measures	%
The achievement of targets and objectives designed to improve the safety performance of the business	6.7
The achievement of the established financial targets	66.7
The achievement of targets and objectives designed to improve the attraction, retention and performance of all employees	3.3
The achievement of specific objectives designed to support growth and business performance improvement	6.7
The achievement of specific objectives intended to support improvements in capital management and other financial objectives	3.3
The achievement of specific objectives supporting the successful integration of the SKILLED Group acquisition	13.3

2015 Performance Measures	%
The achievement of targets and objectives designed to improve the safety performance of the business	6.7
The achievement of the established financial targets	66.6
The achievement of targets and objectives designed to improve the attraction, retention and performance of all employees	6.7
The achievement of specific objectives designed to support growth and business performance improvement	10.0
The achievement of specific objectives intended to support improvements in capital management and other financial objectives	6.7
The maintenance of high quality governance processes within the business	3.3

These performance measures are agreed between the Managing Director and the Committee as part of the annual planning process, against which the Managing Director's performance will be measured. The performance measures are approved by the Board.

Other Executives

For the other executives, the short term incentives payable are with regard to KPIs established annually with the Managing Director.

Other executives can receive a 2016 short term incentive of up to 30% of their fixed annual remuneration. 100% of this short term incentive is paid in cash. The short term incentive will continue to be determined by the performance measures discussed above.

In May 2016, the Committee considered the recommendations relating to other executives under the STIP and recommended that the short term incentives determined in the 2016 financial year be approved by the Board. The short term incentives were approved by the Board and will be paid in July 2016. The financial statements for the financial year include an aggregate accrual for total payments to be made under the STIP.

LONG TERM INCENTIVES

The LTIP is a share-based compensation scheme for executives and senior employees of the consolidated entity. The LTIP provides executives and senior employees with performance rights that upon vesting entitle the holder to receive shares in the Company ("Performance Rights") to encourage them to align their performance with shareholders. The Managing Director is also entitled, subject to shareholder approval, to receive grants on the same terms as under the LTIP except as noted below. Participants in the LTIP cannot dispose or otherwise deal with their Performance Rights. This has been an important tool to attract and retain executive talent and will continue to be important in the future.

Under the LTIP, eligible employees are offered an allocation of Performance Rights. The number of Performance Rights offered to each eligible employee is determined with reference to market practice, individual contribution and the influence of the role on business outcomes.

The LTIP was first introduced during the 2008 financial year. The terms of the LTIP were revised during the 2013 financial year with effect from 1 July 2012. Performance Rights granted prior to amendments to the LTIP will be subject to the terms of the LTIP existing at the time of grant.

The key changes to the LTIP that applied for grants made after 1 July 2012 are outlined below:

- Performance Rights are granted in a single tranche, vesting over a period of 4 years (previously a period of between 3 and 5 years determined at grant);

- the qualifying period for pro rata participation (if an employee ends his or her employment under good leave provisions prior to the vesting date, such as for reason of redundancy, death, medical illness, incapacity or total and permanent disablement) has been extended from 6 to 24 months from grant. Performance Rights may also vest prior to the vesting date on a change of control in certain circumstances;
- the Performance Rights automatically entitle the employee to receive ordinary shares in the Company upon vesting and will no longer provide the employee with an option to exercise the Performance Rights at any time over a twelve month period following vesting;
- additional performance criteria, measured against the growth of the Company's earnings per share, have been included (previously performance criteria only was measured against total shareholder return ("TSR") and continued employment);
- an adjustment to the performance criteria relating to TSR, so that the number of Performance Rights subject to the TSR condition that vest will be determined on a pro rata basis from 0% to 100% depending on TSR performance between the 40th and 75th percentile, rather than move from 0% to 50% at a single point. Under the performance criteria applicable to previously approved Performance Rights, 50% of Performance Rights would vest if TSR performance was at the 50th percentile, and nil would vest if TSR performance was below that. As set out in more detail below, the Performance Rights will start to vest if TSR performance is at the 40th percentile, and then vest pro rata from that point on, such that TSR performance at the 57th percentile would need to be achieved before 50% of the Performance Rights would vest; and
- the LTIP no longer provides for the grant of Performance Options. The current intention is to not issue Performance Options, with no new Performance Options issued since 2009.

Summary of LTIP Rules applicable for post 1 July 2012 Grants ("2012 Award")

Executives and Other Senior Employees

Executives and other senior employees have been granted Performance Rights under the LTIP on the following specific terms (in addition to the general terms outlined above):

a. Each Performance Right entitles the holder to one fully paid ordinary share in the Company on vesting. No amounts are paid or payable by the recipient on receipt or vesting of a Performance Right. Performance Rights have a vesting date of four years from the date of issue.

b. The Performance Rights carry neither rights to dividends nor voting rights.

Performance criteria for these Performance Rights are as follows:

Performance Criteria	Weighting	Details
1. Continued Employment	1/3	The performance hurdle for one-third of the Performance Rights will be based on the executive or other senior employee continuing to be an employee of the consolidated entity at the vesting date, thus creating a retention component.

DIRECTORS' REPORT continued

Performance Criteria	Weighting	Details
2. Total Shareholder Return ("TSR")	1/3	The performance hurdle for one-third of the Performance Rights will be based on the Company's performance by reference to the TSR over the Performance Period when compared with the TSR for each company in a group of peer companies. The peer group of companies comprises the companies listed in the S&P/ASX 300 (ranked by market capitalisation) after excluding resource companies, banks and listed property trusts. A peer company continues to be included in the comparator group for the entire Performance Period, except where the company is delisted due to takeover or merger. New entrants into the S&P/ASX 300 during the Performance Period are excluded. The Company's performance ranking within that group of peer companies at the end of the relevant Performance Period determines the number of TSR Performance Rights that vest, as follows:

Performance Criteria	TSR Performance Rights vest
Below 40th percentile	None vest
Between 40th and 75th percentile (inclusive)	TSR Performance Rights that vest to be determined on a straight line escalation from the 40th percentile (0% vest) to the 75th percentile (100% vest)
Above 75th percentile	100% of TSR Performance Rights vest

Performance Criteria	Weighting	Details
3. Earnings Per Share ("EPS")	1/3	The performance hurdle for one-third of the Performance Rights will be based on the Company's EPS performance, where a target range for the average annual growth in diluted EPS over the Performance Period of the EPS Performance Rights has been established to determine the number of EPS Performance Rights that vest, as follows:

Performance Criteria	EPS Performance Rights vest
Average growth of less than 5% pa	None vest
Average growth from 5% to 15% pa	EPS Performance Rights that vest to be determined on a straight line escalation from EPS growth of 5% pa (0% vest) to EPS growth of 15% pa (100% vest)
Average growth above 15% pa	100% of EPS Performance Rights vest

The starting EPS is the reported audited EPS for the financial year ended 31 March prior to grant.

The Board considers that performance conditions based on the Company's performance against a clearly defined peer group in terms of TSR and the Company's EPS is an appropriate way to gauge changes to shareholder wealth. The method set out in the table above for determining whether this performance condition is satisfied is considered appropriate, because it provides direct alignment between the proportion of Performance Rights that vest and the Company's performance when ranked against both its peer group and its prior financial performance.

Managing Director

The Managing Director was granted 170,000 Performance Rights on 31 July 2015 with a market value of $406,300 at the date of grant after shareholder approval was given at the Annual General Meeting on 29 July 2015. These Performance Rights will vest subject to satisfaction of the Performance Criteria (based upon the Total Shareholder Return and Earnings Per Share performance of Programmed over the four year period as detailed on pages 34 to 38. However, assuming, for the purposes of illustration, that the market value of the Performance Rights was determined by reference to the Company's Share Price as at the date of grant of the 2015 Performance Rights (that is, as at 29 July 2015), the ultimate value of any vested 2015 Performance Rights would be in the range of between $NIL and $406,300, depending on the application of the Performance Criteria. Upon the Performance Criteria being met, the Company will issue to the Managing Director one fully paid ordinary share per Performance Right for nil consideration. The Managing Director's grant under the LTIP is subject to the same performance criteria described above, except that:

- half of the Performance Rights are subject to performance criteria 2 described above – Total Shareholder Return; and
- half of the Performance Rights are subject to performance criteria 3 described above – Earnings Per Share.

The vesting period for these Performance Rights is four years.

If the Company becomes the subject of:

a. a takeover bid and the bid is accepted in respect of at least 50% of the shares in the Company;

b. a scheme of arrangement and the scheme proceeds with shareholder and Court approval; or

c. an arrangement which passes control of more than 50% of the Company's share capital, ("change of control event")

the number of Performance Rights that will vest will be the greater of:

- 50% of the Performance Rights; and
- such number of the Performance Rights as determined in accordance with the performance criteria detailed above.

In the case of all other long term incentive participants, the Directors will apply their reasonable endeavours to negotiate a transition to an alternate plan that they assess as being no less favourable than the existing LTIP.

In the event of a bonus issue, rights issue or any capital reconstruction the number of Performance Rights will be adjusted, at the discretion of the Board, in compliance with the ASX Listing Rules to take into account the impact of the capital reconstruction or issue.

Summary of LTIP Rules applicable for pre – 1 July 2012 Grants

Executives and other senior employees, including the Managing Director, have been granted Performance Rights and/or Performance Options under the LTIP in prior financial years. 100% of the pre-1 July 2012 grants to the Managing Director are subject to the TSR performance criteria described below.

The securities issued under the LTIP pre-1 July 2012 were granted on the following terms:

a. Each Performance Option converts into one fully paid ordinary share in the Company upon the payment of the applicable exercise price at the time of exercise. No amounts are paid or payable by the recipient on receipt of a Performance Option. Performance Options have a vesting date that is three years from the date of issue and may be exercised at any time within twelve months from the date of vesting.

b. Each Performance Right converts upon exercise into one fully paid ordinary share in the Company. No amounts are paid or payable by the recipient on receipt or exercise of a Performance Right. Performance Rights have vesting dates that are three to five years from the date of issue and may be exercised at any time within twelve months from date of vesting.

c. Both Performance Rights and Performance Options carry neither rights to dividends nor voting rights.

Performance Criteria for the Performance Rights and Performance Options granted pre-1 July 2012 are as follows:

Performance Criteria	Weighting	Details
1. Continued Employment	1/3 for grants made between 1 July 2010 and 30 June 2012 Nil for grants made prior to 1 July 2010	This performance hurdle is based on the executive or other senior employee continuing to be an employee of the consolidated entity at the vesting date, thus creating a retention component.

DIRECTORS' REPORT continued

2. Total Shareholder Return	2/3 for grants made between 1 July 2010 and 30 June 2012 100% for grants made prior to 1 July 2010 100% for grants made prior to 30 June 2012 to the Managing Director.	This performance hurdle is based on the Company's performance ranking over the relevant period (the "Performance Period") determined by reference to the TSR of the Company during the Performance Period as compared to the TSR for each company in a peer group of companies. The peer group of companies comprises the companies listed in the S&P/ASX 300 (ranked by market capitalisation) after excluding resource companies, banks and listed property trusts. A peer company continues to be included in the comparator group for the entire Performance Period, except where the company is delisted due to takeover or merger. New entrants into the S&P/ASX300 during the performance period are excluded. The Company's "Performance Ranking" within that group of companies at the end of the relevant Performance Period determines the number of Performance Rights or Performance Options in the particular tranche that vest and become exercisable (if any), as follows:

Performance Criteria	Number of Performance Rights or Performance Options ("Rights and Options") exercisable
Performance Ranking below 50th Percentile	No Rights or Options exercisable (as applicable)
Performance Ranking at the 50th Percentile	50% of the Rights or Options exercisable (as applicable) in the tranche available to be exercised
Performance Ranking between the 50th and 75th Percentile (both inclusive)	Rights or Options exercisable (as applicable) in the tranche available to be exercised will be determined on a pro-rata basis between 50% and 100% depending on the Company's percentile Performance Ranking
Performance Ranking at or above 75th Percentile	100% of Rights or Options exercisable (as applicable) in the tranche available to be exercised

The Performance Rights and Performance Options in each particular tranche which become exercisable will become available for exercise from the day after vesting (the "Exercise Date"). Any Performance Rights or Performance Options in a particular tranche that do not become exercisable will lapse on the last day of the period of which performance is assessed. The Performance Rights and Performance Options available for exercise can be exercised at any time over the twelve month period beginning on the Exercise Date (the "Exercise Period"). Any Performance Rights and Performance Options that have not been exercised by the end of the Exercise Period will lapse at that time.

The vesting period for these Performance Rights and Performance Options ranges from three to five years.

The Managing Director's Performance Rights granted in prior financial years are subject to the same performance criteria described above, except that the performance hurdle for all Performance Rights will be the TSR Performance hurdle described above. The vesting period for these Performance Rights ranges from three to five years.

If the Company becomes the subject of a change of control event as defined above, then the Performance Rights and Performance Options may vest as detailed above.

PROGRAMMED SHARE HOLDINGS GUIDELINE

Programmed sees significant benefit in aligning the interests of employees and shareholders through employees acquiring and holding shares in the Company. Programmed has implemented a Shareholdings Guideline which outlines how Programmed seeks to achieve this.

The guideline applies to all employees and directors of Programmed, noting specific requirements for KMP (Key Management Personnel per the Corporations Law) and Directors. Programmed seeks to increase overall employee share ownership in the company through:

1. The Programmed Employee Share Acquisition Plan, which is open to all Australian full and part time employees (excluding KMP and Directors); and
2. The Programmed Long Term Incentive Plan (the Plan) which allows the 'Top 50' Senior Managers to participate in Performance Rights Allocations approved by the Board under the terms of the Plan.

The long term goal is that 33% of all permanent employees own some Programmed shares.

Additionally, Programmed's goal is that all Directors and KMP, acquire and maintain directly or indirectly, a number of shares in Programmed which is equivalent of at least 50% of their Fixed Annual Remuneration (FAR), within five (5) years of their appointment.

Programmed will seek to put in place mechanisms to support the attainment of these goals. Programmed recognises that each individual's circumstances are different and there are no adverse outcomes for employees, KMP's or Directors who elect not to own shares.

Total employee share ownership as a percentage of permanent employees and shareholdings by the KMP and Directors will be reported to the Board Remuneration and People Committee. The acquisition and disposal of shares is conducted strictly in accordance with the Programmed Share Trading Policy

PROGRAMMED EMPLOYEE SHARE ACQUISITION PLAN ("PESAP")

The PESAP was launched in 2010 and allows employees to buy ordinary shares in the Company, with payment being made from their pre-tax pay. Employees can elect to buy shares to an annual value of $500, $750 or $1,000. The objective is to provide an opportunity for all employees to have ownership and participate in the Company's growth.

SKILLED EMPLOYEE SHARE PLAN

The Employee Share Plan was launched by SKILLED in 1998 and provided employees with an opportunity to purchase ordinary shares in the Company. Employees could elect to purchase 500, 750, or 1000 shares on an interest free loan, payable over four years. The shares were held in trust by the Company until the loan was paid by the employee, payment made by dividends and monthly pre-tax installments. The Company ceased offering the share plan at the conclusion of the 2013 financial year and continues to manage the Plan.

EXECUTIVE RETENTION PLAN

Prior to Programmed's acquisition of the SKILLED Group, an executive retention plan was established by SKILLED to retain key employees for a 12-month period following acquisition. Plan participants received an allocation of performance rights which converted to Programmed shares on the implementation date and are held in trust for release to participants on 16 October 2016. Shares are released earlier to participants in the event of redundancy, retirement or cessation of employment due to ill health or death. If a participant resigns prior to 16 October 2016, they forfeit any right to the shares and the shares will continue to be held in trust.

RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND COMPANY PERFORMANCE

The Board is of the view that there is a strong correlation between the remuneration policy and the Company's performance. KPIs for short term incentives are linked to the Company's objectives and vesting of the majority of long term incentives occurs only when either TSR outperforms the median of other listed companies or the Company's earnings per share growth exceeds specified thresholds (further information on these performance hurdles and thresholds is set out on pages 33 to 38 of this Directors' Report). In the 2011 to 2016 financial years the long term incentives that vested were those resulting from employees who continued to be employed by the Company at the vesting date, therefore meeting the 1/3 retention performance hurdle and also the achievement of the Total Shareholder Return performance hurdle. In addition, the short term incentives paid were targeted and related to specific business unit and/or individual performance. If the performance hurdles established continue to be met or exceeded, then it is expected that a greater number of long term incentives will vest in the future.

The table below sets out summary information about the consolidated entity's earnings, debt and dividends, for the five years to 31 March 2016. For more information relating to the Company's performance in 2016, refer to pages 8 to 15 of this Annual report.

DIRECTORS' REPORT continued

	Financial Years Ended 31 March				
	2012	2013	2014	2015	2016
Revenue ($'000)	1,393,639	1,517,419	1,434,923	1,434,224	**2,209,447**
Profit after tax (before amortisation and non-trading items) ($'000)	31,426	34,611	32,461	31,223	**38,807**
Profit after tax (statutory) ($'000)	31,220	32,137	30,452	25,695	**(98,024)**
Earnings per share (before amortisation and non-trading items)	26.6	29.3	27.5	26.3	**21.8**
Earnings per share (cents)	26.4	27.2	25.8	21.7	**(55.0)**
Net debt ($'000)	87,804	67,107	42,231	7,080	**239,188**
Net debt/equity	24%	17%	10%	2%	**39%**
Dividends					
– Total dividends per share (cents)	13.0	15.0	17.0	18.0	**11.5**
– Dividend payout ratio[1]	49%	51%	62%	68%	**53%**
– Dividend franking	100%	100%	100%	100%	**100%**
Share Price at 31 March	$2.52	$2.56	$2.90	$2.42	**$1.48**
No. of Shares issued at 31 March (millions)	118.2	118.2	118.3	118.7	**249.3**
Market Capitalisation at 31 March ($ millions)	298	303	343	287	**369**

1. The dividend payout ratio is calculated on profit after tax before amortisation and non-trading items.

Remuneration of Key Management Personnel

Financial year ended 31 Mar 2016	Short-term employee benefits			Post-employment benefits			Share-based payment – Equity settled			
	Salary & Fees[3] $	Short-term incentives Cash[1] $	Non-monetary[4] $	Super-annuation $	Other Long-term Employee Benefits[4] $	Termination Benefits $	Options & Rights[2] $	Performance related %	Non-performance related %	Totals $
Directors										
B. Brook	203,681	–	–	18,819	–	–	–	–	–	222,500
C. Sutherland	944,009	205,000	80,888	19,909	20,131	–	216,140	28.3	71.7	1,486,077
J. Whittle	79,147	–	–	7,519	–	–	–	–	–	86,666
E. Stein	118,722	–	–	11,278	–	–	–	–	–	130,000
R. McKinnon	109,589	–	–	10,411	–	–	–	–	–	120,000
A. Grant	118,722	–	–	11,278	–	–	–	–	–	130,000
J. Walker	39,902	–	–	3,791	–	–	–	–	–	43,693
L. Paul	15,713	–	–	1,493	–	–	–	–	–	17,206
Executives										
S. Leach	671,713	51,600	(122,272)	19,909	9,729	–	158,984	26.7	73.3	789,663
N. Fairbank	380,292	37,500	(3,316)	19,167	(35,215)	–	80,030	24.6	75.4	478,458
D. Timmel[5]	146,598	–	(20,619)	4,022	(32,300)	219,816	–	12.6	87.4	317,517
M.Waymark	385,437	–	(17,126)	18,573	(26,423)	224,192	65,716	10.1	89.9	650,369
G. Thompson	432,292	80,000	469	19,909	(15,160)	–	58,419	24.0	76.0	575,929
D. Burton	246,536	–	9,934	8,020	–	–	–	–	100.0	264,490
J. Boulding[5]	196,101	15,000	18,580	8,849	2,920	–	–	20.7	79.3	241,450
TOTALS	4,088,454	389,100	(53,462)	182,947	(76,318)	444,008	579,289	–	–	5,554,018

Notes:

1. The cash bonuses relate to performance for the 2016 financial year. The cash bonuses will be paid in July 2016.
2. The share based payments are yet to be earned and are subject to performance criteria vesting over a period of four years and were provided under the Long Term Incentive Plan. The amounts have been determined by allocating the grant date value on a straight-line basis over the period from grant date to vesting date.
3. Includes short-term compensated absences.
4. Non-monetary short term employee benefits represent annual leave entitlements. Non-monetary long term employee benefits represent long service leave employee entitlements.
5. These salaries, fees and other benefits relate to the payments post the acquisition of Skilled Group Limited on 16 October 2015 under their pre-existing arrangements inclusive of retention payments to D. Timmel and J. Boulding of $40,000 and $35,000 respectively.

