

ASX Announcement

4 August 2004

Company Announcements Office
Australian Stock Exchange Limited
Exchange Centre
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20 Bridge Street
SYDNEY NSW 2000

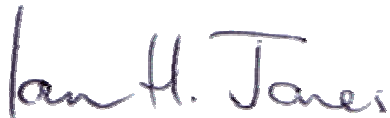
Dear Sir,

CHAIRMAN'S ADDRESS TO THE ANNUAL GENERAL MEETING

In accordance with Listing Rule 3.13.3, please find attached the address to be given by Mr. Geoff Tomlinson, Chairman of Programmed Maintenance Services Limited to the Annual General Meeting being held at 11:00am this morning.

Yours sincerely,

PROGRAMMED MAINTENANCE SERVICES LIMITED



Ian H. Jones
Secretary

PROGRAMMED MAINTENANCE SERVICES LIMITED

CHAIRMAN'S ADDRESS
TO THE ANNUAL GENERAL MEETING
4 AUGUST 2004

Ladies and gentlemen, on behalf of my fellow directors, welcome to the Annual General Meeting of Programmed Maintenance Services Limited, our fifth AGM since listing on the Australian Stock Exchange.

The consistent growth of our business remains our primary goal. In 2004 the company again met that goal with its sixth successive year of double-digit growth in revenue and net profit. Importantly, the Board took initiatives that will generate significant future growth.

The company increased after-tax profit by 17.1 per cent to a record \$16.3 million in the year to 31 March 2004, excluding a one-off gain of \$400,000 the previous year that resulted from a change in accounting policy for valuing work in progress. On this comparable basis, earnings per share rose from 21.2c to 24.0c.

The consistency of the company's growth reflects the success of our strategy to build an international, integrated property services group by diversifying from painting into other property maintenance services, and expanding geographically. Our evolution in line with this strategy is plotted on the Strategic Progression chart that appears on page 4 of the Annual Report. During the past six years, while our Australian painting business has continued to grow and group revenue has more than doubled, revenue from our geographic expansion and other businesses has increased from 41 per cent to 52 per cent of the total.

This diversification will accelerate with the acquisition of Serco's Australian integrated services contracts. Four of the contracts were transferred on 30 June 2004 following customer assignment and we expect the fifth contract to be assigned by 31 August 2004. These contracts will further broaden our range of property-related services and provide annual revenue in excess of \$20 million. After acquisition and integration costs, the new business will make a small contribution to earnings in 2004-05, and a material contribution from the following year.

As well as maintaining growth, our planned strategy of adding to our services has helped to improve cash flow and dividend franking. I am pleased to report that net operating cash flow improved by 23 per cent to \$16 million, reflecting the changing mix in group revenues. We directed this predominantly toward reducing borrowings, with net debt falling by \$5.2 million to \$41.7 million (a healthy 41 per cent of equity), compared with \$46.9 million (54 per cent of equity) at 31 March 2003. Total shareholders' equity rose by 17 per cent to \$102.6 million from \$87.7 million a year earlier, due to the solid operating results, equity contributions from the dividend reinvestment plan and the exercising of share options. Net tangible assets per share at 31 March 2004 were \$1.41, compared with \$1.27 for the year ended 31 March 2003.

Our painting businesses in Australia, New Zealand and the United Kingdom all grew in revenue and hours worked. The total hours worked in all our painting businesses exceeded 2 million hours for the first time, representing growth of 11.8% compound per annum over the past 10 years.

Property Maintenance - Australia

Our Australian property maintenance businesses, including painting, grounds management and building services, lifted revenue by 12.2 per cent to a record \$139.5 million in the year to 31 March 2004, while earnings before interest and tax rose 10.2 per cent to \$16.6 million. All businesses contributed to this growth.

We have increasing opportunities to offer our services as an integrated package to markets such as schools, universities, hospitals, nursing homes, corporations and government agencies. In the past year this has been realised in new contracts for customers such as the Swan Village of Care, Western Australia, where we are providing painting, grounds and building services; Masonic Houses in Goulburn, NSW, with building services, painting and grounds management; and The Village Glen retirement village on the Mornington Peninsula, Victoria, with painting and grounds management.

A national account management structure was introduced to improve management of nationwide contracts, such as a three-year contract to wash and maintain BP service stations that was won during the year. As part of this contract, we are using recycled water in Victoria from our industrial services facility - another example of the way we can integrate our services.

Painting

The painting business in Australia continued its consistent growth of recent years, performing well in New South Wales, Queensland and South Australia. Results in Western Australia were affected by a slow-down in the mining sector and Victoria's earnings were disappointing, due to a large underperforming contract and operational deficiencies, both of which have been addressed.

Major areas of new growth included resorts, high-rise buildings and the aged care and retirement sector, while we further consolidated our position in the education, industrial and retail areas.

Business improved significantly in Queensland after issues leading to poor performance in the previous year were addressed, and good growth continued in NSW. Both states overcame the lower demand from tourism and rural industries in the first half with a strong second half. In Victoria further contracts were established in the food industry; specifically with fruit processing, wine and dairy companies.

In South Australia we expanded business in the Riverland-Mildura region. Activity with the University of Adelaide was extended, and we increased our work with local councils, including the Adelaide City Council. Western Australia continued its strong growth, especially in Bunbury, while growth was achieved in Darwin, Northern Territory.

