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Programmed Maintenance Services Ltd

ACN 054 742 264

10 February 2016

Jeremy Newman  
Senior Adviser  
ASX Listings Compliance (Perth)  
ASX Compliance Pty Limited

**By Email:** jeremy.newman@asx.com.au

Dear Jeremy

**Programmed Maintenance Services Limited (ASX Code: PRG): response to ASX aware letter**

We refer to your letter dated 8 February 2016 (copy **enclosed**) relating to recent changes in the price and volume of Programmed Maintenance Services Limited's (**Company** or **Entity**) shares.

Our response to the questions set out in your letter is as follows:

1. ***Does the Entity consider the information disclosed in the announcement ("Information") and, in particular, the Financial information, to be information that a reasonable person would expect to have a material effect on the price or value of its securities?***

Yes.

2. ***If the answer to question 1 is "no", please advise the basis for that view.***

Not applicable.

3. ***If the answer to question 1 is "yes", when did the Entity first become aware of the Information, commenting specifically on when the Entity first became aware of the:***

- a. ***Operating EBITDA;***
- b. ***\$75 Million Impairment; and***
- c. ***Final Dividend.***

- (a) The Company became aware of all the elements of the Information which permitted it to make the Announcement after close of market on Wednesday, 3 February 2016.
- (b) See response to question 4 for further details. To clarify, in the Announcement the Company provided guidance on **operating EBITA** for FY2016, not "Operating EBITDA" as this question suggests.
- (c) The three elements of the Financial Information referred to in paragraphs a. to c. above (**Three Elements**) are necessarily linked and could not be considered by the Company in isolation from one another. Certain inputs into the Three Elements were material and common to each of the elements. Accordingly, it was appropriate for management of the Company and the board of directors (**Board**) to undertake scenario modelling, with regard

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to various outcomes under each of the Three Elements and the sensitivity analysis resulting from adjusting key assumptions underlying the Three Elements (**Scenario Modelling**).

That Scenario Modelling was completed over the course of Wednesday, 3 February and the outcomes from it were not finally determined and adopted by the Board until after close of market on that day.

4. ***If the answer to question 1 is “yes” and the Entity first became aware of the Information, or part thereof, before releasing the Announcement, did the Entity make any announcement prior to the release of the Announcement which disclosed the Information? If so, please provide details. If not, please explain why the Information was not released to the market at an earlier time, commenting specifically on when you believe the Entity was obliged to release the Information under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the Information was released promptly and without delay.***
- (a) In the presentation accompanying its results for the half year ended 30 September 2015 (released to ASX on 19 November 2015), the Company specifically noted as follows: “As it is just 5 weeks since we completed the acquisition of Skilled, we have elected not to provide at this stage any specific guidance for FY16, as we review the current Skilled business performance and forecasts.”. Accordingly, prior to releasing the Announcement, the Company had not released guidance on the expected performance of the merged Programmed Maintenance Services Limited and SKILLED Group Limited (**SKILLED**) group (**Merged Group**) for FY2016 (year ending 31 March 2016).
  - (b) From late January 2016, management began to compile trading information about the Merged Group for the 3 month period since implementation of the merger on 16 October 2016; this being considered an appropriate period of time over which to assess past performance and expected future performance and provide a reasonable basis for giving any guidance to the market.
  - (c) In gathering this trading information, the Company was required to undertake an analysis of the various reporting segments of the business (as described in the Announcement), the assumptions underpinning a reasonable assessment of the value of their respective assets on acquisition (in the case of assets acquired from SKILLED) and those segments’ expected future performance.
  - (d) It was important that the trading information was rigorously tested for the purposes described in paragraphs (b) and (c) above, having regard to the significant amount and high complexity of the information concerned and the need to verify the accuracy of the information.
  - (e) In the course of Tuesday, 2 February, officers of the Company compiled a draft discussion paper for the Board, outlining various potential scenarios and underlying assumptions for the purposes of the Board considering the Scenario Modelling at its upcoming Board meeting. Metrics around the final dividend and associated scenarios were not included in the draft discussion paper, with these to be dealt with by management at the Board meeting. The draft discussion paper did not provide any recommendations to the Board, but rather was intended to provide a basis for detailed deliberations at the Board meeting.
  - (f) Management continued the Scenario Modelling, and discussed the underlying assumptions with its auditors, over the course of Wednesday, 3 February and in the lead up to a Board meeting held that afternoon.

- (g) At 11.10am (Melbourne time) on Wednesday, 3 February, the Board met to consider (among other things) the Scenario Modelling, the proposed Financial Information and the disclosures proposed in respect of the Information.
- (h) The meeting closed at 3.55pm (Melbourne time), with key officers of the Company being delegated responsibility for finalising certain details of the Scenario Modelling (and resulting Financial Information) over the course of that evening, so that the Board could be satisfied that the Financial Information provided a reasonable basis and the Announcement could be carefully drawn for making a business update to the market promptly and without delay.
- (i) The Announcement was made before market open on Thursday, 4 February 2016.
- (j) The Company considers that it acted as quickly as it could in the circumstances having regard to (among other things) the significant amount and high complexity of the information concerned, the need to undertake preliminary complex acquisition accounting (including forecasting fair value assessments of the assets acquired) and released the Financial Information (and the Information more broadly) at the time it was obliged to do so.
- (k) For completeness, the Company notes the reference in ASX's letter to trading on Wednesday, 3 February, the day prior to our Announcement. Since last December, the Company's share price has fallen largely consistent with concerns regarding reduced oil and gas services demand as oil and gas prices have fallen sharply, and recognising the possible impacts on the Company's marine services division. Copied below is an extract from the Macquarie Afternoon Trading Report, which is broadly distributed, in regards to trading that day.