DIRECTORS' REPORT continued

Remuneration of Key Management Personnel (continued)

Financial year ended 31 Mar 2015	Short-term employee benefits			Post-employment benefits			Share-based payment – Equity settled			
	Salary & Fees[3] $	Short-term incentives Cash[1] $	Non-monetary[4] $	Super-annuation $	Other Long-term Employee Benefits[4] $	Termination Benefits $	Options & Rights[2] $	Performance related %	Non-performance related %	Totals $
Directors										
B. Brook	182,753	–	–	17,247	–	–		–	–	200,000
C. Sutherland	885,595	182,400	90,009	18,512	17,825	–	225,023	28.7	71.3	1,419,364
J. Whittle	118,789	–	–	11,211	–	–	–	–	–	130,000
E. Stein	118,789	–	–	11,211	–	–	–	–	–	130,000
R. McKinnon	109,652	–	–	10,348	–	–	–	–	–	120,000
A. Grant	118,789	–	–	11,211	–	–	–	–	–	130,000
Executives										
S. Leach	471,857	50,000	30,561	18,512	9,718	–	149,357	27.3	72.7	730,005
N. Fairbank	339,234	25,000	8,472	18,551	6,477	–	56,647	18.0	82.0	454,381
S. Taylor	449,382	25,000	26,877	18,512	11,176	–	77,954	16.9	83.1	608,901
G. Triggs	558,997	25,000	85,883	18,551	13,611	–	77,954	13.2	86.8	779,996
M. Waymark	375,420	105,000	6,619	18,512	6,648	–	49,271	27.5	72.5	561,470
G.Thompson	374,807	75,000	17,322	18,512	6,324	–	30,746	20.2	79.8	522,711
TOTALS	4,104,064	487,400	265,743	190,890	71,779	–	666,952	–	–	5,786,828

Notes:

1. The cash bonuses relate to performance for the 2015 financial year. The cash bonuses will be paid in July 2015.
2. The share based payments are yet to be earned and are subject to performance criteria vesting over a period of four years and were provided under the Long Term Incentive Plan. The amounts have been determined by allocating the grant date value on a straight-line basis over the period from grant date to vesting date.
3. Includes short-term compensated absences.
4. Non-monetary short term employee benefits represent annual leave entitlements and accommodation benefits. Non-monetary long term employee benefits represent long service leave employee entitlements.

Total Cash Payments to Key Management Personnel

The table below shows cash payments received by Key Management Personnel in relation to the 2016 financial year.

Financial year ended 31 March 2016	Fixed Remuneration[1]	Cash bonuses[2]	Termination benefits[3]	Options & Rights[4]	Total
Director:					
B. Brook	222,500	–	–	–	222,500
C Sutherland	963,919	182,400	–	245,045	1,391,364
J. Whittle	86,666	–	–	–	86,666
E. Stein	130,000	–	–	–	130,000
R. McKinnon	120,000	–	–	–	120,000
A. Grant	130,000	–	–	–	130,000
J. Walker	43,692	–	–	–	43,692
L. Paul	17,205	–	–	–	17,205
Executive:					
S. Leach	691,623	50,000	–	137,923	879,546
N. Fairbank	399,459	25,000	–	13,793	438,252
D. Timmel	150,620	–	219,816	–	370,436
M. Waymark	404,010	105,000	224,192	30,113	763,315
G. Thompson	452,201	75,000	–	–	527,201
D. Burton	254,556	–	–	–	254,556
J. Boulding	204,950	–	–	–	204,950
TOTALS	4,271,401	437,400	444,008	426,874	5,579,683

1. The sum of Salary, Fees and Superannuation.
2. Cash bonuses paid in the current financial year in relation to performance of the previous financial year.
3. Termination benefits paid during the financial year.
4. Value of options and rights at date of vesting, for rights and options that vested during the financial year.

DIRECTORS' REPORT continued

Bonuses and share-based payments granted as compensation for the current financial year:

(A) SHORT TERM INCENTIVES

The cash bonuses granted during the 2017 financial year to Key Management Personnel (other than Non-Executive Directors) under the STIP are shown in the table below and relate to performance in the 2016 financial year. The cash bonuses will be paid in July 2016. The performance criteria applicable to the short term incentives referred to in this section are set out on pages 33 and 34 of this Directors' report.

Name	Minimum and Maximum Potential as a % of Fixed Remuneration	Target STI as a percentage of Fixed Remuneration	STI Awarded as a % of Maximum Potential in 2016	Actual STI Award in 2016
Director:				
C. Sutherland	0% to 75%	50%	29%	205,000
Executive:				
S. Leach	0% to 30%	15%	33%	51,600
N. Fairbank	0% to 30%	15%	33%	37,500
G. Thompson	0% to 30%	15%	65%	80,000
D. Burton	0% to 30%	15%	–	–
J. Boulding	0% to 30%	15%	13%	15,000

No variable component is outstanding in relation to the cash bonuses.

(B) LONG TERM INCENTIVES

Performance Rights

Performance Rights held during the 2016 and 2015 financial years by Key Management Personnel are shown in the tables below.

2016	Balance 1.4.15	Number Granted as compensation	Number Exercised	Net other change	Balance 31.3.16
B. Brook	–	–	–	–	–
C. Sutherland	760,000	170,000	(90,090)	(59,910)	780,000
J. Whittle	–	–	–	–	–
E. Stein	–	–	–	–	–
R. McKinnon	–	–	–	–	–
A. Grant	–	–	–	–	–
J. Walker	–	–	–	–	–
L. Paul	–	–	–	–	–
S. Leach	500,000	100,000	(50,707)	(29,293)	520,000
N. Fairbank	201,000	80,000	(5,071)	(2,929)	273,000
D. Timmel	–	–	–	–	–
M. Waymark	179,000	80,000	(11,071)	(247,929)	–
G. Thompson	120,000	80,000	–	–	200,000
D. Burton	–	–	–	–	–
J. Boulding	–	–	–	–	–

2015	Balance 1.4.14	Number Granted as compensation	Number Exercised	Net other change	Balance 31.3.15
B. Brook	–	–	–	–	–
C. Sutherland	760,000	150,000	–	(150,000)	760,000
J. Whittle	–	–	–	–	–
E. Stein	–	–	–	–	–
R. McKinnon	–	–	–	–	–
A. Grant	–	–	–	–	–
S. Leach	460,000	120,000	(61,152)	(18,848)	500,000
N. Fairbank	148,500	60,000	(5,772)	(1,728)	201,000
S. Taylor	240,000	60,000	(30,576)	(9,424)	260,000
G. Triggs	240,000	60,000	(30,576)	(9,424)	260,000
M. Waymark	120,000	80,000	(15,049)	(5,951)	179,000
G. Thompson	40,000	80,000	–	–	120,000

DIRECTORS' REPORT continued

Performance Rights granted during the 2016 financial year to Key Management Personnel (other than Non-Executive Directors) under the LTIP are shown in the tables below. The performance criteria applicable to the grants referred to in this section are set out on pages 34 to 38 of this Directors' report.

Name	Date of grant	Number of Performance Rights	Nature of grant	Included in remuneration $	Vested or was paid during the reporting period $	Forfeited because performance criteria not met $	The financial years (after this reporting period) in which the Performance Rights will vest (assuming all performance conditions are met)	Total minimum value of Performance Rights that will vest in future financial years	Total maximum value of Performance Rights that will vest in future financial years
Director:									
C. Sutherland	31/07/2015	170,000	Performance Rights	34,137	Nil	Nil	2020	Nil	147,763
Executive:									
S. Leach	1/07/2015	100,000	Performance Rights	29,274	Nil	Nil	2020	Nil	113,726
N. Fairbank	1/07/2015	80,000	Performance Rights	21,019	Nil	Nil	2020	Nil	90,981
D. Timmel	–	–	–	–	–	–	–	–	–
M. Waymark	1/07/2015	80,000	Performance Rights	19,522	Nil	Nil	2020	Nil	92,478
G. Thompson	1/07/2015	80,000	Performance Rights	21,019	Nil	Nil	2020	Nil	90,981
D. Burton	–	–	–	–	–	–	–	–	–
J. Boulding	–	–	–	–	–	–	–	–	–

The table below shows Performance Rights granted, lapsed and vested during the financial year. The Performance Rights that lapsed during the year lapsed as a result of the performance hurdles, discussed on pages 34 to 38, not being met.

	Granted during the year			Lapsed during the year			Vested during the year		
Executive	Number	Tranche	Value (calculated at grant) $	Number	Financial year rights granted	Tranche	Number	Value at date of vesting[1] $	Tranche
Director:									
C. Sutherland	170,000	2015 Award	181,900	59,910	2012	PR-18	90,090	245,045	PR-18
Executive:									
S. Leach	100,000	2015 Award	140,000	13,333	2011	PR–16	6,667	18,134	PR–16
				15,960	2012	PR–18	44,040	119,789	PR–18
N. Fairbank	80,000	2015 Award	112,000	1,333	2011	PR–16	667	1,814	PR–16
				1,596	2012	PR–18	4,404	11,979	PR–18
D. Timmel	–	–	–	–	–	–	–	–	–
M. Waymark	80,000	2015 Award	112,000	13,333	2011	PR–16	6,667	18,134	PR–16
				1,596	2012	PR–18	4,404	11,979	PR–18
				8,000	2012	PR–19			
				25,000	2013	2012 Award			
				40,000	2014	2013 Award			
				80,000	2014	2014 Award			
				80,000	2016	2015 Award			
G. Thompson	80,000	2015 Award	112,000	–	–	–	–	–	–
D. Burton	–	–	–	–	–	–	–	–	–
J. Boulding	–	–	–	–	–	–	–	–	–

1. At the date of vesting, the closing market share price has been used to determine the value of the Performance Rights.

DIRECTORS' REPORT continued

The table below shows the Performance Rights granted under the LTIP that vested during the financial year.

Executive	Number of rights that have vested	Tranche	Total number of rights granted for that tranche	Value per right at vesting date[1] $	% of grant that vested
Director:					
C. Sutherland	90,090	PR-18	150,000	2.72	60.1
Executive:					
S. Leach	6,667	PR-16	20,000	2.72	33.3
	44,040	PR-18	60,000	2.72	73.4
N. Fairbank	667	PR-16	2,000	2.72	33.4
	4,404	PR-18	6,000	2.72	73.4
D. Timmel	–	–	–	–	–
M. Waymark	6,667	PR–16	20,000	2.72	33.3
	4,404	PR–18	6,000	2.72	73.4
G. Thompson	–	–	–	–	–
D. Burton	–	–	–	–	–
J. Boulding	–	–	–	–	–

1. At the date of vesting, the closing market share price has been used to determine the value of the Performance Rights.

The fair value of Performance Rights that may vest in future years is set out below. The amount reported is calculated in accordance with AASB 2 Share-based payment.

Executive	Grant date	Number	Tranche	Fair value per right at grant date $	Fair value of total rights at grant date $	Amount paid or payable by the participant $	First exercise date	Expiry date (last exercise date)
Director:								
C. Sutherland	02/07/2011	150,000	PR-19	1.32	198,000	Nil	02/07/2016	01/07/2017
	06/08/2012	150,000	2012 Award	1.17	175,500	Nil	01/07/2016	N/A
	09/08/2013	160,000	2013 Award	0.99	158,400	Nil	01/07/2017	N/A
	31/07/2014	150,000	2014 Award	1.23	184,500	Nil	01/07/2018	N/A
	31/07/2015	170,000	2015 Award	1.07	184,500	Nil	01/07/2019	N/A
Executive:								
S. Leach	02/07/2011	80,000	PR-19	1.32	105,600	Nil	02/07/2016	01/07/2017
	02/07/2012	100,000	2012 Award	1.31	131,000	Nil	01/07/2016	N/A
	01/07/2013	120,000	2013 Award	1.10	132,000	Nil	01/07/2017	N/A
	01/07/2014	120,000	2014 Award	1.32	158,400	Nil	01/07/2018	N/A
	01/07/2015	100,000	2015 Award	1.40	140,000	Nil	01/07/2019	N/A

Executive	Grant date	Number	Tranche	Fair value per right at grant date $	Fair value of total rights at grant date $	Amount paid or payable by the participant $	First exercise date	Expiry date (last exercise date)
N. Fairbank	02/07/2011	8,000	PR-19	1.32	10,560	Nil	02/07/2016	01/07/2017
	02/07/2012	40,000	2012 Award	1.31	52,400	Nil	01/07/2016	N/A
	01/07/2013	85,000	2013 Award	1.10	93,500	Nil	01/07/2017	N/A
	01/07/2014	60,000	2014 Award	1.32	79,200	Nil	01/07/2018	N/A
	01/07/2015	80,000	2015 Award	1.40	112,000	Nil	01/07/2019	N/A
D. Timmel	–	–	–	–	–	–	–	–
M. Waymark	–	–	–	–	–	–	–	–
G. Thompson	01/07/2013	40,000	2013 Award	1.10	44,000	Nil	01/07/2017	N/A
	01/07/2014	80,000	2014 Award	1.32	105,600	Nil	01/07/2018	N/A
	01/07/2015	80,000	2015 Award	1.40	112,000	Nil	01/07/2019	N/A
D. Burton	–	–	–	–	–	–	–	–
J. Boulding	–	–	–	–	–	–	–	–

Performance Options

There are no Performance Options held during the 2016 financial year by Key Management Personnel.

Performance Options held during the 2015 financial year by Key Management Personnel are shown in the table below.

2015	Balance 1.4.14	Number Granted as compensation	Number Exercised	Net other change	Balance 31.3.15	Balance held nominally
B. Brook	–	–	–	–	–	–
C. Sutherland	–	–	–	–	–	–
J. Whittle	–	–	–	–	–	–
E. Stein	–	–	–	–	–	–
R. McKinnon	–	–	–	–	–	–
A. Grant	–	–	–	–	–	–
S. Leach	–	–	–	–	–	–
N. Fairbank	–	–	–	–	–	–
S. Taylor	5,089	–	(5,089)	–	–	–
G. Triggs	5,089	–	–	(5,089)	–	–
M. Waymark	–	–	–	–	–	–
G. Thompson	–	–	–	–	–	–

DIRECTORS' REPORT continued

No Performance Options were granted, vested, lapsed or were exercised under the LTIP during the year.

The table below shows the Performance Options granted under the LTIP that were exercised during the financial year.

2015 Executive	Number of options that were exercised	Tranche	Total number of options granted for that tranche	Value per option at exercise date[1] $	% of grant that were exercised	Number and Class of shares issued under the exercised options	The amount paid on each of those shares
Director:							
C. Sutherland	–	–	–	–	–	–	–
Executive:							
S. Leach	–	–	–	–	–	–	–
N. Fairbank	–	–	–	–	–	–	–
S. Taylor	5,089	PO–9	9,000	2.46	56.54	5,089 ordinary shares	$1.70
G. Triggs	–	–	–	–	–	–	–
M. Waymark	–	–	–	–	–	–	–
G. Thompson	–	–	–	–	–	–	–

1. At the date of exercise, the closing market share price has been used to determine the value of the Performance Options.

There are no outstanding Performance Options that may vest in future years.

Key Management Personnel Equity Holdings

Fully paid ordinary shares held during the 2016 and 2015 financial years by Key Management Personnel are shown in the tables below.

2016	Balance 1.4.15	Number Granted as compensation	Number received on exercise of rights/options	Net other change	Balance 31.3.16	Balance held nominally
B. Brook	80,000	–	–	30,000	110,000	90,000
C. Sutherland	685,922	–	90,090	40,000	816,012	725,922
J. Whittle	2,084,656	–	–	(2,084,656)	–	–
E. Stein	29,141	–	–	14,242	43,383	43,383
R. McKinnon	50,000	–	–	25,000	75,000	75,000
A. Grant	10,000	–	–	–	10,000	–
J. Walker	–	–	–	18,850	18,850	18,850
L. Paul	–	–	–	20,000	20,000	20,000
S. Leach	27,649	–	50,707	7,317	85,673	13,321
N. Fairbank	29,719	–	5,071	–	34,790	1,447
M. Waymark	20,049	–	11,071	(31,120)	–	–
G. Thompson	–	–	–	–	–	–
D. Timmel	–	–	–	–	–	–
D. Burton	–	–	–	10,000	10,000	10,000
J. Boulding	–	–	–	33,000	33,000	–

2015	Balance 1.4.14	Number Granted as compensation	Number received on exercise of rights/options	Net other change	Balance 31.3.15	Balance held nominally
B. Brook	70,000	–	–	10,000	80,000	60,000
C. Sutherland	583,142	–	102,780	–	685,922	685,922
J. Whittle	2,084,656	–	–	–	2,084,656	1,984,958
E. Stein	22,359	–	–	6,782	29,141	25,441
R. McKinnon	50,000	–	–	–	50,000	50,000
A. Grant	10,000	–	–	–	10,000	–
S. Leach	36,497	–	61,152	(70,000)	27,649	20,638
N. Fairbank	23,947	–	5,772	–	29,719	1,447
S. Taylor	50,114	–	47,659	(5,997)	91,776	21,641
G. Triggs	17,709	–	42,570	(53,938)	6,341	6,341
M. Waymark	5,000	–	15,049	–	20,049	–
G. Thompson	–	–	–	–	–	–

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

During the financial year, some of the key management personnel and their related entities entered into transactions, which were domestic or trivial in nature, with the Company on the same terms and conditions available to other employees and customers.

Key terms of employment contracts

MANAGING DIRECTOR

Set out below are the key terms of the Executive Service Agreement ("the Agreement") of the Managing Director, Christopher Sutherland. The Company and Mr Sutherland entered into the Agreement on 6 March 2013 to reflect changes to the Corporations Act 2001. Mr Sutherland was previously employed under a different executive service agreement.

Term	From 6 March 2013 until one of the following occurs a. the Company gives the Managing Director 12 months' written notice; b. the Managing Director gives the Company 12 months' written notice; c. the Company terminates the Agreement due to actions of the Managing Director such as serious misconduct, dishonesty and bankruptcy; or d. a genuine redundancy occurs as a result of structural change or operational requirements.

DIRECTORS' REPORT continued

Payments on Termination

If the Agreement is terminated under (a) or (b) above, the Company has the discretion to, at any time, during the notice period either bring the Agreement to an immediate end and, subject to the Corporations Act 2001, pay the remuneration that would have been received during the remaining notice period, or require the Managing Director to undertake alternative duties or to remain at home for the remaining notice period.

If the Agreement is terminated under (c) above, the Company is only obliged to pay the Managing Director any accrued remuneration, including superannuation and leave entitlements.

If the Agreement is terminated under (d) above due to a genuine redundancy the severance payment due to the Managing Director, will, subject to the Corporations Act 2001, be determined in accordance with the following table:

Period of continuous service	Redundancy payment (months' pay)	Notice payment (months' pay)	Total severance payment (months' pay)
Less than 5 years	3	9	12
More than 5 years but not more than 6 years	4	8	12
More than 6 years but not more than 7 years	5	7	12
More than 7 years but not more than 8 years	6	6	12
More than 8 years but not more than 9 years	7	5	12
More than 9 years but not more than 10 years	8	4	12
10 years and over	9	3	12

Remuneration	***Fixed annual remuneration:*** $1,100,000 comprising base salary, superannuation contribution and benefits as allocated by the Managing Director in accordance with the Company's policies. ***Review of remuneration:*** The remuneration will be reviewed at least annually, with any increase at the absolute discretion of the Company. ***Annual leave and other leave:*** • Four weeks annual leave per annum (in addition to public holidays). • After the completion of one year's continuous service with the Group, the Managing Director will also be entitled to one extra day of annual leave for every year of continuous service that he completes with the Group, up to a maximum of 10 additional days[1]. • Thirteen weeks for fifteen years' service, with pro rata long service leave after 10 years' service or 7 years on termination. • Personal and compassionate leave as defined in the Company's policies. 1. The Managing Director has completed 9 years' continuous service with the Group and is currently entitled to an extra 10 days of annual leave under this provision. ***Short term incentive:*** Up to 75% of his fixed annual remuneration payable upon achievement of, or exceeding, the established performance objectives (further information applicable to the Managing Director's short term incentives is set out on page 34 of this Directors' report). ***Long term incentive:*** The Managing Director may participate in the Long Term Incentive Plan described on pages 34 to 38 of this Directors' report. The performance criteria applicable to the long term incentives are also set out on pages 34 to 38 of this Directors' report.
Restraint	The Agreement provides that the Managing Director must not be employed by, or be engaged in, (whether directly or indirectly) any competitive business in Australia to provide services that are the same as or similar to those the Managing Director provided to the Company at any time during his employment or within the 12 months[1] immediately following the end of his term of employment. The Agreement also provides the Managing Director must not induce employees to leave the consolidated group or persuade any of the consolidated group's clients to cease or reduce business with the consolidated group during that period. 1. The Managing Director's prior agreement provided for a six month post-employment restraint period.

OTHER EXECUTIVES

Set out below are the key terms of the Executive Service Agreement ("the Agreement") of the other executives:

Term	From the commencement date until one of the following occurs: a. the consolidated entity gives the executive 6 months' written notice; b. the executive gives the consolidated entity 6 months' written notice; c. the consolidated entity terminates the Agreement due to actions of the executive such as serious misconduct, dishonesty and bankruptcy; or d. the executive is terminated as a result of redundancy arising from genuine structural change or changes to operational requirements.

DIRECTORS' REPORT continued

Payments on Termination

If the Agreement is terminated under (a) or (b) above, the employing entity has the discretion to, at any time, during the notice period either bring the Agreement to an immediate end and pay the remuneration that would have been received during the remaining notice period, or require the executive to undertake alternative duties or to remain at home for the remaining notice period. If the Agreement is terminated under (c) above, the consolidated entity is only obliged to pay the executive any accrued remuneration, including superannuation and leave entitlements.

If the Agreement is terminated under (d) above, the executive is entitled to receive severance payments of between 6 and 12 months (*a "month's pay" is the equivalent of the executive's fixed annual remuneration divided by 12*) determined by reference to the executive's length of service and Agreement, consisting of any notice given or payment made in lieu and redundancy payments.

If the executive has a Notice Period of 6 months the severance payment will be calculated in accordance with the table below:

Period of continuous service	Redundancy payment (months' pay)	Notice payment (months' pay)	Total severance payment (months' pay)
Less than 1 year	0	6	6
More than 1 year but not more than 5 years	3	6	9
More than 5 years but not more than 6 years	4	6	10
More than 6 years but not more than 7 years	5	6	11
More than 7 years but not more than 8 years	6	6	12
More than 8 years but not more than 9 years	7	5	12
More than 9 years but not more than 10 years	8	4	12
10 years and over	9	3	12

Remuneration

Fixed annual remuneration:

Comprises base salary, superannuation contribution and benefits as allocated by the executive in accordance with the Company's policies.

Review of remuneration:

The remuneration will be reviewed at least annually, with any increase at the absolute discretion of the employing entity.

Annual leave and other leave:

- Four to six weeks' annual leave per annum (in addition to public holidays).
- Long service leave in accordance with applicable legislation.
- Personal and compassionate leave as defined in the Company's policies.

Short term incentive:

Up to 30% of fixed annual remuneration payable in cash, as described on page 34 of this Directors' report.

Long term incentive:

Refer to pages 34 to 38 of this Directors' report for details of long term incentives and performance criteria.

Restraint	*Activities:* The Agreement provides that the executive must not be employed or be engaged in (whether directly or indirectly) with any competitive business within the geographic area described below to provide services that are the same as or similar to those the executive provided to the Company at any time during his/her employment or within the period specified below immediately following the end of his/her term of employment. The Agreement also provides the executive must not induce employees to leave the consolidated group or persuade any of the consolidated group's clients to cease or reduce business with the consolidated group during that period. *Duration:* For a period of 6 months from the termination date which aligns with the Executive's notice period. *Geography:* The restraint applies to all regions for which the Executive has responsibility.

11. DIVERSITY

The diversity of our people is one of our great strengths. We aim to create a safe and inclusive environment and recognise the value of attracting, engaging and retaining employees with different backgrounds, experience and perspectives.

Understanding and drawing on diversity is at the heart of meeting the needs of our customers, building strong relationships across the communities we serve and engaging the many talents of our team.

Programmed's diversity strategy focusses Programmed's approach to diversity focusses on cultural diversity, including our 10-Year Aboriginal Engagement and Employment Strategy, cross-generational diversity, people with disability and achieving gender balance.

To build on these key focus areas, we take a multi-layered approach:

- Customer: We help our customers tap into the benefits of a safe and inclusive workplace
- Employment: We aim to have a diverse workforce which represents the community in which we operate
- Procurement: We support local suppliers and delivering value for money
- Community: We engage with our local communities through partnerships, volunteering and pro-bono support

Programmed's commitment is underpinned by its Diversity Policy, which is available on the Company's website.

As a company, we aspire to create and maintain a workforce which is representative of our customers and communities and in which individual differences are valued and respected – it's good for our employees and good for the business.

The policy provides for the Board, in consultation with senior management, to establish measurable diversity targets and to measure and report on its progress towards achieving them. The gender balance and diversity targets outlined in the table below have been established.

Gender Balance Target

	Gender Balance Target	2016 Outcome
Non-Executive Directors[1]	Between 40% to 60%	50% (2015: 40%)
Senior Leaders (MD to MD-4)[2]	Increase by +2% until we reach and maintain between 40% to 60%	31% (2015: 29%)
Employees Overall (excl. Field)	Between 40% to 60%	50% (2015: 39%)
Employees Overall (incl. Field)	More than 30% women	28% (2015: 16%)

1. The Managing Director is the only director on the Board who is a not a Non-Executive Director. The proportion of women on the Board including the Managing Director is 43%.
2. Programmed has defined senior leaders to include the WGE Agency's approach to managers and key professional roles.

DIRECTORS' REPORT continued

Programmed has lodged its report as required under the Workplace Gender Equality ("WGE") Act 2012. A copy is available on the Company's website and will also be available on the WGE Agency website.

The Company has continued its strategy to increase the representation of women in leadership and attract women in trades and operations. This includes visiting schools and communities to share career insights and placing a strong focus on growing a gender-balanced pipeline through development programs and focused talent review conversations. This has been further strengthened by Programmed's advocacy on women in science, technology, engineering, and mathematics (STEM) careers through the CEOs for Gender Equity and industry-focused interest groups. This has seen the promotion of internal female talent and attraction of new women to the Company, with women leading and working in operations and functions across Programmed.

In the last year, Programmed continued to advocate externally for diversity and inclusion as co-sponsors of the Diversity Council of Australia's Getting Inclusive research project and the Committee for Economic Development of Australia's women in leadership series. Company representatives also presented a thought leadership piece at the Facility Management Association's annual conference about changing the game on Aboriginal engagement.

The Company also actively participates in the Business Council of Australia's Business Indigenous Network and Disability Employment Network, the Diversity Council of Australia, the Australian Network on Disability and the Generation One campaign to end disparity. Programmed was also a founding member of an employer forum in Western Australia, Yokai, to share knowledge with like-minded companies about reconciliation.

Other Diversity and Inclusion Initiatives

Our 20,000 people come from a variety of cultural backgrounds, speak multiple languages and span several generations.

During the year, Programmed continued to implement a range of awareness and inclusion initiatives to support our people and customers, regardless of age, gender, sexual orientation or identity, ethnicity or religion. This included support of Rocky Bay's CEO Segway Challenge who support people with disabilities and working with key customers to establish a disability employment network. The Company also improved access to flexibility and parental leave provisions and will introduce support for employees impacted by domestic violence in the new year.

Aboriginal and Torres Strait Islander Engagement and Employment Strategy

Commencing in 2010, Programmed established a 10-Year Aboriginal Engagement and Employment Strategy, governed by the three principles of reconciliation: relationships, respect and opportunities.

The Strategy aims to attract and retain talented Aboriginal and Torres Strait Islander people, as well as also support the communities in which we work and assist our customers to achieve their diversity strategies, and leverage our expertise to build their capability. Since rolling out the Strategy, Programmed has achieved real and sustainable employment for Aboriginal and Torres Strait Islanders, recruiting over 3,500 people, which has seen internal career progression and senior hires.

Programmed's commitment goes beyond the workplace and aims to fully engage with the communities in which we work. This includes business partners, suppliers and customers as well as encouraging others to take up the challenge to close the gap through sustainable employment.

Central to Programmed's approach to diversity and inclusion is our network of partners. This includes community and employment partnerships with Clontarf Foundation, Yalari and Whitelion.

Clontarf Foundation exists to improve the education, discipline, life skills, self-esteem and employment prospects of young Aboriginal men. Through this relationship, Programmed has secured new talent to join the team, had the opportunity to engage with community and provide work experience opportunities.

Through the partnership with Yalari, a not-for-profit organization offering Indigenous children the opportunity to attend some of Australia's leading boarding schools, Programmed sponsors the education of a student through Yalari's scholarship program. In partnership, Programmed and Yalari aim to educate and empower Indigenous children to bring about generational change.

Whitelion, a non-profit community organisation that provides youth-focused employment, specialist outreach support and education based prevention programs. Through this sponsorship, we have also been able to support Aboriginal employment and work experience opportunities. Programmed was honoured to receive the 2015 Whitelion Chairperson's Award.

The Company's strategy has now become a major driver of an inclusive workforce and the recognition of the richness of Aboriginal and Torres Strait Islander cultures and the unique contribution that each employee brings to the workplace.

Continued Focus

These outcomes represent steps in a sustained and long-term journey. With the top level support from the Managing Director and Board, plus the business' and partners' commitment, Programmed will continue to promote a gender-balanced, inclusive and safe workplace where all employees have the opportunity to realise their potential and contribute to the Company's success, and employee differences are respected and valued.

12. DIRECTORS' INTERESTS

The following table sets out each Director's relevant interest in shares of the Company, and Performance Rights or Performance Options over such shares as at the date of this report:

Director	Ordinary shares	Performance Options over ordinary shares	Performance Rights over ordinary shares
B Brook	110,000	–	–
C Sutherland	816,012	–	780,000
E Stein	43,383	–	–
R McKinnon	75,000	–	–
A Grant	10,000	–	–
J Walker	18,850	–	–
L Paul	20,000	–	–
Totals	**1,093,245**	**–**	**760,000**

No Director holds a relevant interest in shares of any related body corporate of the Company, nor any debentures of, or interests in, registered schemes made available by the Company or a related body corporate, nor any rights or options over such instruments.

13. SHARE PERFORMANCE OPTIONS AND PERFORMANCE RIGHTS

The details of unissued ordinary shares of the Company under Performance Options and Performance Rights as at the date of this report are set out in the Remuneration Report and note [X] to the financial statements.

The details of shares of the Company issued during the year or since the end of the year as a result of the exercise of Performance Options and Performance Rights over such unissued shares are set out in the Remuneration Report and note [X] to the financial statements.

14. INDEMNIFICATION AND INSURANCE OF OFFICERS AND EXECUTIVES

Indemnification

Under the Company's constitution and subject to and so far as permitted by applicable law, the Company indemnifies each officer of the Company and its wholly owned subsidiaries against any liability (including legal costs) incurred by the officer as such an officer, including any liability incurred as a result of appointment or nomination by the Company or any of its subsidiaries as a trustee or as an officer of another corporation unless the liability arises out of conduct involving the officer's lack of good faith.

The above indemnity is a continuing indemnity and applies in respect of all acts done by a person while an officer of the Company or any of its wholly-owned subsidiaries even though the person is not an officer at the time the claim is made.

The Company has entered into Deeds of Indemnity, Access and Insurance ("Deed") with each current Director, Company Secretary and certain Senior Managers of the Company. Under each Deed, to the extent permitted by law and to the extent that the officer is not indemnified under any other indemnity (including an indemnity contained in any insurance policy), the Company indemnifies the relevant officer against liabilities (including liabilities for legal costs) incurred by the officer:

- in the discharge of his or her duties as an officer of the Company or its subsidiaries; and
- connected with the officer being an officer of the Company or its subsidiaries, or of an outside entity at the request of the Company.

The Company has previously entered into similar deeds with (now) former Directors.

DIRECTORS' REPORT continued

No amount has been paid under any of these indemnities during the financial year.

Insurance premiums

During the financial year, the Company paid premiums in respect of contracts insuring all current and former Directors, Company Secretaries and other officers and executives of the Company and its related entities against certain liabilities incurred in that capacity during that financial year. Disclosure of the nature of the liability covered by and the amount of the premiums payable for such insurance is subject to a confidentiality clause under the contracts of insurance.

The current Directors and Company Secretaries are named on pages 21 to 24 of this Directors' report. The consolidated entity's Key Management Personnel named on page 31 of this Directors' report and other senior managers are also considered to be officers of the Company for these purposes, and may benefit from the above indemnities and insurance.

15. NON-AUDIT SERVICES

During the year Deloitte, the Company's auditor, performed services in addition to its statutory duties. Deloitte was paid a total of $121,843 for these non-audit services.

The Audit & Risk Committee has, following the passing of a resolution of the committee, provided the Board with written advice in relation to the provision of non-audit services by Deloitte. The Directors have considered this advice and the non-audit services provided by Deloitte, and are satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the general standard of independence for auditors imposed by the Corporations Act 2001 for the following reasons:

- Deloitte's services have not involved audit partners or staff acting in a managerial or decision making capacity within the consolidated entity or being involved in the processing or origination of transactions;
- Deloitte's non-audit services have only been provided where the Company is satisfied that the related function or process will not have a material bearing on the audit procedures;
- Deloitte's partners and staff involved in the provision of non-audit services have not participated in associated approval or authorisation processes;
- Deloitte's services were subject to the procedures and policies adopted by the Company, including the policy on non-audit services provided by independent external auditors which requires prior approval from the Audit & Risk Committee Chairman for the provision of the non-audit services above a specified amount;
- a description of all non-audit services undertaken by Deloitte and the related fees have been reported to the Board to ensure complete transparency in relation to the services provided; and
- the declaration required by section 307C of the Corporations Act 2001 confirming independence has been received from Deloitte.

16. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 117 of the financial statements and forms part of this Directors' report.

17. AUDITOR AND DISCLOSURE OF OFFICERS WHO ARE FORMER AUDITORS

Deloitte is the consolidated group's external auditor for the financial year. No officer of the consolidated entity who held office during the financial year, and no current officer, is or was formerly a partner or director of Deloitte.

18. ROUNDING OFF OF AMOUNTS

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

This report is signed pursuant to a resolution of the Directors made pursuant to s.298(2) of the Corporations Act 2001.

C. Sutherland

Christopher Sutherland
Managing Director

Dated 25 May 2016 at Perth

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 March 2016

	Note	2016 $'000	2015 $'000
Continuing operations			
Revenue	2.2	2,209,448	1,434,224
Other income	2.3	2,279	1,027
Share of net loss of associate accounted for using the equity method	3.4	(483)	(629)
Incentive payment in relation to the acquisition of the Turnpoint Group		–	(1,421)
Changes in work in progress at cost and other inventories		7,508	(269)
Raw materials and consumables used		(123,002)	(106,710)
Employee benefits expense	2.4	(1,443,086)	(853,062)
Sub-contractor expenses		(404,313)	(367,569)
Equipment and motor vehicle costs		(46,840)	(17,650)
Information technology and telecommunication costs		(13,282)	(7,197)
Impairment of goodwill	3.6	(102,397)	–
Depreciation and amortisation expense	2.4	(24,367)	(11,250)
Finance costs	2.4	(11,206)	(5,447)
Other expenses		(142,098)	(25,269)
(Loss)/Profit before income tax		(91,839)	38,778
Income tax expense	2.5	(4,490)	(13,083)
(Loss)/profit for the year from continuing operations		(96,329)	25,695
Discontinued operations			
Loss from discontinued operations	4.2	(1,695)	–
(Loss)/profit for the year attributable to members of Programmed Maintenance Services Limited		(98,024)	25,695
Other comprehensive income, net of income tax			
Items that may be classified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		(7,450)	1,987
Other comprehensive income for the year (net of tax)		(7,450)	1,987
Total comprehensive income for the year attributable to owners of the parent entity		(105,474)	27,682

	Note	Cents	Cents
Earnings per share			
From continuing and discontinued operations:			
Basic earnings per share	2.7	(55.0)	21.7
Diluted earnings per share	2.7	(55.0)	21.0
From continuing operations:			
Basic earnings per share	2.7	(54.0)	21.0
Diluted earnings per share	2.7	(54.0)	21.0

Notes to the financial statements are included on pages 63 to 115.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2016

	Note	2016 $'000	2015 $'000
CURRENT ASSETS			
Cash	3.1	**78,859**	42,768
Trade and other receivables	3.2	**443,548**	236,078
Inventories	3.3	**86,280**	70,409
Current tax assets	3.10	**6,567**	83
Other		**6,708**	4,433
Total current assets		**621,962**	353,771
NON-CURRENT ASSETS			
Investments in associates	3.4	**5,150**	3,844
Trade and other receivables	3.2	**60,772**	57,560
Inventories	3.3	**7,838**	12,207
Property, plant and equipment	3.5	**43,157**	24,362
Deferred tax assets	3.10	**48,978**	17,833
Goodwill	3.6	**510,029**	246,431
Other intangible assets	3.7	**82,942**	16,529
Total non-current assets		**758,866**	378,766
TOTAL ASSETS		**1,380,828**	732,537
CURRENT LIABILITIES			
Trade and other payables	3.8	**263,787**	173,596
Borrowings	3.11	**1,260**	46,618
Current tax payable	3.10	**3,485**	834
Provisions	3.9	**104,442**	36,433
Total current liabilities		**372,974**	257,481
NON-CURRENT LIABILITIES			
Borrowings	3.11	**316,787**	3,230
Deferred tax liabilities	3.10	**63,760**	47,103
Provisions	3.9	**21,718**	6,287
Total non-current liabilities		**402,265**	56,620
TOTAL LIABILITIES		**775,239**	314,101
NET ASSETS		**605,589**	418,436
EQUITY			
Issued capital	5.2	**557,813**	236,086
Reserves	5.3	**4,177**	10,876
Retained earnings		**43,599**	171,474
TOTAL EQUITY		**605,589**	418,436

Notes to the financial statements are included on pages 63 to 115.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 March 2016

	Issued capital $'000	Foreign currency translation reserve $'000	Capital profits reserve $'000	Equity settled employee benefits reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 April 2014	236,060	(275)	5,535	2,560	166,499	410,379
Profit for the year	–	–	–	–	25,695	25,695
Exchange differences arising on translation of foreign operations (note 5.3)	–	1,987	–	–	–	1,987
Total comprehensive income for the year	**–**	**1,987**	**–**	**–**	**25,695**	**27,682**
Recognition of share–based payments (note 2.4)	–	–	–	1,069	–	1,069
Issue of shares (note 5.2)	26	–	–	–	–	26
Payment of dividends (note 2.6)	–	–	–	–	(20,720)	(20,720)
Balance at 31 March 2015	**236,086**	**1,712**	**5,535**	**3,629**	**171,474**	**418,436**
Balance at 1 April 2015	**236,086**	**1,712**	**5,535**	**3,629**	**171,474**	**418,436**
Loss for the year	–	–	–	–	(98,024)	(98,024)
Exchange differences arising on translation of foreign operations (note 5.3)	–	(7,450)	–	–	–	(7,450)
Total comprehensive income for the year	**–**	**(7,450)**	**–**	**–**	**(98,024)**	**(105,474)**
Recognition of share–based payments (note 2.4)	–	–	–	751	–	751
Issues of shares net of share issue costs (note 5.2)	321,727	–	–	–	–	321,727
Payment of dividends (note 2.6)	–	–	–	–	(29,851)	(29,851)
Balance at 31 March 2016	**557,813**	**(5,738)**	**5,535**	**4,380**	**43,599**	**605,589**

Notes to the financial statements are included on pages 63 to 115.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 March 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers[1]		**2,582,047**	1,565,273
Payments to suppliers and employees		**(2,491,142)**	(1,484,308)
Interest and other cost of finance paid		**(15,808)**	(5,144)
Income tax paid		**(16,410)**	(10,093)
Net cash provided by operating activities	3.1	**58,687**	65,728
Cash flows from investing activities			
Interest received		**592**	382
Net cash inflow from business acquisitions	4.1	**26,654**	–
Payments for property, plant and equipment		**(8,272)**	(6,506)
Proceeds from sale of property, plant and equipment		**12,631**	1,621
Proceeds from sale of subsidiary	4.3	**3,900**	–
Payments for development software		**(4,896)**	(2,519)
Payments for mobilisation of contracts		**(1,209)**	(1,446)
Payments for investments		**(1,322)**	–
Net cash provided by/used in investing activities		**28,078**	(8,468)
Cash flows from financing activities			
Proceeds from issue of shares		**–**	26
Proceeds from borrowings		**167,059**	75,000
Repayments of borrowings		**(187,140)**	(98,484)
Dividends paid	2.6	**(29,851)**	(20,720)
Net cash used in financing activities		**(49,932)**	(44,178)
Net increase in cash		**36,833**	13,082
Cash at the beginning of the year		**42,768**	29,477
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(742)**	209
Cash at the end of the year	3.1	**78,859**	42,768

Notes to the financial statements are included on pages 63 to 115.