*"The ASX200 closed down 116.6pts (-2.3%) at 4,877. The market continued to drop today amid a sharp drop in the oil price, which has now fallen more than 10 per cent this week and disappointing profit reports. All sectors finished the day down with the worst performers being the Energy (-3.9%), Information Technology (-3.3%), Financials-x-A-REIT (-3.2%) and Materials (-2.8%) sectors. Major banks Commonwealth Bank (-2.9%), ANZ (-3.0%) and Westpac Bank (-2.9%) all suffered losses, with NAB (-5.6%) trading ex CYBG Plc. The continued fall in oil prices continues to weigh heavily on the Energy sector with Woodside Petroleum (-5.0%), Santos (-5.1%), Origin (-5.2%) and Oil Search (-1.1%) also down."*

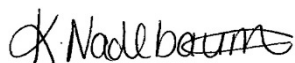
Over that same trading day, the Company's share price decreased by approximately 7%, exacerbated in part by its thin trading volumes relative to larger companies.

**5. Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1**

The Company confirms that it is in compliance with the Listing Rules, and in particular, Listing Rule 3.1.

Yours faithfully

**Programmed Maintenance Services Limited**



**Katina Nadebaum**

Company Secretary



8 February 2016

Ms Katina Nadebaum  
Company Secretary  
Programmed Maintenance Services Limited

*By email: [katina.nadebaum@programmed.com.au](mailto:katina.nadebaum@programmed.com.au)*

Dear Ms Nadebaum

**Programmed Maintenance Services Limited (the “Entity”): ASX Aware Letter**

ASX Limited (“ASX”) refers to the following:

1. The change in the price of the Entity’s securities, from a closing price of \$1.96 on Tuesday, 2 February 2016, to a closing price of \$1.82 on Wednesday, 3 February 2016 and an increase in the volume of the Entity’s securities on that day.
2. The Entity’s announcement titled “*Business Update*” lodged with the ASX Market Announcements Platform and released at 8:29 am (AEDT) on Thursday, 4 February 2016 (“Announcement”) which disclosed, amongst other things:
  - a) the financial year ended 31 March 2016 (“FY16”) operating EBITA is expected to be approximately \$65 million (“Operating EBITDA”);
  - b) a non-cash marine goodwill impairment of approximately \$75 million is expected in the second half of the 2016 financial year, arising from the steep decline in oil and gas prices and the sale of Broadsword vessels (“\$75 Million Impairment”); and
  - c) that the FY16 final dividend is expected to be 5 cents per share fully franked (“Final Dividend”),((a) to (c) together, the “Financial Information”).
3. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities.
4. The definition of “aware” in Chapter 19 of the Listing Rules. This definition states that:

*“an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into*



*possession of the information in the course of the performance of their duties as an officer of that entity.”*

Additionally, you should refer to section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B “When does an entity become aware of information”*.

5. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

*“3.1A Listing rule 3.1 does not apply to particular information while each of the following requirements is satisfied in relation to the information:*

*3.1A.1 One or more of the following applies:*

- It would be a breach of a law to disclose the information;*
- The information concerns an incomplete proposal or negotiation;*
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- The information is generated for the internal management purposes of the entity; or*
- The information is a trade secret; and*

*3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*

*3.1A.3 A reasonable person would not expect the information to be disclosed.”*

Having regard to the above, we ask that you answer the following questions in a format suitable for release to the market in accordance with Listing Rule 18.7A:

1. Does the Entity consider the information disclosed in the Announcement (“Information”) and, in particular, the Financial Information, to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is “no”, please advise the basis for that view.
3. If the answer to question 1 is “yes”, when did the Entity first become aware of the Information, commenting specifically on when the Entity first became aware of the:
  - a. Operating EBITDA;
  - b. \$75 Million Impairment; and



c. Final Dividend.

4. If the answer to question 1 is “yes” and the Entity first became aware of the Information, or part thereof, before releasing the Announcement, did the Entity make any announcement prior to the release of the Announcement which disclosed the Information? If so, please provide details. If not, please explain why the Information was not released to the market at an earlier time, commenting specifically on when you believe the Entity was obliged to release the Information under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the Information was released promptly and without delay.
5. Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

#### **When and where to send your response**

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than **2 pm (WST), Wednesday, 10 February 2016**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity’s securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Entity’s obligation is to disclose the information “immediately”. This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at [jeremy.newman@asx.com.au](mailto:jeremy.newman@asx.com.au) and [tradinghaltspert@asx.com.au](mailto:tradinghaltspert@asx.com.au). It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

#### **Listing Rule 3.1**

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

The obligation of the Entity to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

In responding to this letter, you should have regard to the Entity’s obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.



### **Trading halt**

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in the Entity's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

*[sent electronically without signature]*

Jeremy Newman  
**Senior Adviser, ASX Listings Compliance**