1. Receipts from customers include interest revenue on long term maintenance contracts of $5.150 million (2015: $6.498 million).

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

1. GENERAL NOTES

1.1 General Information

Programmed Maintenance Services Limited (the Company) is a listed public company, incorporated in New South Wales and operating in Australia and New Zealand. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Principal Registered Office:	47 Burswood Road, Burswood, WA, 6100 Telephone: (08) 9216 2100
Principal Place of Business:	47 Burswood Road, Burswood, WA, 6100 Telephone: (08) 9216 2100

The principal activities of the Company and its subsidiaries (collectively referred to as the Group) are described in note 6.4.

1.2 Basis of Presentation

This section sets out the basis of preparation and the Group accounting policies that relate to the consolidated financial statements as a whole. Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements to which it relates.

The financial report is a general purpose financial report which:

- has been prepared in accordance with Australian Accounting Standards (AASBs), including Australian Accounting Interpretations adopted by the Australian Accounting Standards Board, and the *Corporations Act 2001*. The Financial Report of the Group also complies with International Financial Reporting Standards (IFRSs) and Interpretations as issued by the International Accounting Standards Board (IASB);
- has been prepared on the basis of historical cost except for the revaluation of financial instruments. Historical cost is based on the fair values of the consideration given in exchange for goods and services.
- 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 financial report are rounded off to the nearest thousand Australian dollars, unless otherwise indicated.
- presents reclassified comparative information where appropriate to enhance comparability with the current period presentation.
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 April 2015. Refer to note 1.4 for further details;
- does not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective. Refer to note 1.4 for further details; and
- has applied the Group accounting policies consistently to all periods presented.

The financial statements were authorised for issue by the directors on 25 May 2016.

1.3 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its controlled entities. Details of the controlled entities (subsidiaries) of the Company are contained in note 6.4. Control is achieved where the Company has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power to affect its returns.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

On consolidation, the assets and liabilities of the Group's foreign operations are translated into Australian dollars at exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. The exchange differences arising on the retranslation are taken directly to a separate component of equity in the foreign currency translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016 continued

1. GENERAL NOTES (continued)

1.4 Changes to Accounting Policies

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

The Group has adopted all new and amended Australian Accounting Standards and Interpretations mandatory as at 1 April 2015 including:

AASB 2014-1 Amendments to Australian Accounting Standards [Part A – Annual Improvements 2010-2012 and 2011-2013 Cycles]	AASB 2014-1 amend a number of accounting standards including: clarification of the definitions in AASB 2 *Share-based Payment* and AASB 124 *Related Party Disclosures*; additional disclosures requirements in AASB 8 Operating Segments; clarification of the portfolio exception in AASB 13 Fair Value Measurement; clarification of items in AASB 140 *Investment Property* and other editorial corrections.
AASB 2014-1 Amendments to Australian Accounting Standards [Part C – Materiality]	AASB 2014-1 Part C makes amendments to particular Australian Accounting Standards to delete references to AASB 1031.

Although the adoption of these standards has resulted in some changes to the accounting policies of the Group, they have not resulted in any adjustment to the amounts recognised in the financial statements, nor resulted in any additional disclosures upon adoption.

STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following new or amended accounting standards issued by the AASB are relevant to current operations and may impact the Group in the period of initial application. They are available for early adoption but have not been applied in preparing this Financial Report. The Group has not fully considered the impact of the new standards.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 *Financial Instruments*, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010), AASB 2014-1 *Amendments to Australian Accounting Standards [Part E – Financial Instruments]*, AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*	1 January 2018	31 March 2019
AASB 15 *Revenue from Contracts with Customers*, AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*, AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*	1 January 2018	31 March 2019
AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions if Interests in Joint Operations	1 January 2016	31 March 2017
AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016	31 March 2017
AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *AASB 2015-10 'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128'*	1 January 2018	31 March 2019
AASB *2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*	1 January 2016	31 March 2017
AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*	1 January 2016	31 March 2017

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	1 July 2015	31 March 2017
AASB 16 *Leases*	1 January 2019	31 March 2020
AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107.* Effective 1 Jan 17	1 January 2017	31 March 2018

1.5. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Significant accounting judgements

The following are the critical judgements (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Revenue recognition on percentage of completion contracts – refer note 2.2;
- Employee entitlements' provisions – refer note 3.9.

Significant accounting estimates and assumptions

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- Goodwill impairment – refer note 3.6;
- Useful lives of intangible assets and property, plant and equipment – refer notes 3.5 and 3.7;
- Workers compensation claims – refer note 3.9;
- Revenue recognition on long term maintenance programmes – refer note 2.2;
- Fair value measurements and valuation processes – refer note 5.3;
- Share based payments valuation – refer note 5.3;
- Income taxes – refer note 2.5; and
- Onerous lease provisions – refer note 3.9.

2. FINANCIAL PERFORMANCE

2.1 Segment Information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group), whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the existence of a division manager and the level of segment information presented to the board of directors.

The directors of the Company have chosen to organise the Group around differences in services. No operating segments have been aggregated in arriving at the reportable segments of the Group.

Operating and reportable segments for the Group are:

- Staffing – Recruitment and labour hire services to a range of industries.
- Maintenance – Building, maintenance and operational services to asset owners across all industry sectors.
- Marine – Management, manning and operational support to the offshore oil and gas industry.

Segment accounting policies are the same as the Group's policies.

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016 continued

2. FINANCIAL PERFORMANCE (continued)

	Staffing		Maintenance		Marine		Total consolidated Continuing operations		Discontinued operations Marine: Broadsword		Consolidated	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Revenue	896,739	376,784	955,397	801,107	348,838	247,464	2,200,974	1,425,355	8,125	–	2,209,099	1,425,355
Finance revenue on long term maintenance contracts	–	–	5,150	6,498	–	–	5,150	6,498	–	–	5,150	6,498
Segment revenue[1]	896,739	376,784	960,547	807,605	348,838	247,464	2,206,124	1,431,853	8,125	–	2,214,249	1,431,853
Other revenue, including interest and rental revenue (unallocated)							3,324	2,371	–	–	3,324	2,371
							2,209,448	1,434,224	8,125	–	2,217,573	1,434,224
Segment result												
Segment Profit/(Loss)	21,689	7,476	41,072	32,387	18,286	20,137	81,047	60,000	(2,322)	–	78,725	60,000
Impairment of goodwill	–	–	–	–	(102,397)	–	(102,397)	–	–	–	(102,397)	–
	21,689	7,476	41,072	32,387	(84,111)	20,137	(21,350)	60,000	(2,322)	–	(23,672)	60,000
Skilled Group Limited transaction, integration and other costs[2]							(33,911)	(3,846)	–	–	(33,911)	(3,846)
Amortisation of brands, long-term contracts, customer relationships and casual staff database							(9,267)	(786)	–	–	(9,267)	(786)
Incentive payment in relation to the acquisition of the Turnpoint Group							–	(1,421)	–	–	–	(1,421)
Share of net loss of associate							(483)	(629)	–	–	(483)	(629)
Unallocated costs							(15,622)	(9,093)	–	–	(15,622)	(9,093)
Earnings/(Loss) before interest and tax							(80,633)	44,225	(2,322)	–	(82,955)	44,225
Finance costs							(11,206)	(5,447)	–	–	(11,206)	(5,447)
(Loss)/Profit before tax							(91,839)	38,778	(2,322)	–	(94,161)	38,778
Income tax (expense)/benefit							(4,490)	(13,083)	627	–	(3,863)	(13,083)
(Loss)/Profit for the year							(96,329)	25,695	(1,695)	–	(98,024)	25,695

1. Segment revenue represents revenue from rendering of services to external customers.
2. The Skilled Group Limited acquisition has been disclosed in note 4.1.

Revenue reported above represents revenue generated from external customers. Segment results represent the profit earned by each segment without allocation of amortisation of contract intangibles and brands, corporate costs, net finance costs and income tax expense/benefit. This is the measure reported to the Chief Operating Decision Maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

	Assets		Liabilities	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Staffing	**575,994**	131,393	**95,459**	26,395
Maintenance	**574,651**	366,063	**262,320**	193,692
Marine	**230,183**	235,081	**103,429**	49,679
Total of all segments	**1,380,828**	732,537	**461,208**	269,766
Unallocated	**–**	–	**314,031**	44,335
Consolidated	**1,380,828**	732,537	**775,239**	314,101

Other segment information

	Staffing $'000	Maintenance $'000	Marine $'000	Other $'000	Total $'000
2016					
Additions to non-current assets	**745**	**6,416**	**1,995**	**6,882**	**16,038**
Depreciation and amortisation of segment assets	**4,565**	**10,455**	**6,333**	**4,391**	**25,744**
2015					
Additions to non-current assets	1,092	6,200	666	2,455	10,413
Depreciation and amortisation of segment assets	768	7,939	557	1,986	11,250

Geographical information

The Group operates in two key geographic locations – Australia and New Zealand.

The Group's revenue from external customers and information about its segment assets by geographical location is detailed below:

	Revenue from external customers		Non-current assets	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Australia	**2,042,806**	1,310,120	**736,405**	350,991
New Zealand	**130,348**	111,230	**22,461**	27,775
Other	**32,970**	10,503	**–**	–
Consolidated	**2,206,124**	1,431,853	**758,866**	378,766

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016 continued

2. FINANCIAL PERFORMANCE (continued)

2.2 Revenue

	2016 $'000	2015 $'000
Continuing operations		
Revenue from rendering of services:		
Invoiced	**2,217,145**	1,437,704
Not yet invoiced		
– Change in amounts recoverable (note 3.2)	**(9,943)**	(20,790)
– Change in work in progress at recoverable value (note 3.3)	**(6,228)**	8,441
	2,200,974	1,425,355
Interest revenue – Other entities	**592**	382
Finance revenue on long term maintenance contracts	**5,150**	6,498
Rental revenue		
– Operating lease rental revenue	**201**	412
Other revenue	**2,531**	1,577
	2,209,448	1,434,224
Discontinued operations (note 4.2)	**8,125**	–
	2,217,573	1,434,224

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Rendering of Services

The revenue recognised from rendering of services combines:

- Invoicing from the provision of the Group's services inclusive of:
  - revenue earned on work completed in servicing long term maintenance contracts;
  - revenue from temporary employee placements on an accrual basis in accordance with time worked indicated on employee timesheets; and
  - permanent placement fees on placement of candidates.
- Revenue not yet invoiced but earned on work completed in servicing long term maintenance contracts which, while owing to the Group under the terms of those contracts, will not become receivable until future years.
- Revenue not yet invoiced but earned on work completed under contracts other than long term maintenance contracts.

Long term maintenance contracts

The long term maintenance contracts specifically detail both services to be performed and the invoicing components for each year of the contracts. The Group's contract administration system enables the stage of completion of each contract to be reliably measured against predetermined budgets and regularly updated assessments of the work required for completion of the contract. The contracts include indexation clauses to allow for cost escalations. Labour and material costs are indexed on publicly available indices, and overhead costs are indexed at long term interest rates. The prevailing market rates have been based on market data for variable term loans which have been risk adjusted taking into consideration the duration of the contracts and the industry type.

The revenue earned on work completed comprises the costs incurred plus the individual contract margin earned to date, based on the percentage of completion and the expected contract margin. The revenue earned on these contracts includes a portion that will only become receivable after the reporting date which is shown in the statement of financial position as contracts in progress at recoverable value (note 3.2) and work in progress at recoverable value (note 3.3). This is recorded at fair value on initial recognition (based on the fair value of revenue not yet invoiced but earned on work completed in servicing long term maintenance contracts), and are subsequently measured at amortised cost which includes an adjustment for implicit rate of interest.

Cost plus contracts

Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the financial year plus the margin percentage earned. Percentage of fees earned is measured by the proportion that costs incurred to date bear to the estimated total costs of the contract. Where a loss is expected to occur, it is recognised immediately for both work in progress completed to date and for future work on the contract.

Significant accounting judgements

Revenue recognition of some contracts is based on stage of completion. Management has used judgement in recognising a portion of any unapproved variations and in determining the final cost to complete these projects which forms the basis of the revenue recognition policy described above. The outcomes within the next annual reporting period that are different from the assumptions applied could require an adjustment to the carrying value of the work in progress balance and the revenue recognised through the statement of profit or loss.

As revenue earned by the Group on work completed will not become receivable until future years, the fair value is determined by discounting the future amounts receivable by the implicit rate of interest. The implicit rate of interest is determined by reference to prevailing market rates at inception of the contract. The prevailing market rates have been based on market data for variable term loans which have been risk adjusted taking into consideration the duration of the contracts and the industry type.

Dividend and Interest Revenue

Dividend revenue from investments is recognised when the Group's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental Income

Revenue from operating leases is recognised on a straight line basis over the term of the relevant lease.

2.3 Other income

Profit for the year has been arrived at after crediting / (charging) the following specific gains and losses:

	Continuing		Discontinued		Total	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Gain on disposal of property, plant and equipment	1,680	1,032	–	–	1,680	1,032
Net foreign exchange gains/(losses)	599	(5)	–	–	599	(5)
	2,279	1,027	–	–	2,279	1,027

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016 continued

2. FINANCIAL PERFORMANCE (continued)

2.4 Expenses

Expense analysis by nature:

	Continuing		Discontinued		Total	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Finance costs:[1]						
Interest on bank overdrafts and loans	6,118	2,112	–	–	6,118	2,112
Interest on obligations under finance leases	228	322	–	–	228	322
Total interest expense	6,346	2,434	–	–	6,346	2,434
Other finance costs	4,860	3,013	–	–	4,860	3,013
Total finance costs	11,206	5,447	–	–	11,206	5,447
Impairment of trade receivables	5,062	1,065	–	–	5,062	1,065
Depreciation of non-current assets:[2]						
Property, plant and equipment	10,581	7,432	25	–	10,606	7,432
Marine vessels	–	–	1,352	–	1,352	–
	10,581	7,432	1,377	–	11,958	7,432
Amortisation of non-current assets:[2]						
Finance lease assets	1,439	2,200	–	–	1,439	2,200
Brands	975	–	–	–	975	–
Long term contracts, customer relationships and casual staff database	8,292	786	–	–	8,292	786
Value of development software and other	3,080	832	–	–	3,080	832
	13,786	3,818	–	–	13,786	3,818
Total depreciation and amortisation of non-current assets	24,367	11,250	1,377	–	25,744	11,250
Impairment of goodwill (note 3.6)	102,397	–	–	–	102,397	–
Operating lease rental expenses:						
Minimum lease payments	49,503	16,174	495	–	49,998	–
Employee benefit expense:						
Defined contribution plans (superannuation contributions)	93,846	52,318	499	–	94,345	52,318
Equity settled share-based payments[3]	751	1,069	–	–	751	1,069
Other employee benefits	1,348,489	799,675	4,914	–	1,353,403	799,675
Total employee benefit expense	1,443,086	853,062	5,413	–	1,448,499	853,062

1. Finance costs is described in note 3.11
2. Depreciation and amortisation of non-current assets is described in note 3.5
3. Equity settled share-based payments is described in note 5.3

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

Leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Workers Compensation Claims recoveries

Claims recoveries are recorded on claims paid under self-insurance in relation to workers compensation. The recoveries are recognised in profit or loss and are based on actuarial assessment of the expected recovery, which includes claims paid and claims reported but not yet paid to the extent that the nature of the costs incurred are recoverable, in a manner similar to the measurement of the outstanding claim liability and discounted to a present value at reporting date.

2.5 Taxation

	2016 $'000	2015 $'000
Tax expense/(benefit) comprises:		
Current tax expense in respect of the current year	14,302	11,674
Adjustments recognised in the current year in relation to the current tax of prior years	(352)	673
	13,950	12,347
Deferred tax expense relating to the origination and reversal of temporary differences	(10,087)	736
Total tax expense	3,863	13,083
The income tax expense/(benefit) for the year can be reconciled to the accounting profit as follows:		
(Loss)/profit before income tax from continuing operations	(91,839)	38,778
Loss before income tax from discontinued operations	(2,322)	–
(Loss)/profit before income tax from operations	(94,161)	38,778
Income tax (benefit)/expense calculated at 30%[1]	(28,248)	11,633
Effect of amounts that are not deductible/(assessable) in determining taxable profit:		
Impairment of goodwill	30,719	–
Amortisation of intangibles	2,780	236
Effect of different tax rates of subsidiaries operating in other jurisdictions	(251)	(368)
Benefit of tax losses not recognised	465	25
Share of net loss of associate	145	189
Other sundry items	(1,395)	695
	4,215	12,410
Adjustments recognised in the current year in relation to the current tax of prior years	(352)	673
Income tax expense	3,863	13,083
Continuing operations	4,490	13,083
Discontinued operations (note 4.2)	(627)	–
	3,863	13,083

1. The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016 continued

2. FINANCIAL PERFORMANCE (continued)

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Significant accounting estimates and assumptions

Tax regulations and legislation are subject to change and differing interpretations requiring management judgment. Deferred tax liabilities are recognized when it is considered probable that temporary differences will be payable to tax authorities in future periods. Income tax filings are subject to audits and re-assessments and changes in facts, circumstances and interpretations of the standards may result in a material increase or decrease in the Group's provision for income taxes.

Tax Consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law with effect from 1 April 2004 and are therefore taxed as a single entity from that date. Programmed Maintenance Services Limited is the head entity in the tax-consolidated group. Skilled Group Limited and its wholly owned Australian resident entities joined the tax consolidated group on 16 October 2015. The members of the tax consolidated group are identified at note 6.4.

Tax expense (income), deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax- consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

Nature of Tax Funding Arrangements and Tax Sharing Agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Programmed Maintenance Services Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

2.6 Dividends

Recognised amounts

	2016 Cents per share	2016 Total $'000	2015 Cents per share	2015 Total $'000
Fully paid ordinary shares				
Final dividend – franked to 100% at 30% tax rate (2015: 100%)	**11.5**	**13,647**	11.0	13,008
Interim dividend – franked to 100% at 30% tax rate (2015: 100%)	**6.5**	**16,204**	6.5	7,712
	18.0	**29,851**	17.5	20,720
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend – franked to 100% at 30% tax rate (2015: 100%)	**5.0**	**12,466**	11.5	13,647

On 25 May 2016 the directors determined a fully franked final dividend of 5.0 cents per share to holders of fully paid ordinary shares in respect of the financial year ended 31 March 2016, to be paid to shareholders on 26 July 2016. This has not been included as a liability in these financial statements. The dividend will be paid to all shareholders on the Register of Members on 5 July 2016. The total estimated dividend to be paid is 12.466 million.

	2016 $'000	2015 $'000
Adjusted franking account balance	**96,850**	32,465
Impact on franking account balance of dividends not recognised	**(6,200)**	(5,849)

2.7 Earnings per share

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2016 $'000	2015 $'000
Earnings used in the calculation of basic EPS: Net loss	**(98,024)**	25,695
Adjustments to exclude loss for the year from discontinued operations	**1,695**	–
Earnings used in the calculation of basic EPS from continuing operations	**(96,329)**	25,695

	2016 No. '000	2015 No. '000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**178,341**	118,514

Earnings per share

	2016 Cents per share	2015 Cents per share
From continuing and discontinued operations		
Basic earnings per share	**(55.0)**	21.7
Basic earnings per share (before amortisation and non-trading items)	**21.8**	26.3

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016 continued

2. FINANCIAL PERFORMANCE (continued)

Diluted earnings per share

	2016 $'000	2015 $'000
Earnings used in the calculation of diluted EPS: Net loss from continuing operations	**(98,024)**	25,695
Adjustments to exclude loss for the year from discontinued operations	**1,695**	–
Earnings used in the calculation of diluted EPS from continuing operations	**(96,329)**	25,695

	2016 No. '000	2015 No. '000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**178,341**	118,514
Shares deemed to be issued for no consideration in respect of:		
Performance rights and options[1]	**4,206**	4,090
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**182,547**	122,604

1. The impact of performance rights and options in 2016 has not been factored into the calculation of the diluted earnings per share as the Group is in a loss position.

3. ASSETS AND LIABILITIES

3.1 Cash

	2016 $'000	2015 $'000
Cash on hand and in banks	**78,859**	42,768

Cash comprises cash on hand and in banks and investments in short term highly liquid money market instruments. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Reconciliation of (loss)/profit for the year to net cash flows from operating activities

	2016 $'000	2015 $'000
(Loss)/profit for the year	**(98,024)**	25,695
Gain on sale of non–current assets (note 2.3)	**(1,680)**	(1,032)
Depreciation and amortisation of non–current assets (note 2.4)	**25,774**	11,250
Impairment of goodwill (note 3.6)	**102,397**	–
Interest income received and receivable (note 2.2)	**(592)**	(382)
Equity settled share–based payments (note 2.4)	**751**	1,069
Change in net current tax balances	**(1,204)**	2,252
Change in deferred tax balances	**(11,235)**	1,160
Share of losses of associate	**483**	629
Changes in net assets and liabilities, net of effects of acquisition and disposal of businesses:		
(Increase)/decrease in assets:		
Current receivables	**138,319**	18,423
Current inventories	**(15,032)**	(9,070)
Other current assets	**3,614**	4,415
Non–current receivables	**(1,988)**	(477)
Non–current inventories	**4,369**	(567)
Increase/(decrease) in liabilities:		
Current payables	**(99,327)**	11,196
Current provisions	**11,743**	(1,392)
Other current liabilities	**8,042**	1,325
Non–current provisions	**(7,723)**	1,234
Net cash from operating activities	**58,687**	65,728

Non-cash transactions

During the current year, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

	2016 $'000	2015 $'000
Aggregate amount of property, plant and equipment acquired during the financial year through hire purchase agreements and finance leases.	**1,170**	1,388
Aggregate amount of property, plant and equipment acquired in settlement of trade debt	**1,700**	–
	2,870	1,388

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016 continued

3. ASSETS AND LIABILITIES (continued)

3.2. Trade and other receivables

	2016 $'000	2015 $'000
Trade receivables	**347,893**	173,975
Allowance for doubtful debts	**(4,084)**	(2,416)
	343,809	171,559
Contracts in progress at recoverable value (note 2.2)	**37,464**	39,669
Other trade receivables	**62,275**	24,850
Trade and other receivables	**443,548**	236,078
Non-current Trade and Other Receivables		
Contracts in progress at recoverable value (note 2.2)	**53,057**	57,560
Other receivables	**7,715**	–
	60,772	57,560

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Trade and other receivables are presented as current assets, except for those where collection is not expected for more than 12 months after the reporting date which are classified as non-current assets.

The carrying value of current and non-current trade and other receivables, less impairment provisions, is considered to approximate fair value.

	2016 $'000	2015 $'000
Ageing of past due but not impaired		
60 – 90 days	**19,500**	7,736
90 – 120 days	**4,816**	2,624
120+ days	**10,921**	7,502
Total	**35,237**	17,862
Movement in allowance for doubtful debts		
Balance at the beginning of the year	**2,416**	2,567
Impairment losses recognised on receivables	**5,062**	1,065
Amounts written off as uncollectible	**(3,091)**	(655)
Amounts recovered during the year	**(259)**	(458)
Net foreign exchange differences	**(37)**	20
Impairment losses reversed	**(7)**	(123)
Balance at the end of the year	**4,084**	2,416

	2016 $'000	2015 $'000
Ageing of impaired trade receivables		
60 – 90 days	**40**	515
90 – 120 days	**192**	233
120+ days	**3,852**	1,668
Total	**4,084**	2,416

The average credit period for invoiced services is 30 – 60 days. No interest is charged on trade receivables. An allowance has been made for estimated irrecoverable trade receivable amounts arising from past rendering of services, determined by reference to past default experience.

Included in the Group's trade receivable balance are debtors with a carrying amount of $35.237 million (2015: $17.862 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 63 days (2015: 66 days).

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

3.3 Inventories

Current Inventories

	2016 $'000	2015 $'000
At cost:		
Raw materials and stores	**2,384**	2,705
Work in progress	**61,206**	43,124
Finished goods	**416**	77
At recoverable amount:		
Work in progress (note 2.2)	**22,274**	24,503
	86,280	70,409

Non-current Inventories

	2016 $'000	2015 $'000
At recoverable amount:		
Work in progress (note 2.2)	**7,838**	12,207

Inventories are valued at the lower of cost and net realisable value, except for those components of work in progress which are valued at recoverable value.

3.4 Investment in Associates

Details of the Group's associates are as follows:

			Ownership interest	
Name of associate	Principal Activity	Country of incorporation and operation	2016 %	2015 %
OneShift Pty Ltd[(i)]	Online recruitment	Australia	**27.5**	27.5
UMW Deepnautic Pte Ltd (ii)	Marine subsea work	Singapore	**49.0**	49.0
GSS Programmed Marine JV Pty Ltd (formerly GSS Broadsword Marine JV Pty Ltd)	Marine	Australia	**50.0**	–

i. The financial year end date of OneShift Pty Ltd is 30 June. This was the reporting date established when that company was incorporated. For the purpose of applying the equity method the financial statements of OneShift for the period ended 31 March 2016 have been used.

ii. This entity was placed into voluntary liquidation on 29 April 2013 and the liquidation is in progress.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016 continued

3. ASSETS AND LIABILITIES (continued)

Summary Financial Information of Investments in Associates

	2016 $'000	2015 $'000
Total assets	**2,239**	1,619
Total liabilities	**(318)**	(3,831)
Net assets/(liabilities)	**1,921**	(2,212)
Group's share of net assets/(liabilities) of associate	**728**	(608)
Goodwill	**4,422**	4,452
Carrying value of net (liabilities)/assets of associates	**5,150**	3,844
Total revenue	**2,224**	1,502
Total loss for the year	**(1,670)**	(2,288)
Group's share of losses of associate	**(483)**	(629)

Investments in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss. Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

All the above associates are accounted for using the equity method in the consolidated financial statements.

3.5. Property, plant and equipment

	Freehold land and buildings at cost $'000	Leasehold improvements at cost $'000	Plant and equipment $'000	Equipment under finance lease at cost $'000	Marine Vessels $'000	Total $'000
Gross carrying amount						
Balance at 1 April 2014	143	12,103	48,886	22,760	–	83,892
Additions	–	1,722	4,784	1,388	–	7,894
Disposals	–	(179)	(7,429)	(529)	–	(8,137)
Net foreign currency exchange differences and reclassifications	–	(2,850)	4,020	(763)	–	407
Balance at 31 March 2015	143	10,796	50,261	22,856	–	84,056
Additions	1,816	1,298	6,853	1,170	5	11,142
Disposals	(56)	(1,352)	(18,519)	(653)	(23,818)	(44,398)
Disposal of subsidiary	–	(135)	(3,163)	–	–	(3,298)
Acquisitions through business combinations	–	8,709	16,802	255	23,844	49,610
Net foreign currency exchange differences and reclassifications	–	(72)	2,763	(3,438)	–	(747)
Balance at 31 March 2016	**1,903**	**19,244**	**54,997**	**20,190**	**31**	**96,365**
Accumulated depreciation and amortisation						
Balance at 1 April 2014	(59)	(6,424)	(37,187)	(13,810)	–	(57,480)
Disposals	–	191	6,939	418	–	7,548
Depreciation expense	(4)	(1,512)	(5,916)	(2,200)	–	(9,632)
Net foreign currency exchange differences and reclassifications	–	(22)	(818)	710	–	(130)
Balance at 31 March 2015	(63)	(7,767)	(36,982)	(14,882)	–	(59,694)
Disposals	26	1,399	14,175	454	1,324	17,378
Disposal of subsidiary	–	109	1,856	–	–	1,965
Depreciation expense	(56)	(2,039)	(8,511)	(1,439)	(1,352)	(13,397)
Net foreign currency exchange differences and reclassifications	–	47	(1,467)	1,960	–	540
Balance at 31 March 2016	**(93)**	**(8,251)**	**(30,929)**	**(13,907)**	**(28)**	**(53,208)**
Net book value						
As at 31 March 2015	80	3,029	13,279	7,974	–	24,362
As at 31 March 2016	**1,810**	**10,993**	**24,068**	**6,283**	**3**	**43,157**

Property, plant, equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition or construction of the item.

In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016 continued

3. ASSETS AND LIABILITIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Depreciation

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following useful lives are used in the calculation of depreciation:

Class of Fixed Asset	Depreciation Rate
Freehold buildings	20 – 30 years
Leasehold improvements	3 – 5 years
Plant and equipment	3 – 15 years
Equipment under finance lease	5 years
Marine vessels	20 – 25 years

Significant accounting estimates and assumptions

Useful lives of intangible assets and property, plant and equipment with finite lives are reviewed annually. Any reassessment of useful lives in a particular year will affect the amortisation or depreciation expense (either increasing or decreasing) through to the end of the reassessed useful life for both the current and future years.

3.6. Goodwill

	2016 $'000	2015 $'000
Gross carrying amount		
Balance at beginning of financial year	**246,431**	246,071
Additional amounts recognised from business combinations occurring during the year (note 4.1)	**373,061**	–
Derecognised on disposal of subsidiary (note 4.3)	**(4,870)**	–
Impairment of goodwill	**(102,397)**	–
Net foreign exchange differences and other	**(2,196)**	360
	510,029	246,431

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition.

Goodwill is subsequently measured at its cost less any accumulated impairment losses.

Significant accounting estimates and assumptions

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Allocation of Goodwill and intangible assets with indefinite useful lives to Cash Generating Units

Goodwill and intangible assets with indefinite useful lives is allocated to the Company's cash generating units identified according to operating segment. Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortised but tested for impairment annually and whenever there is an indication that the asset may be impaired. Impairments recognised for goodwill are not reversed.

The carrying amount of goodwill and intangible assets with indefinite useful lives at year end is as follows:

Allocation of Goodwill

	2016 $'000	2015 $'000
Staffing	**297,777**	72,898
Maintenance	**141,086**	32,988
Marine	**71,166**	140,545
	510,029	246,431

Allocation of Intangible assets with indefinite useful lives[1]

	2016 $'000	2015 $'000
Staffing	**17,602**	3,058
Maintenance	**5,553**	5,553
Marine	**4,592**	136
	27,747	8,747

1. Refer note 3.7 for the Group's accounting policies and details on Intangible assets

Impairment Test for Goodwill and Other intangible Assets

Cash-generating units or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or groups of cash-generating units), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or groups of cash-generating units) and then to the other assets of the cash generating units pro-rata on the basis of the carrying amount of each asset in the cash-generating unit (or groups of cash-generating units). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in

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31 March 2016 continued

3. ASSETS AND LIABILITIES (continued)

a subsequent period. On disposal of an operation within a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Significant accounting estimates and assumptions

The determination of impairment involves the use of judgements and estimates that include, but are not limited to, the cause, timing and measurement of the impairment.

Management is required to make significant judgements concerning the identification of impairment indicators, such as changes in competitive positions, expectations of growth, increased cost of capital, and other factors that may indicate impairment such as a business restructuring. In addition, management is also required to make significant estimates regarding future cash flows and the determination of fair values when assessing the recoverable amount of assets (or group of assets). Inputs into these valuations require assumptions and estimates to be made about forecast earnings before interest and tax and related future cash flows, growth rates, applicable discount rates, useful live and residual values.

The judgements, estimates and assumptions used in assessing impairment are management's best estimates based on current and forecast market conditions. Changes in economic and operating conditions impacting these assumptions could result in changes in the recognition of impairment charges in future periods.

IMPAIRMENT ASSUMPTIONS

Staffing

The recoverable amount of this CGU is determined based on a value in use calculation which uses pre-tax cash flow projections based on the financial budget for the 2017 financial year approved by the directors, then extrapolated for a total of four years at a growth rate of 2.00% (2015: Between 1.70% and 1.85%), and a pre-tax discount rate of 12.20% per annum (2015: 11.69% per annum).

Cash flow projections during the five year period are based on the same expected gross margins throughout this period, which are materially consistent with gross margins achieved in the 2016 financial year.

The cash flows beyond that five year period have been extrapolated using a steady 2.50% per annum growth rate (2015: 1.90%). This growth rate does not exceed the long-term average growth rate for this business's market in Australia.

Based on this assessment, the Directors are of the opinion that the carrying value of goodwill and intangibles does not exceed its recoverable amount.

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

	Change in variable	Effect on recoverable amount $'000
Forecast gross margin	+ 0.25%	40,612
	- 0.25%	(40,612)
2017 budgeted sales (budgeted gross margin maintained)	+ 5.0%	76,208
	- 5.0%	(76,208)
Pre-tax discount rate	+ 1.5%	(68,526)
	- 1.5%	93,913

Changes in the assumptions used in the CGU value-in-use 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%	–
2017 budgeted sales (budgeted gross margin maintained)	- 5.0%	–
Pre-tax discount rate	+ 1.5%	–

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.

Maintenance

The recoverable amount of this CGU is determined based on a value in use calculation which uses pre-tax cash flow projections based on the financial budget for the 2017 financial year approved by the directors, then extrapolated for a total of four years at a growth rate of between 2.0% and 2.15% (2015: 2.0% and 2.15%), and a pre-tax discount rate of 12.32% per annum (2015: 12.24% per annum).

Cash flow projections during the five year period are based on the same expected gross margins throughout this period, which are materially consistent with gross margins achieved in the 2016 financial year.

The cash flows beyond that five year period have been extrapolated using a steady 2.50% per annum growth rate (2015: 2.15%). This growth rate does not exceed the long-term average growth rate for this business's market in Australia.

Based on this assessment, the Directors are of the opinion that the carrying value of goodwill and intangibles does not exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016 continued

3. ASSETS AND LIABILITIES (continued)

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

	Change in variable	Effect on recoverable amount $'000
Forecast gross margin	+ 0.25%	31,780
	- 0.25%	(31,780)
2017 budgeted sales (budgeted gross margin maintained)	+ 5.0%	88,819
	- 5.0%	(88,819)
Pre-tax discount rate	+ 1.5%	(69,622)
	- 1.5%	94,606

Changes in the assumptions used in the CGU value-in-use 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%	–
2017 budgeted sales (budgeted gross margin maintained)	- 5.0%	–
Post tax discount rate	+ 1.5%	–

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.

Marine

The Marine 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 Marine CGU is mainly dependent on activity in the offshore oil and gas industry.

Given the impact on the Marine business, the group assessed the recoverable amount of the CGU based on its value in use.

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 $102.397 million at 31 March 2016 (including the impairment recorded at 30 September 2015).

The recoverable amount was assessed by determining the present value of the estimated future cash flows of the CGU using a pre-tax discount rate of 14.34% (2015: 12.58%). The cash flows were based on the financial budget for the 2017 financial year approved by the directors, then extrapolated for a total of four years at a growth rate of between 0.00% and 1.00% (2015: Between 0.00% and 1.95%). The cash flows beyond the five year period have been extrapolated using a steady 1.05% per annum growth rate (2015: 2.00%).

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

	Change in variable	Effect on recoverable amount $'000
Forecast gross margin	+ 0.25%	5,261
	- 0.25%	(5,261)
2017 budgeted sales (budgeted gross margin maintained)	+ 5.0%	12,123
	- 5.0%	(12,123)
Pre-tax discount rate	+ 1.5%	(8,171)
	- 1.5%	10,252

Changes in the assumptions used in the CGU value-in-use 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%	(5,261)
2017 budgeted sales (budgeted gross margin maintained)	- 5.0%	(12,123)
Pre-tax discount rate	+ 1.5%	(8,171)

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.

3.7 Other intangible assets

	Value of long term contracts, customer relationships and casual staff database $'000	Development software $'000	Brand Names $'000	Total $'000
Gross carrying amount				
Balance at 1 April 2014	15,476	6,733	8,897	31,106
Additions	1,446	2,519	–	3,965
Net foreign currency exchange differences and other	195	(29)	–	166
Balance at 31 March 2015	17,117	9,223	8,897	35,237
Additions	1,209	4,896	–	6,105
Additional amounts recognised from business combinations occurring during the year	41,367	9,264	22,900	73,531
Disposal of subsidiary	–	(1,832)	–	(1,832)
Net foreign currency exchange differences and other	986	(435)	(87)	464
Balance at 31 March 2016	**60,679**	**21,116**	**31,710**	**113,505**

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016 continued

3. ASSETS AND LIABILITIES (continued)

	Value of long term contracts, customer relationships and casual staff database $'000	Development software $'000	Brand Names $'000	Total $'000
Accumulated amortisation				
Balance at 1 April 2014	(11,099)	(5,723)	(150)	(16,972)
Amortisation expense	(786)	(832)	–	(1,618)
Net foreign currency exchange differences and other	(144)	26	–	(118)
Balance at 31 March 2015	(12,029)	(6,529)	(150)	(18,708)
Amortisation expense	(8,292)	(3,080)	(975)	(12,347)
Disposal of subsidiary	–	1,390	–	1,390
Net foreign currency exchange differences and other	(990)	5	87	(898)
Balance at 31 March 2016	**(21,311)**	**(8,214)**	**(1,038)**	**(30,563)**
Net book value				
As at 31 March 2015	5,088	2,694	8,747	16,529
As at 31 March 2016	**39,368**	**12,902**	**30,672**	**82,942**

Long term contracts, customer relationships, and casual staff database

The Group recognises the value of these intangible assets at fair value.

Development software

The Group recognises the value of these intangible assets as the total of the consideration paid to external parties to develop proprietary software that is used in the operational processes of the Group.

Directly attributable costs that are capitalised as part of the software include employee costs where those employee costs can be directly attributed or are incremental to the development and not overhead in nature.

Brand names

Brands recognised by the Group that have an indefinite useful life are not amortised. Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment of the asset.

Amortisation

Amortisation expense is included in depreciation and amortisation expense in the statement of profit or loss. The following useful lives are used in the calculation of depreciation:

Class of Intangible Asset	Depreciation Rate
Long term contracts, customer relationships, and casual staff database	2 – 9 years
Development software	3 – 5 years
Brand names	Brands recognised by the Group that have a definite useful life are amortised on a straight line basis over their estimated useful lives. The estimated useful lives are reviewed at the end of each annual reporting period, with any changes being recognised as a change in the accounting estimate. Such brands are recorded at cost less accumulated amortisation, and are amortised over a period of up to two years.

3.8 Trade and other payables

	2016 $'000	2015 $'000
Trade payables	**106,426**	76,977
Accruals and sundry creditors	**153,758**	92,766
Deferred revenue	**3,603**	3,853
	263,787	173,596

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which were unpaid at the end of the financial year. The amounts are unsecured and are usually paid within 30 days of recognition or to agreed terms.

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

3.9. Provisions

	2016 $'000	2015 $'000
Current		
Employee benefits	**73,702**	35,348
Other	**30,740**	1,085
	104,442	36,433
Non-current		
Employee benefits	**14,873**	6,287
Other	**6,845**	–
	21,718	6,287

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016 continued

3. ASSETS AND LIABILITIES (continued)

Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Short term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Significant accounting judgements

Management judgement is applied in determining the following key assumptions used in the calculation of long service and severance provisions at balance date:

- future increases in wages and salaries;
- future on-cost rates; and
- prior experience of employee retention rates and periods of service.

Other Provisions

	Workers compensation self-insurance and other $'000	Provision for restoration $'000	Deferred consideration $'000	Onerous leases $'000	Total Other $'000
Balance at 1 April 2014	–	–	–	1,214	1,214
Additional provision recognised	–	–	–	281	281
Payments made	–	–	–	(410)	(410)
Balance at 31 March 2015	–	–	–	1,085	1,085
Additional provision recognised	–	377	–	2,701	3,078
Additional amounts recognised from business combinations occurring during the year[1]	18,710	6,832	8,900	–	34,442
Payments made	–	(364)	–	(656)	(1,020)
Balance at 31 March 2016	18,710	6,845	8,900	3,130	37,585

1. Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At subsequent reporting dates, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with AASB 137 '*Provisions, Contingent Liabilities and Contingent Assets*' and the amount initially recognised less cumulative amortisation recognised in accordance with AASB 118 '*Revenue*'.

WORKERS COMPENSATION – SELF INSURANCE

Outstanding claims

A liability for outstanding claims for self-insurance in relation to workers compensation is provided for in respect of claims incurred but not yet paid, claims incurred but not yet reported and the anticipated direct and indirect costs associated with those claims. The liability for outstanding claims has been measured on the basis of an independently prepared actuarial assessment of the cost of claims, including the anticipated effects of inflation, discounted to a present value at reporting date.

The nature of the provision estimated and the data upon which the provision is based are such that it is likely the outcome will be different from the current estimate.

Significant accounting estimates and assumptions

Amounts owing in respect of workers compensation incidents or claims that have not yet been finalised or settled, and will not be covered by deposits or premiums previously paid in respect of workers compensation insurance cover are provided for by the Group at reporting date. In making the provision, the Group determined the best estimate of the future sacrifice of economic benefits to the Group that will arise as a result of claims made, and provided for this amount as a liability. The Group's best estimate is determined after considering the estimates of potential liability provided by the Group's insurers, advice provided by insurance brokers and advisors, and taking into account management's and the directors' business and experience resulting from previous workers compensation claims of a similar nature.

A provision has been made for the anticipated costs to settle workplace injury claims in regions where the Group self-insures. The provision for workers compensation is based on a third party actuarial valuation, except for components of seafarers insurance, which is based on historical results in settling claims and open cases at reporting date.

Provision for Restoration

Present obligations arising from restoration are recognised and measured as a provision. A restoration provision is considered to exist where the Group has entered into a contract where future costs are expected to meet the obligations under the contract. Such contracts include property leaseholds and vessel charters.

Onerous Leases

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Significant accounting estimates and assumptions

The provision for onerous lease contracts represents the present value of future lease payments that the Group is presently obligated to make under non-cancellable onerous operating lease contracts. The estimate may vary as a result of changes in the utilisation of leased premises and sub-lease arrangements where applicable. The unexpired terms of the leases range from 1 to 3 years.

3.10 Current and Deferred Tax Balances

	2016 $'000	2015 $'000
Current tax assets		
Entities in the tax-consolidated group	–	40
Other	6,567	43
	6,567	83
Current tax liabilities		
Entities in the tax-consolidated group	2,699	–
Other	786	834
	3,485	834

Deferred Tax assets and liabilities

Deferred tax credited directly to equity	(59)	–

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016 continued

3. ASSETS AND LIABILITIES (continued)

Income tax recognised in the statement of financial position

2016	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Acquisitions/ disposal $'000	Exchange difference $'000	Change in tax rates $'000	Closing balance $'000
Temporary differences							
Inventories	(18,892)	1,736	–	–	93	–	(17,063)
Contracts in progress at							
Recoverable value	(27,065)	1,111	–	–	623	–	(25,331)
Property, plant and equipment	353	(497)	–	4,023	(4)	–	3,875
Provisions	13,092	(2,812)	–	25,662	(6)	–	35,936
Doubtful debts	715	1,219	–	153	(11)	–	2,076
Other	2,527	9,330	59	(26,585)	394	–	(14,275)
	(29,270)	**10,087**	**59**	**3,253**	**1,089**	**–**	**(14,782)**
Presented in the statement of financial position as follows:							
Deferred tax liabilities							(63,760)
Deferred tax assets							48,978
							(14,782)

2015	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Acquisitions/ disposal $'000	Exchange difference $'000	Change in tax rates $'000	Closing balance $'000
Temporary differences							
Inventories	(13,719)	(5,122)	–	–	(51)	–	(18,892)
Contracts in progress at							
Recoverable value	(31,238)	4,561	–	–	(388)	–	(27,065)
Property, plant and equipment	621	(270)	–	–	2	–	353
Provisions	13,577	(488)	–	–	3	–	13,092
Doubtful debts	755	(50)	–	–	10	–	715
Other	1,894	633	–	–	–	–	2,527
	(28,110)	**(736)**	**–**	**–**	**(424)**	**–**	**(29,270)**
Presented in the statement of financial position as follows:							
Deferred tax liabilities							(47,103)
Deferred tax assets							17,833
							(29,270)

Deferred Tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is recognised as an expense or income in the statement of profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

3.11 Borrowings

	2016 $'000	2015 $'000
Secured – at amortised cost		
Current		
Bank loans[(i)]	–	44,335
Finance lease liabilities[(ii)]	1,260	2,283
Current borrowings	1,260	46,618
Non-current		
Bank loans[(iii)]	314,031	–
Finance lease liabilities[(ii)]	2,756	3,230
Non-current borrowings	316,787	3,230

i. The working capital facility was provided by the Westpac Banking Corporation. The weighted average interest rate in 2015 was 3.04%. The facility was secured by a fixed and floating charge over the assets of all main operating companies in Australia and New Zealand. The amount was disclosed net of borrowing costs of $0.665 million.

ii. Secured by the assets leased. The borrowings are at a fixed rate with varying maturity periods not exceeding 5 years. The current weighted average effective interest rate is 5.86% (2015: 5.38%).

iii. The current weighted average interest rate on the Syndicated facility is 2.99% (2015: nil). The facility is secured by a fixed and floating charge over the assets of all main operating companies in Australia and New Zealand. The amount is disclosed net of borrowing costs of $5.969 million (2015: nil). The facility expires on 21 September 2019.

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable fees, premiums paid and transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016 continued

3. ASSETS AND LIABILITIES (continued)

Available borrowing facilities

The committed and uncommitted standby arrangements and unused facilities of the Group are set out below:

	2016 $'000	2015 $'000
1. Credit standby arrangements		
(a) Secured loan acceptance facilities with various maturity dates		
– amount used	320,000	45,000
– amount unused	105,000	45,000
	425,000	90,000
(b) Secured bank overdraft facilities with various maturity dates, payable at call.		
– amount used	–	–
– amount unused	27,077	10,979
	27,077	10,979
2. Bank guarantees		
– amount used	78,667	70,213
– amount unused	99,365	29,787
	178,032	100,000

Assets pledged as security

In accordance with the security arrangements of liabilities, as disclosed in note 3.11 to the financial statements, certain assets of the Group have been pledged as security. The holders of the security do not have the right to sell or pledge the assets other than in the event of default.

Banking covenants

During the year, the Group complied with the financial covenants of its borrowing facilities. The financial covenants are as set out below, as defined in the Syndicated Facility Agreement:

- Gearing ratio;
- Interest cover ratio; and
- Maintaining a minimum amount of shareholders' funds.

4. CHANGES IN ENTITY STRUCTURE

4.1 Business combinations

On 16 October 2015, the Company completed the acquisition of Skilled Group Limited ("Skilled"), through a scheme of arrangement. The acquisition brings together two highly complementary businesses to create a leading diversified staffing, maintenance and facility management business.

Name of businesses acquired	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Cost of acquisition $'000
Skilled Group Limited	Provider of workforce solutions	16 October 2015	100	321,880

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 '*Business Combinations*' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 '*Non-current Assets Held for Sale and Discontinued Operations*', which are recognised and measured at fair value less costs to sell.

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Significant accounting estimates and assumptions

Significant management estimates are required to account for the transaction including assessment of the fair value of the assets and liabilities acquired based and valuation of intangible assets acquired as part of the business combination based on future projected cash flows, determination of acquisition date, tax accounting and assessing the impact on the determination of segments and CGUs on the combined Group.

Consideration transferred:

	$'000
130,315,849 Programmed shares issued at $2.47 per Programmed share	321,880
Cash consideration	–
Total consideration	**321,880**
Net cash flow on acquisition:	
Consideration paid in cash	–
Cash acquired	26,654
Net cash inflow	**26,654**

Acquisition costs amounting to $6.608 million have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current year within the "other expenses" line item.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016 continued

4. CHANGES IN ENTITY STRUCTURE (CONTINUED)

Net identifiable liabilities:

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

	Fair value on acquisition $'000
Current assets	
Cash	26,654
Trade and other receivables	345,789
Inventories	839
Current tax assets	2,629
Other	5,889
Total current assets	**381,800**
Non-current assets	
Trade and other receivables	1,224
Investments accounted for using the equity method	470
Property, plant and equipment	49,608
Deferred tax assets	33,682
Other intangible assets	73,531
Total non-current assets	**158,515**
Total assets	**540,315**
Current liabilities	
Trade and other payables	189,518
Borrowings	66
Provisions	56,477
Total current liabilities	**246,061**
Non-current liabilities	
Borrowings	291,852
Deferred tax liabilities	30,429
Provisions	23,154
Total non-current liabilities	**345,435**
Total liabilities	**591,496**
Net identifiable liabilities	**(51,181)**
Goodwill	373,061
Total consideration	**321,880**

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 initial accounting for the acquisition of Skilled has only been provisionally determined at reporting date. Skilled and its wholly owned subsidiaries became wholly-owned on 16 October 2015 and have joined the company's tax-consolidated group. For tax purposes, the tax values of Skilled's assets are required to be reset based on market values and other factors. At the date of finalisation of this report, the necessary market valuations and other calculations had not been finalised and the adjustment to deferred tax liabilities and goodwill noted above has therefore only been provisionally determined based on the directors' best estimate of the likely tax values. The market valuations obtained for tax purposes may also impact the recognised fair values of the other assets acquired as part of the business combination.

Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire the business. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of business. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

The acquired business contributed revenues of $806.150 million and net profit of $4.812 million to the Group for the period from 16 October 2015 to 31 March 2016.

It is impracticable to determine what the revenue and profit for the Group would have been had the acquisition occurred on 1 April 2015.

4.2 Discontinued Operations

On 7 January 2016, the Group announced the sale of all the vessels, plant and other equipment held by its Broadsword marine business. The ownership of vessels in a single region was not considered a core part of the Group's strategy, and due to the weakening of the trading performance of the Broadsword business, the sale removes the risk of further volatility in earnings.

One of Broadsword's vessels was sold for cash consideration of $6.791 million in January 2016.

The sale of the rest of the vessels, plant and other equipment, contractual rights and intellectual property in relation to Broadsword was completed in February 2016. Consideration consisted of deferred amounts totaling $18.300 million receivable between 30 June 2016 and 30 September 2017. At year end, the Group has recorded total consideration at $22.860 million, with a receivable of $16.069 million.

The business was acquired by the Group in the current financial as part of the Skilled Group acquisition (refer note 4.1).

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31 March 2016 continued

4. CHANGES IN ENTITY STRUCTURE (CONTINUED)

	2016 $'000	2015 $'000
Loss for the year from discontinued operations:		
Loss of the business for the year	(1,695)	–
Gain/(loss) on disposal of the business	–	–
	(1,695)	–
Results of the business for the year:		
Revenue from rendering services (note 2.2)	8,125	–
Operating expenses	(9,070)	–
Depreciation and amortisation expense (note 2.4)	(1,377)	–
Operating loss before tax	(2,322)	–
Income tax benefit (note 2.5)	627	–
Loss after tax	(1,695)	–
Cash flows from discontinued operations:		
Net cash flows from operating activities	(318)	–
Net cash flows	(318)	–
Carrying amounts of assets and liabilities as at the date of disposal:		
Marine vessels	22,494	–
Other property, plant and equipment	366	–
Total assets	22,860	–
Details of the sale of business:		
Consideration received/receivable:		
Cash (disclosed as part of proceeds from sale of property, plant and equipment)	6,791	–
Deferred consideration	16,069	–
Total consideration	22,860	–
Carrying amount of assets sold	(22,860)	–
Gain/(loss) on disposal	–	–
Income tax expense	–	–
Gain/(loss) on disposal after tax	–	–
Net cash inflow on disposal:		
Cash received (disclosed as part of proceeds from sale of property, plant and equipment)	6,791	–

4.3 Disposal of Subsidiary

On 31 March 2016, the Group disposed of Damstra Mining Services Pty Ltd. The consideration consisted of an upfront cash receipt of $3.900 million and deferred amounts of $1.450 million receivable 12 months after completion and $1.450 million receivable 24 months after completion. At year end, the Group has recorded total consideration at $6.434 million, with a receivable of $2.534 million.

Details of the sale of the subsidiary:

	2016 $'000	2015 $'000
Consideration received/receivable:		
Cash	3,900	–
Deferred consideration	2,534	–
Total consideration	**6,434**	**–**
Carrying amount of net assets (including goodwill) sold:		
Property, plant and equipment	1,333	–
Goodwill	4,870	–
Intangible assets	442	–
Employee benefits	(211)	–
Net assets sold	**6,434**	**–**
Gain/(Loss) on disposal	–	–
Income tax expense	–	–
Gain/(Loss) on disposal after tax	**–**	**–**
Net cash inflow on disposal:		
Cash received	**3,900**	**–**

The sale has not been presented as a discontinued operation since Damstra Mining Services Pty Ltd was not a major line of business of the Group and was not acquired exclusively with a plan to resell.

5. CAPITAL STRUCTURE

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders. The Group's overall strategy remains unchanged from 2015. The capital structure of the Group consists of debt as disclosed in note 3.11, cash as disclosed in note 3.1 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed below.

The Group's management reviews the capital structure on a regular basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 30% that is determined as the proportion of net debt to equity. The actual gearing ratio in 2016 is higher than the target gearing ratio due the acquisition of Skilled Group Limited during the financial year. Based on recommendations of management, the Group will balance its overall capital structure through payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016 continued

5. CAPITAL STRUCTURE (CONTINUED)

Gearing ratio

The gearing ratio at year end was as follows:

	2016	2015
Debt ($'000)(i)	**318,047**	49,848
Cash ($'000) (note 3.1)	**(78,859)**	(42,768)
Net debt ($'000)	**239,188**	7,080
Equity ($'000)(ii)	**605,589**	418,436
Net debt to equity ratio	**39.5%**	1.7%

(i) Debt is defined as long and short-term borrowings, as detailed in note 3.11.

(ii) Equity includes all capital and reserves.

5.1 Financial Instruments

Categories of financial instruments

	2016		2015	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets				
Cash	**78,859**	**78,859**	42,768	42,768
Trade and other receivables	**504,320**	**504,320**	236,078	236,078
Financial liabilities				
Trade and other payables	**268,787**	**268,787**	173,596	173,596
Borrowings	**318,047**	**318,047**	49,848	49,848
Provisions	**126,160**	**126,160**	42,720	42,720

The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group's corporate treasury function provides services to the business by coordinating access to financial markets and monitoring and managing financial risks. These risks are summarised in the table below.

The Group seeks to minimise the effect of these risks, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Risk	Exposure arising from	Management
Market risk – foreign currency risk	Future commercial transactions Recognised financial assets and liabilities not denominated in AUD	Forward foreign exchange contracts drawn in foreign currency to create natural hedge of foreign currency assets and liabilities
Market risk – fair value interest rate risk	Short and long-term borrowings at variable rates	Maintaining adequate reserves, banking facilities and reserve borrowing facilities
Credit risk	Cash, trade receivables, derivative financial instruments	Credit limits, retention of title over goods sold

Risk	Exposure arising from	Management
Liquidity risk	Borrowings and other liabilities	Availability of committed credit lines and borrowing facilities
Cash flow interest rate risk	Short and long-term borrowings at variable rates	Maintaining adequate reserves, banking facilities and reserve borrowing facilities

MARKET RISK

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies primarily with respect to the New Zealand dollar and Euro, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters using forward foreign exchange contracts.

Exposure

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
New Zealand dollars	**15,006**	16,948	**50,120**	59,554
Euro	**14,997**	–	**18,252**	–
British pounds	**1,576**	10	**3,618**	48
US dollars	**1,826**	–	**6,923**	–

Amounts recognised in profit or loss and other comprehensive income

The Group enters into forward foreign exchange contracts to cover specific foreign currency payments and receipts. The foreign currency forward exchange contract balances will vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, no hedge ineffectiveness arises requiring recognition through profit or loss. The Group has not entered into any forward exchange contracts at 31 March 2016 (2015: nil).

Interest rate risk

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates.

The Company and the Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

During the financial year, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net profit would decrease by $0.716 million and increase by $0.716 million (2015: decrease by $0.216 million and increase by $0.216 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

CREDIT RISK

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016 continued

5. CAPITAL STRUCTURE (CONTINUED)

favourably by independent rating agencies and if not available the Group uses publicly available financial information and its own trading record to rate its major customers. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

LIQUIDITY RISK

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The committed and uncommitted standby arrangements and unused facilities of the Group are set in note 3.11.

Maturity of financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month $'000	1 to 3 months $'000	3 months to 1 year $'000	1 to 5 years $'000	5+ years $'000	Total contrac-tual cash flows $'000	Carrying amount (asset)/ liabiliity $'000
2016								
Non-interest bearing	–	202,449	50,469	7,266	–	–	260,184	260,184
Finance lease liability	5.86	125	359	1,071	2,778	–	4,333	4,016
Variable interest rate instruments:								
– Bank loans	2.99	–	1,966	5,925	329,535	–	337,426	314,031
Total non-derivatives		202,574	52,794	14,262	332,313	–	601,943	578,231
Total derivatives								
2015								
Non-interest bearing	–	134,878	34,609	256	–	–	169,743	169,743
Finance lease liability	5.38	219	407	1,880	3,484	–	5,990	5,513
Variable interest rate instruments:								
– Bank loans	3.04	–	279	45,085	–	–	45,364	44,335
Total non-derivatives		135,097	35,295	47,221	3,484	–	221,097	219,591
Total derivatives		–	–	–	–	–	–	–

At the year-end it was not probable that the counterparty to the financial guarantee contracts (note 3.11) will claim under the contract. Consequently, the amount included above is nil.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps.

Recognition and measurement

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

NON-DERIVATIVE FINANCIAL INSTRUMENTS

Recognition and measurement

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis, where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Fair value

Fair value is the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

At reporting date, there are no financial instruments measured, subsequent to initial recognition, at fair value.

Significant accounting estimates and assumptions

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation and works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in profit and loss.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016 continued

5. CAPITAL STRUCTURE (CONTINUED)

an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

5.2. Issued capital

	2016		2015	
	No.'000	$'000	No.'000	$'000
Ordinary shares				
Balance at the beginning of the year	**118,667**	**236,086**	118,254	236,060
Issue of shares under the Long Term Incentive Plan[1]	**328**	**–**	413	26
Issue of shares as consideration for acquisition of businesses[2]	**130,316**	**321,880**	–	–
Share issue costs	**–**	**(153)**	–	–
Balance at the end of the year	**249,311**	**557,813**	118,667	236,086

1. In accordance with the provisions of the employee Long Term Incentive Plan, as at 31 March 2016, executives and senior employees have been granted performance rights and/or performance options. Both performance rights and performance options granted under the employee Long Term Incentive Plan carry no rights to dividends and no voting rights. Further details of the employee Long Term Incentive Plan are contained in note 5.3 to the financial statements.
2. Allskills Pty Ltd, a wholly owned subsidiary, held 23,101 (2015: Nil) shares in the Company at 31 March 2016. These shares were held for the benefit of the SKILLED Group Limited Employee Share Acquisition Plan.

Ordinary shares are classified as equity

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

5.3 Reserves

	2016 $'000	2015 $'000
Foreign currency translation reserve	**(5,738)**	1,712
Capital profits reserve	**5,535**	5,535
Equity settled employee benefits reserve	**4,380**	3,629
	4,177	10,876

Nature and purpose of reserves

- The **foreign currency translation reserve** is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and record gains and losses on the hedges if the net investments of foreign operations.
- **Capital profits reserve** relates to profits realised on the sale of non-current assets.
- **Equity settled employee benefits reserve** arises on the grant of performance rights and options to executives and senior employees under the Long Term Incentive Plan. Amounts are transferred out of the reserve and into issued capital when the performance rights and options are exercised.

Share-based payments

PERFORMANCE RIGHTS

	2016 No.	Weighted Avg. Exercise Price	2015 No.	Weighted Avg. Exercise Price
Balance at the beginning of the financial year	**4,434,000**	–	3,720,500	–
Granted during the financial year	**1,498,000**	–	1,315,000	–
Exercised during the financial year[1]	**(327,719)**	–	(397,919)	–
Lapsed during the financial year	**(1,062,281)**	–	(203,581)	–
Balance at the end of the financial year	**4,542,000**	–	4,434,000	–
Exercisable at the end of the financial year	-		–	

1. The number of performance rights exercised was calculated in accordance with the LTIP as a result of:
   - employees who continued to be an employee of the Company at the vesting date, therefore meeting the retention performance hurdle for 1/3 of the performance rights. Employees who met this retention component were entitled to performance rights; or
   - performance rights that met the Total Shareholder Return performance hurdle; or
   - as a result of an employee who ceased to be employed by the Company because of a qualifying reason (in this case, redundancy) and was entitled to performance rights.

PERFORMANCE OPTIONS

	2016 No.	Weighted Avg. Exercise Price	2015 No.	Weighted Avg. Exercise Price
Balance at the beginning of the financial year	–	–	30,534	1.70
Granted during the financial year	–	–	–	–
Exercised during the financial year	–	–	(15,267)	1.70
Lapsed during the financial year	–	–	(15,267)	1.70
Balance at the end of the financial year	–	–	–	–
Exercisable at the end of the financial year	–		–	

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31 March 2016 continued

5. CAPITAL STRUCTURE (CONTINUED)

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Monte Carlo model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

Significant accounting estimates and assumptions

Share-based payments recorded for the performance rights and performance options are subject to estimation as they are calculated using the Monte Carlo model which is based on significant assumptions such as volatility, dividend yield, expected term and forfeiture rate.

Performance rights granted during the reporting period

The Long Term Incentive Plan ("LTIP") was first introduced during the year ended 31 March 2008 as a share-based compensation scheme for executives and senior employees of the Group. The LTIP was revised during the 2013 reporting period and a summary of the key changes to the LTIP are detailed in the Directors Report on pages 34 to 38. In accordance with the provisions of the revised LTIP, the executives and senior employees have been granted performance rights.

The revised LTIP contains the following components:

a. Each performance right converts upon exercise into one fully paid ordinary share in the Company, with no amounts being paid or payable by the recipient on receipt of the performance right;

b. Performance rights have a vesting date of four years from the date of issue;

c. The performance rights carry neither rights to dividends nor voting rights; and

d. Performance criteria for the performance rights is as follows:

   - The performance hurdle for one-third of the performance rights will be based on the executive and other senior employees continuing to be an employee of the Group at the vesting date, thus creating a retention component;
   - The performance hurdle for one-third of the performance rights, will be based on the Company's performance by reference to the Total Shareholder Return ("TSR") over the performance period when compared with the TSR for each company in a group of peer companies listed in the S&P/ASX300; and
   - The performance hurdle for one-third of the performance rights will based on the Company's performance, where a target range for the average annual growth in diluted Earnings Per Share ("EPS") over the performance period of the EPS performance rights has been established to determine the number of EPS performance rights that may be vested.

The Managing Director's grant under the LTIP is subject to the same performance criteria described above, except that half of the performance rights are subject to TSR, and half of the performance rights are subject to EPS.

Performance rights and performance options granted in prior reporting periods

Executives and other senior employees have been granted performance rights and/or performance options in prior financial years under the LTIP that was in operation prior to its revision in 2013.

The LTIP contains the following components:

a. Each performance right converts upon exercise into one fully paid ordinary share in the Company, with no amounts being paid or payable by the recipient on receipt of the performance right;

b. Each performance option converts into one fully paid ordinary share in the Company upon the payment of the applicable exercise price at time of exercise, with no amounts being paid or payable by the recipient on receipt of the performance option;

c. Performance rights have vesting dates that are three to five years from the date of issue, and may be exercised at any time within twelve months from date of vesting;

d. Performance options have a vesting date that is three years from the date of issue, and may be exercised at any time within twelve months from the date of vesting;

e. Both performance rights and performance options carry neither rights to dividends nor voting rights;

f. For performance rights or performance options issued prior to 1 July 2010:

— the number of performance rights or performance options that will become exercisable on the vesting date is based on the TSR of the Company during the years prior to the vesting date as compared to the TSR for a peer group of companies listed in the S&P/ ASX 300.

g. For performance rights issued between 1 July 2010 and 30 June 2012:

— one-third of the performance rights issued will become exercisable on the relevant executive or senior manager continuing to be an employee of the Group at the vesting date; and

— for the remaining two-thirds of the performance rights issued, the number that will become exercisable on the vesting date is based on the TSR of the Company during the years prior to the vesting date as compared to the TSR for a peer group of companies listed in the S&P/ASX300.

100% of the performance rights and performance options granted to the Managing Director in prior reporting periods are subject to the TSR performance criteria described above.

The following performance rights and performance options under the LTIP's were in existence during the current and prior years:

Rights Series	Grant date	Number	Expiry date	Exercise price $	Fair value at Grant date $
Performance rights					
Tranche PR-19	02/07/2011	423,000	01/07/2017	–	1.32
2012 Award (A)	02/07/2012	677,000	N/A	–	1.31
2012 Award (B)	06/08/2012	150,000	N/A	–	1.17
2013 Award (A)	01/07/2013	785,000	N/A	–	1.10
2013 Award (B)	09/08/2013	160,000	N/A	–	0.99
2014 Award (A)	01/07/2014	915,000	N/A	–	1.32
2014 Award (B)	31/07/2014	150,000	N/A	–	1.23
2015 Award (A)	01/07/2015	1,112,000	N/A	–	1.40
2015 Award (B)	31/07/2015	170,000	N/A	–	1.07
Total of performance rights		4,542,000			

There are no outstanding performance options that may vest in future years.

The fair values at grant date of the performance rights have been priced using a Monte Carlo simulation, which is a valuation method using the results of many individual simulations to determine a fair value.

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31 March 2016 continued

5. CAPITAL STRUCTURE (CONTINUED)

Key inputs into the model	Tranches of performance rights 2015 Award (A)	2015 Award (B)
Share price at grant date	$2.72	$2.39
Exercise price	$0.00	$0.00
Years from grant date until vesting	4.00	3.92
Expected TSR volatility of Company[1]	35.00%	35.00%
Dividend yield	6.24%	7.26%
Risk-free interest rate	2.17%	2.01%

1. Expected TSR volatility of the Company is based the historical share price volatility over the past three years.

6. OTHER NOTES

6.1 Contingent liabilities

The Company has been provided with performance and security guarantees by its bankers in accordance with certain contractual requirements (refer note 3.11).

The directors are not aware of any other significant contingent liabilities.

6.2 Commitments for expenditure

LEASE COMMITMENTS

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Finance leases

	2016 $'000	2015 $'000
Finance lease liabilities:		
No later than 1 year	**1,555**	2,506
Later than 1 year and not later than 5 years	**2,778**	3,484
Minimum future lease payments*	**4,333**	5,990
Less future finance charges	**(317)**	(477)
Present value of minimum lease payments	**4,016**	5,513
Included in the financial statements as (note 3.11):		
Current borrowings	**1,260**	2,283
Non-current borrowings	**2,756**	3,230

* Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual.

Group as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Refer to note 3.5.

Finance leased assets are amortised on a straight-line basis over the estimated useful life of the asset.

Leasing arrangements:

The hire purchase and finance lease arrangements are generally made for a three year period and are secured by a charge over the related assets. The Group has the option to purchase the related assets at the conclusion of the finance leases.

Operating leases

	2016 $'000	2015 $'000
Non-cancellable operating lease commitments:		
No longer than 1 year	24,302	14,093
Longer than 1 year and not longer than 5 years	40,012	20,481
Longer than 5 years	3,603	4
	67,917	34,578
Liabilities recognised in respect of non-cancellable operating leases:		
Onerous lease contracts:		
Current	3,129	1,085
Non-current	–	–
	3,129	1,085

Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasing arrangements:

The operating leases relate to motor vehicles, office and warehouse facilities with the majority of lease terms not exceeding five years. Most of the leases have options to extend for further periods of similar duration, with market review clauses in the event that the Group exercises the options to renew. The Group does not have the option to purchase the related assets at the expiry of the lease period.

The Group leases some of its computer equipment from external suppliers over a lease period of three to five years with payments being quarterly in advance. At the end of the lease period the Group has a number of options available with respect to the equipment, none of which include penalty charges.

The Group enters into bareboat charter arrangements for marine vessels in relation to its offshore businesses in Australia. The vessels are chartered on individual lease agreements that vary between periods of up to five years with renewable options pursuant to the underlying contracts.

6.3 Functional currency

Items included in the financial statements of each of the entities included within the Group are measured using the currency of the economic environment in which the entity primarily generates and expends cash (the 'functional currency'). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Programmed Maintenance Services Limited and the presentation currency for the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016 continued

6. OTHER NOTES (CONTINUED)

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer note 5.3); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

6.4 Subsidiaries

Name of subsidiary	Note	Country of incorporation	Ownership interest 2016 %	2015 %
Programmed Maintenance Services (N.Z.) Limited		New Zealand	100	100
PMS Share Schemes Administration Pty Ltd	(i)	Australia	100	100
PMS Building Services Pty. Ltd.	(i)	Australia	100	100
Programmed Property Services Pty Ltd	(i), (ii)	Australia	100	100
Programmed Property Services Limited	(vii)	United Kingdom	100	100
Programmed Facility Management Pty. Ltd.	(i), (ii)	Australia	100	100
Programmed Building Services Pty Ltd	(i)	Australia	100	100
Programmed Integrated Workforce Limited	(i), (ii)	Australia	100	100
Labour Management Australia Pty Ltd	(i)	Australia	100	100
Integrated Maintenance Services Pty Ltd	(i), (ii)	Australia	100	100
Sea Wolves Pty. Ltd.	(i), (ii)	Australia	100	100
Programmed Marine Pty Ltd	(i), (ii)	Australia	100	100
Programmed Total Harbour Services Pty Ltd	(i)	Australia	100	100
Programmed Total Marine Services (Asia) Pte. Ltd.		Singapore	100	100
NTBD Pty Ltd	(i)	Australia	100	100
Programmed Total Marine Services Limited		New Zealand	100	100
Programmed Marine NZ Ltd (Formerly Programmed Total Marine Catering Services Limited)		New Zealand	100	100
Programmed Total Marine Offshore Services Limited		New Zealand	100	100
Artel Corporation Limited		New Zealand	100	100
Hi-Point Personnel Pty Ltd.	(i)	Australia	100	100
Programmed Integrated Workforce (NZ) Limited		New Zealand	100	100
SWG Holdings (2005) Pty Ltd	(i), (ii)	Australia	100	100

Name of subsidiary	Note	Country of incorporation	Ownership interest 2016 %	2015 %
Programmed Maintenance Pty Ltd	(i), (ii)	Australia	100	100
SWG International Holdings Pte. Ltd.		Singapore	100	100
SWG Offshore International Pte. Ltd.		Singapore	100	100
Programmed Electrical Technologies Ltd	(i), (ii)	Australia	100	100
Allied Technologies Australia Pty Limited	(i), (ii)	Australia	100	100
KLM Group (SA) Pty Ltd	(i), (ii)	Australia	100	100
ACN 152 632 294 Pty Ltd	(i)	Australia	100	100
Programmed Facility Management NZ Limited		New Zealand	100	100
Programmed Facility Management (PRA) Pty Ltd	(i), (ii)	Australia	100	100
Swan Water Services Pty Ltd	(i), (ii)	Australia	100	100
Western Water Services Pty Ltd	(i), (ii)	Australia	100	100
Programmed Turnpoint Pty Ltd	(i), (ii)	Australia	100	100
ES Administration Services Pty Ltd	(i), (iii)	Australia	100	100
Monaco 88 Pty Ltd	(i), (iii)	Australia	100	100
Turn Point Pty Ltd	(i), (ii)	Australia	100	100
Turnpoint Racecourse Maintenance Pty Ltd	(i), (ii)	Australia	100	100
TP Racing Services Pty Ltd	(i), (ii)	Australia	100	100
Turnpoint Maintenance Pty Ltd	(i), (iii)	Australia	100	100
Programmed Facility Management BW Pty Ltd	(i), (ii)	Australia	100	100
Programmed Safety Pty Ltd	(i), (iv)	Australia	100	–
Allskills Pty. Ltd.	(i), (v), (viii)	Australia	100	–
ATIVO Coal Services Pty Ltd	(i), (v)	Australia	100	–
ATIVO Pty Ltd	(i), (ii), (v)	Australia	100	–
ATIVO Services Pty Ltd	(i), (v)	Australia	100	–
Programmed Marine Contractors Pty Ltd (Formerly Broadsword Marine Contractors Pty Ltd)	(i), (ii), (v)	Australia	100	–
Catalyst Recruitment Systems Pty Ltd	(i), (ii), (v)	Australia	100	–
Catalyst Staff Pty Ltd	(i), (v)	Australia	100	–
Damstra Mining Services Pty Ltd	(i), (v), (vi)	Australia	–	–
Extra Group Pty Ltd	(i), (ii), (v)	Australia	100	–
Extraman (HR) Pty Ltd	(i), (v)	Australia	100	–
HR Link No. 2 Pty Ltd	(i), (v)	Australia	100	–
HR Link No.1 Pty Ltd	(i), (v)	Australia	100	–
HVA (QLD) Pty Limited	(i), (v)	Australia	100	–
HVA Support Services Pty Limited	(i), (v)	Australia	100	–
HVA Technical Services Pty Limited	(i), (v)	Australia	100	–
Jet Tasmania Pty Ltd	(i), (v)	Australia	100	–
Locumitis Pty Ltd	(i), (v)	Australia	100	–

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016 continued

6. OTHER NOTES (CONTINUED)

Name of subsidiary	Note	Country of incorporation	Ownership interest 2016 %	2015 %
Loganhill Pty Ltd	(i), (v)	Australia	100	–
Mantech Systems Pty Ltd	(i), (ii), (v)	Australia	100	–
Medistaff Pty Ltd	(i), (v)	Australia	100	–
Programmed Professionals Pty Ltd (Formerly Mosaic Recruitment Pty Ltd)	(i), (ii), (v)	Australia	100	–
Nursing (Australia) Holdings Pty Ltd	(i), (v)	Australia	100	–
Nursing Australia Pty Ltd	(i), (v)	Australia	100	–
Offshore Marine Services Alliance Pty Ltd	(i), (ii), (v)	Australia	100	–
Origin Education Services Pty Ltd	(i), (v)	Australia	100	–
Origin Health Support Services Pty Ltd	(i), (v)	Australia	100	–
Peopleco. Pty Ltd	(i), (ii), (v)	Australia	100	–
Prosafe Personnel Pty Ltd	(i), (v)	Australia	100	–
Skilled Group International Pty Limited	(i), (ii), (v)	Australia	100	–
Skilled Group Limited (Programmed Skilled Workforce Ltd)	(i), (ii), (v)	Australia	100	–
Skilled Healthcare Holdings Pty Ltd	(i), (ii), (v)	Australia	100	–
Programmed Health Professionals Pty Ltd (Formerly Skilled Healthcare Pty Ltd)	(i), (ii), (v)	Australia	100	–
Skilled International Sourcing Pty Ltd	(i), (v)	Australia	100	–
Skilled Maritime Services Pty Ltd	(i), (v)	Australia	100	–
Skilled Offshore (Australia) Pty Ltd	(i), (ii), (v)	Australia	100	–
Skilled Offshore Pty Ltd	(i), (ii), (v)	Australia	100	–
Skilled Operations (WA) Pty Ltd	(i), (v)	Australia	100	–
Skilled Rail Services Pty Ltd	(i), (ii), (v)	Australia	100	–
Skilled Resources Pty Ltd	(i), (v)	Australia	100	–
Skilled Workforce Solutions (NSW) Pty Ltd	(i), (ii), (v)	Australia	100	–
Swan Contract Personnel Pty Ltd	(i), (ii), (v), (ix)	Australia	100	–
T&C Services Pty Ltd	(i), (ii), (v)	Australia	100	–
Tesa Mining (Aust) Pty Ltd	(i), (ii), (v)	Australia	100	–
Tesa Mining (NSW) Pty Limited	(i), (ii), (v)	Australia	100	–
Tesa Mining (U/G) Pty Limited	(i), (v)	Australia	100	–
The Green & Green Group Pty Limited	(i), (v)	Australia	100	–
The Tesa Group Pty Ltd	(i), (ii), (v)	Australia	100	–
Thomas & Coffey (QLD) Pty Limited	(i), (ii), (v)	Australia	100	–
Waycon Services (NSW) Pty Ltd	(i), (v)	Australia	100	–
Waycon Services Pty Limited	(i), (ii), (v)	Australia	100	–
Point 2 Point Travel Limited	(v)	Malta	100	–
Skilled International Holdings Ltd	(v)	Malta	100	–
Skilled International Services Ltd	(v)	Malta	100	–

NOTES TO THE FINANCIAL STATEMENTS

31 March 2015 continued

Name of subsidiary	Note	Country of incorporation	Ownership interest 2016 %	2015 %
Skilled Group NZ Holdings Limited	(v)	New Zealand	100	–
Skilled Marine (NZ) Limited	(v)	New Zealand	100	–
Skilled Offshore (NZ) Limited	(v)	New Zealand	100	–
Skilled Group UK Limited	(v)	United Kingdom	100	–
Skilled International (UK) Limited	(v)	United Kingdom	100	–
Skilled International FZ-LLC	(v)	Dubai	100	–
Skilled International Limited	(v)	Malaysia	100	–
Skilled International Pte. Ltd.	(v)	Singapore	100	–
Skilled International (Holdings), LLC	(v)	United States of America	100	–
Skilled International, LLC	(v)	United States of America	100	–

(i) These subsidiaries are members of the tax consolidated group, with Programmed Maintenance Services Limited being the head entity within the tax consolidated group.

(ii) These wholly-owned subsidiaries have entered into a deed of cross guarantee with Programmed Maintenance Services Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.

(iii) These dormant entities were placed into voluntary liquidation on 29 January 2015 and deregistered on 9 March 2016.

(iv) This entity was newly incorporated on 10 February 2016.

(v) These entities were acquired during the financial year ended 31 March 2016.

(vi) This entity was disposed of during the financial year ended 31 March 2016 (refer note below).

(vii) This entity was dissolved on 19 April 2016.

(viii) Allskills Pty Ltd is the trustee of the SKILLED Group Limited Share Plan Trust.

(ix) Swan Contract Personnel Pty Ltd is the trustee of the Swan Drafting Unit Trust.

Deed of Cross Guarantee

The consolidated statement of profit or loss and statement of financial position of the entities party to the deed of cross guarantee are:

	2016 $'000	2015 $'000
Continuing and discontinued operations		
Statement of profit or loss		
Revenue	**2,046,381**	1,320,243
Other income	**–**	1,044
Changes in work in progress at cost and other inventories	**6,493**	(3,426)
Raw materials and consumables used	**(120,870)**	(104,462)
Employee benefits expenses	**(1,345,935)**	(778,799)
Sub-contractor expenses	**(339,596)**	(334,460)
Impairment of goodwill	**(102,397)**	–
Depreciation and amortisation expense	**(24,367)**	(10,394)
Finance costs	**(10,056)**	(5,290)
Equipment and motor vehicle costs	**(44,248)**	(15,851)
Information technology and telecommunications costs	**(12,813)**	(6,853)
Other expenses	**(144,231)**	(23,768)
Share of net loss of associate accounted for using the equity method	**(483)**	(629)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016 continued

6. OTHER NOTES (CONTINUED)

	2016 $'000	2015 $'000
(Loss)/Profit before income tax	**(92,122)**	37,355
Income tax expense	**(2,608)**	(9,109)
(Loss)/Profit for the year	**(94,730)**	28,246
Other comprehensive income		
Total comprehensive income for the year attributable to owners of the parent entity	**(94,730)**	28,246
Statement of financial position		
Current assets		
Cash and cash equivalents	**62,563**	35,356
Trade and other receivables	**404,390**	193,706
Inventories	**79,362**	65,316
Current tax assets	**6,325**	519
Other	**6,152**	4,329
Total current assets	**558,792**	299,226
Non-current assets		
Trade and other receivables	**47,684**	41,460
Inventories	**6,049**	9,565
Investments accounted for using the equity method	**4,736**	3,844
Other financial assets	**49,444**	13,208
Property, plant and equipment	**40,637**	21,255
Deferred tax assets	**44,988**	15,947
Goodwill	**458,819**	236,134
Other intangible assets	**82,208**	15,792
Total non-current assets	**734,565**	357,205
Total assets	**1,293,357**	656,431
Current liabilities		
Trade and other payables	**217,562**	156,691
Borrowings	**1,260**	46,618
Other financial liabilities	**23,409**	13,187
Current tax payables	**2,858**	481
Provisions	**98,973**	35,788
Total current liabilities	**344,062**	252,765
Non-current liabilities		
Borrowings	**316,787**	3,230
Deferred tax liabilities	**55,873**	37,655
Provisions	**19,121**	3,109
Total non-current liabilities	**391,781**	43,994
Total liabilities	**735,843**	296,759
Net assets	**557,514**	359,672

	2016 $'000	2015 $'000
Equity		
Issued capital	557,813	236,086
Reserves	9,906	9,210
Retained earnings*	(10,205)	114,376
Total equity	557,514	359,672

*Retained earnings

	2016 $'000	2015 $'000
Retained earnings as at beginning of the financial year	114,376	106,850
Net profit	(94,730)	28,246
Dividends provided for or paid	(29,851)	(20,720)
Retained earnings as at end of the financial year	(10,205)	114,376

6.5 Key management personnel compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	2016 $	2015 $
Short-term employee benefits	4,424,092	4,857,207
Post-employment benefits	182,947	190,890
Other long-term benefits	(76,318)	71,779
Termination benefits	444,008	–
Share-based payments – long term incentives	579,289	666,952
Total	5,554,018	5,786,828

6.6 Related party transactions

The ultimate parent entity is Programmed Maintenance Services Limited. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation.

Transactions with other related parties

Other related parties include directors of related parties, their director-related entities and other related parties.

There were no transactions with other related parties that needed to be disclosed in the financial statements in the current financial year or in the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016 continued

Parent entity information

6. OTHER NOTES (CONTINUED)

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.

	2016 $'000	2015 $'000
Financial position		
Assets		
Current assets	**332,316**	65,155
Non-current assets	**612,850**	283,983
Total assets	**945,166**	349,138
Liabilities		
Current liabilities	**20,285**	70,874
Non-current liabilities	**314,363**	3,932
Total liabilities	**334,648**	74,806
Net assets	**610,518**	274,332
Equity		
Issued capital	**557,813**	236,086
Retained earnings	**42,790**	29,082
Reserves:		
– Capital profits reserve	**5,535**	5,535
– Equity settled employee benefits reserve	**4,380**	3,629
Total equity	**610,518**	274,332
Financial performance		
Profit for the year	**43,559**	27,139
Guarantees entered into by the parent entity in relation to the debts of its subsidiaries		
Guarantee provided under the deed of cross guarantee(i)	**374,358**	217,824

(i) Programmed Maintenance Services Limited has entered into a deed of cross guarantee with its wholly-owned subsidiaries.

6.7 Remuneration of auditors

During the year, the following fees were paid or were payable for services provided by the auditor of the parent entity and its related practices:

	2016 $	2015 $
Audit services		
Deloitte Touche Tohmatsu	993,162	470,531
Deloitte Touche Tohmatsu related practices	166,838	73,364
Total remuneration for audit services	1,160,000	543,895
Other services		
Deloitte Touche Tohmatsu – Other assurance services	85,000	–
Deloitte Touche Tohmatsu related practices – Taxation advisory services	36,843	32,689
Total remuneration for non-audit services	121,843	32,689
Total reumuneration for all services rendered	1,281,843	576,584

The auditor of Programmed Maintenance Services Limited is Deloitte Touche Tohmatsu.

6.8 Subsequent events

There has not been any matter or circumstance that has arisen since the end of the 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.

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;

b. In the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1.2 to the financial statements;

c. 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 consolidated entity; and

d. The directors have been given the declaration required by s.295A of the Corporations Act 2001.

At the date of the declaration, the Company is within the class of companies affected by ASIC Class order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class order applies, as detailed in note 6.4 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001. On behalf of the Directors

Christopher Sutherland
Managing Director

25 May 2016

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2, Brookfield Place
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The Board of Directors
Programmed Maintenance Services Limited
47 Burswood Road
BURSWOOD WA 6100

25 May 2016

Dear Board Members

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 audit of the financial statements of Programmed Maintenance Services Limited for the financial year ended 31 March 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

i. the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

ii. any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

AT Richards
Partner
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROGRAMMED MAINTENANCE SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Programmed Maintenance Services Limited, which comprises the statement of financial position as at 31 March 2016, the statement of profit or loss, and other comprehensive income, the statement of cash flows and the statement of changes in equity for the 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 year's end or from time to time during the financial year as set out on pages 59 to 116.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1.2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

AUDITOR'S INDEPENDENCE DECLARATION

In conducting our audit, 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 Programmed Maintenance Services Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

OPINION

In our opinion:

a. the financial report of Programmed Maintenance Services Limited is in accordance with the *Corporations Act 2001*, including:

  i. giving a true and fair view of the consolidated entity's financial position as at 31 March 2016 and of its performance for the year ended on that date; and

  ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 29 to 55 of the directors' report for the year ended 31 March 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

OPINION

In our opinion the Remuneration Report of Programmed Maintenance Services Limited for the year ended 31 March 2016, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

AT Richards
Partner
Chartered Accountants
Perth, 25 May 2016

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

The following details of shareholders of Programmed Maintenance Services Limited have been taken from the Share Register on 4 May 2016.

NUMBER OF HOLDERS OF EQUITY SECURITIES

Ordinary Share Capital

249,310,746 fully paid ordinary shares are held by 13,577 individual shareholders.

Voting rights

The voting rights attaching to ordinary shares are set out below:

- On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Unquoted Securities

There are 4,542,000 Performance Rights outstanding held by 68 holders.

There are no performance options outstanding.

There are no performance shares outstanding.

DISTRIBUTION OF HOLDERS OF QUOTED EQUITY SECURITIES

Size of holdings			No of Holders of fully paid ordinary shares
1	–	1,000	4,430
1,001	–	5,000	5,523
5,001	–	10,000	1,857
10,001	–	100,000	1,678
100,001	–	and over	89
			13,577

The number of shareholders holdings less than a marketable parcel of ordinary shares is 349.

TWENTY LARGEST SHAREHOLDERS AS AT 4 MAY 2016

Name	Number of ordinary shares held	Percentage of capital held
HSBC Custody Nominees (Australia) Limited	53,272,062	21.42%
J P Morgan Nominees Australia Limited	34,161,385	13.73%
National Nominees Limited	27,837,006	11.19%
Citicorp Nominees Pty Limited	18,349,557	7.38%
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	6,107,310	2.46%
Hendonsax Pty Ltd	4,955,500	1.99%
Larkfield Nominees Pty Ltd (G Hargrave Equities A/C)	2,576,388	1.04%
Zero Nominees Pty Ltd	2,000,000	0.80%
BNP Paribas Nominees Pty Ltd (DRP)	1,952,336	0.78%
RBC Investor Services Australia Nominees Pty Limited (Bkcust A/C)	1,869,590	0.75%
Mr J.G. Whittle & Mrs L.B. Whittle (The J Whittle Family A/C)	1,693,358	0.68%
Argo Investments Limited	1,572,197	0.63%
RBC Investor Services Australia Nominees Pty Limited (Piselect)	1,488,163	0.60%
CS Fourth Nominees Pty Limited (HSBC Cust Nom Au Ltd 11 A/C)	1,302,309	0.52%
Questor Financial Services Limited (TPS RF A/C)	1,015,427	0.41%
Alltown Nominees Pty Ltd	1,000,000	0.40%
IQ Rental & Finance Pty Ltd (Watts Family A/C)	770,000	0.31%
Taverners NO 11 Pty Ltd (Brencorp NO 11 Unit A/C)	694,750	0.28%
Larkfield Managed Funds No 2 Pty Ltd (Larkfield Man Fnd No 2 A/C)	686,052	0.28%
HSBC Custody Nominees (Australia) Limited - A/C 2	658,141	0.26%
	163,961,531	**65.91%**

SUBSTANTIAL SHAREHOLDERS

As at 4 May 2016, the register of substantial shareholders disclosed the following information:

Holders giving notice	Number of ordinary shares in which interest is held	Percentage %
Westpac Banking Corporation (WBC)	17,723,743	7.11
BT Investment Management (BTT)	14,008,806	5.62

SUMMARY OF FINANCIAL STATISTICS

ANNUAL SUMMARY OF FINANCIAL STATISTICS 10 YEAR HISTORY[1]

	2007 $'000	2008 $'000	2009 $'000	2010 $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000
Earnings Summary										
Revenue from Continuing Operations	332,999	837,288	1,218,336	1,161,520	1,220,183	1,393,639	1,517,419	1,434,923	1,434,224	2,209,448
Results Before Amortisation and Non-Trading Items										
Earnings before Interest, Taxes, Depreciation Amortisation (EBITDA)	50,893	70,486	82,505	72,467	60,893	67,628	67,005	64,018	61,371	80,525
Earnings before Interest, Taxes and Amortisation of Identifiable Intangibles (EBITA)	39,536	55,353	69,869	59,294	48,711	56,888	55,272	53,403	50,907	65,474
Interest	(6,473)	(15,835)	(20,224)	(18,308)	(14,413)	(12,510)	(9,933)	(7,415)	(5,447)	(11,206)
Profit before Income Tax Expense	33,063	39,518	49,645	40,986	34,298	44,378	45,339	45,988	45,460	54,268
Income Tax Expense	(10,154)	(9,092)	(14,241)	(13,200)	(7,430)	(12,952)	(10,728)	(13,527)	(14,237)	(15,461)
Profit after Tax (before amortisation and non-trading items)	22,909	30,426	35,704	27,786	26,868	31,426	34,611	32,461	31,223	38,807
Discontinued operations	–	1,160	1,167	–	(11,848)	–	–	–	–	(1,695)
Amortisation of identifiable intangibles	(510)	(3,164)	(3,659)	(1,622)	(486)	(206)	(657)	(614)	(786)	(6,762)
Other Non-Trading Items	–	–	(4,840)	–	(4,106)	–	(1,817)	(1,395)	(4,742)	(128,374)
Profit/(Loss) for the year (statutory basis)	22,399	28,422	28,072	26,164	10,428	31,220	32,137	30,452	25,695	(98,024)
Earnings per Share (before amortisation and non-trading items)	32.2	35.2	36.9	26.2	22.7	26.6	29.3	27.5	26.3	21.8
Basic Earnings per Share – cents	31.5	32.9	29.2	24.6	8.8	26.4	27.2	25.8	21.7	(55.0)
Dividends										
– Interim – cents per share	8.5	9.5	9.5	3.0	3.0	5.0	5.0	6.0	6.5	6.5
– Final – cents per share	10.0	10.5	5.0	6.0	6.0	8.0	10.0	11.0	11.5	5.0
– Dividends per share – cents	18.5	20.0	14.5	9.0	9.0	13.0	15.0	17.0	18.0	11.5
– Dividend payout ratio	57%	57%	39%	34%	40%	49%	51%	62%	68%	53%
– Dividend franking	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
EBITA (before non-trading items) / Revenue	11.9%	6.6%	5.7%	5.1%	4.0%	4.1%	3.6%	3.7%	3.5%	3.0%
Interest Cover – times	6.1	3.5	3.5	3.2	3.4	4.5	5.6	7.2	9.3	5.8
Average Tax rate	30.7%	23.0%	28.7%	32.2%	21.7%	29.2%	23.7%	29.4%	31.3%	28.4%
Growth in Profit after Tax (before non-trading items)	11.0%	32.8%	16.4%	(21.5%)	3.3%	17.0%	10.1%	(6.2%)	(3.8%)	24.3%

- The consolidated entity's financial year ends 31 March.
- The results for the year ended 31 March 2008 include ten months contribution from Integrated Group following the merger on 7 June 2007.
- The dividend payout ratio is calculated on profit after tax before amortisation and non-trading items.
- The results for the year ended 31 March 2016 include six months contribution from SKILLED Group Limited following the merger on 16 October 2016.
- The results for the year ended 31 March 2016 include one-off costs associated with the Skilled acquisition, integration, restructuring and other costs ($33.9 million) and impairment of Marine goodwill due to the decline in activity resulting from the steep decline in oil and gas prices ($102.4 million).

	2007 $'000	2008 $'000	2009 $'000	2010 $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000
Assets & Liabilities										
Cash	5,213	4,044	38,229	48,167	20,109	34,668	38,334	29,477	42,768	**78,859**
Debtors	74,196	179,914	157,480	165,323	180,226	214,701	222,950	201,418	196,409	**413,799**
Contract Recoverables & Work in Progress	187,436	198,129	211,952	175,117	162,782	153,923	141,633	138,269	133,939	**120,633**
Property Plant & Equipment	43,262	31,020	34,826	28,679	24,414	24,251	27,609	26,412	24,362	**43,157**
Goodwill	9,428	199,367	233,700	240,945	238,397	242,010	245,543	246,071	246,431	**510,029**
Other Assets	20,644	80,500	60,431	79,403	91,635	87,312	77,143	92,359	88,628	**214,351**
Total Assets	**340,179**	**692,974**	**736,618**	**737,634**	**717,563**	**756,865**	**753,212**	**734,006**	732,537	**1,380,828**
Payables	37,852	122,063	130,251	136,744	134,309	146,819	159,870	162,400	173,596	**263,787**
Borrowings	96,729	235,336	215,473	154,746	138,445	122,472	105,441	71,708	49,848	**318,047**
Provisions & other liabilities	68,953	80,745	106,497	94,290	93,353	114,084	96,250	89,519	90,657	**193,405**
Total Liabilities	**203,534**	**438,144**	**452,221**	**385,780**	**366,107**	**383,375**	**361,561**	**323,627**	314,101	**775,239**
Total Equity	**136,645**	**254,830**	**284,397**	**351,854**	**351,456**	**373,490**	**391,651**	**410,379**	418,436	**605,589**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Other Financial Statistics										
Number of shares on issue at Year End (millions)	71.2	90.0	99.0	118.2	118.2	118.2	118.2	118.3	118.7	**249.3**
Net Tangible Assets per Share	$1.76	$0.44	$0.51	$0.84	$0.85	$1.00	$1.11	$1.27	$1.31	$0.05
Net Debt ($'000)	91,516	231,292	177,244	106,579	118,336	87,804	67,107	42,231	7,080	**239,188**
Net Debt to Equity	67%	91%	62%	30%	34%	24%	17%	10%	2%	**39%**
Gross Operating Cash flows ($'000)	31,288	57,089	82,453	59,962	29,071	72,640	90,595	80,587	80,964	**90,905**
Share Price at 31 March	$5.15	$5.20	$2.49	$3.08	$1.70	$2.52	$2.56	$2.90	$2.42	$1.48
Market Capitalisation at 31 March ($ millions)	366.7	468.0	246.5	364.0	200.9	297.8	302.5	342.9	287.2	**369.0**

1. Up to and including the year ended 31 March 2009, items in the Summary of Financial Statistics are shown as reported in the Company's previous Annual Report. Amounts for the year ended 31 March 2010 have been restated as a result of the change in accounting policy for painting programmes announced on 10 November 2010. Interest for the years up to and including 31 March 2009 represents net interest expense. From 31 March 2010 onwards interest represents total finance costs in accordance with changes in disclosure requirements.

CORPORATE DIRECTORY

PROGRAMMED MAINTENANCE SERVICES LIMITED

ABN 61 054 742 264

BOARD OF DIRECTORS

B.R. Brook (Chairman – Non-executive)
C.G. Sutherland (Managing Director)
E.R. Stein (Non-executive Director)
R.J. McKinnon (Non-executive Director)
A.E. Grant (Non-executive Director)
J. A. Walker (Non-executive Director)
L. M. Paul (Non-executive Director)

SECRETARY

S.M. Leach
K.A. Nadebaum

AUDITORS

Deloitte Touche Tohmatsu
Tower 2, Brookfield Place
123 St Georges Terrace
Perth WA 6000

BANKERS

Westpac Banking Corporation
Level 9, 360 Collins Street
Melbourne VIC 3000

National Australia Bank
Level 28, 500 Bourke Street
Melbourne VIC 3000

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LOCATION OF SHARE REGISTER

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STOCK EXCHANGE LISTING

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OTHER INFORMATION

Programmed Maintenance Services Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

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