Corporate Imaging

This business grew strongly, supplying illuminated signage for car dealerships and carrying out major refurbishment and replacement of corporate branding for national chains.

We extended our capabilities in retail re-imaging, with a large-scale project for John Danks & Son, upgrading the image of its Home Hardware stores across Australia. The business also continued corporate imaging for Yamaha in Australia and New Zealand and for Bridgestone's tyre centres.

Grounds Management

Grounds Management achieved a significant increase in profit, with improved performance in Victoria and South Australia where new contracts and improved operational controls lifted earnings. In NSW the business continued to consolidate its position, expanding customer numbers and delivering better results.

Significant contracts were renewed during the year while new contracts included Methodist Ladies College in Melbourne, Nutrimerics, WA Transport Authority and several schools and retirement homes. New work for Transfield, Mobil and Woolworths has given us grounds work in all states of Australia, providing great potential to build our business nationally.

From the time it started in 1993, the Grounds Management business has expanded its offering from lawn mowing to providing horticultural, landscaping planning and management, herbicide programmes, irrigation control and water budgeting.

The contract to maintain some 6,500 Telstra facilities illustrates the expanding scope of the business. Our role will involve cleaning up rubbish and creating fire breaks to reduce fire risk and minimise vermin, as well as spraying weeds. This business was tendered and won as part of Transfield's broader facilities management contract.

Building Services

A 38 per cent increase in revenue for the year reflected the rapid nationwide expansion of the Building Services' business. We have concentrated on adding further building and property related expertise to provide an integrated asset maintenance service. This 'one-stop shop' was embraced by many existing customers in the past year, including retirement village owners, The Anglican Retirement Villages, The Baldwin Care Group and Village Care.

We achieved particularly rapid growth in New South Wales due to increased demand from the aged care sector, religious orders, private schools and government departments and a contract to service 162 government schools in Sydney.

South Australia and Victoria also put in strong performances, extending existing contracts and developing new customers. These included extensions of our contracts with the South Australian Housing Trust, facility and project management to the Aboriginal Housing Association, and essential services management to the Catholic Archdiocese of Melbourne. In its first year of operation, the Perth office offered services to many existing Programmed Maintenance Services customers to produce a pleasing result. Our Queensland business suffered from management changes, but is now stable and improving.

A national roll-out of building audit services, using new technology, was well accepted and generated a significant increase in demand. This service reviews property condition and maintenance liability costs, as well as compliance with building codes and fire regulations.

Industrial Services

Restructuring and refocusing helped our Industrial Services business achieve a 178 per cent improvement in profit, on a 3.8 per cent increase in revenue to \$18.8 million.

The business, trading as Barry Bros. Specialised Services, managed a significant shift from its dependence on reactive work for water authorities to a wider range of industrial and commercial customers. This altered the nature of the business to provide more consistent work from planned activities. In turn we are gaining better utilisation from our high technology equipment.

The new technologies we have pioneered in this business are now coming of age. There is widespread awareness and acknowledgement that our non-destructive digging units that use high-pressure air and water to locate cables or pipes have great advantages. They can save authorities millions of dollars compensation that may be required when a back-hoe accidentally severs an inter-city fibre optic telecommunications cable. They can also eliminate disruption and danger caused by damage to gas, electricity or water supply.

We commenced water recycling at Port Melbourne, treating over five million litres to water local ovals. The project, which has significant implications for drought-affected areas, made us a finalist in the prestigious Banksia Foundation National Environmental Awards. Since financial year-end the business has initiated further development in northern Victoria and plans for extending water recycling into NSW and Queensland.

Other major Industrial Services activities included projects for the West Gate Bridge, Anglesea and Hazelwood power stations in Victoria, concrete demolition on Gelibrand Wharf, also in Victoria, and major work with Sydney Water using our closed circuit television (CCTV) units in a sewer upgrading programme.

During the year \$3.5 million was invested in upgrading and refurbishing equipment. Three vacuum loaders, two non-destructive digging trucks, one combination unit and one jet and CCTV unit were acquired.

New Zealand

Revenue from our property maintenance business rose by 12.6 per cent to A\$29.1 million, continuing the strong performance of recent years. Earnings before interest and tax of A\$8.5 million represented 8 per cent growth in New Zealand dollars.

We introduced building services to New Zealand, after existing customers in the Midlands area prompted us to provide additional services. These were well received, and we are initially offering them to our education market customers. Introduction of building services will help maintain our impressive overall growth rate.

Education is a major market for us and we now have some 650 educational institutions (kindergartens, primary, intermediate and secondary schools, polytechnics and universities) on painting contracts. These are negotiated individually with each institution's board of trustees, elected from the local community. These boards appreciate the long-term benefits of our programmes.

Before fiscal year-end our Christchurch branch began a significant 12-year programme on New Zealand's biggest sheep farm for Landcorp Farming, New Zealand's largest farm operator. We are optimistic that this will lead to more work in this sector.

A national contract, won in competitive tendering, to refurbish the interior of 165 Westpac branches over a three month period was completed on schedule. Our painters worked at night to prevent disruption during banking hours.

The Whangerei branch, established at the end of the previous year with a local manager and painting team, had a successful year and is now one of the largest painting organisations in the Northland area.

United Kingdom

The UK painting business, Whittle Painting Group, continued to generate demand for long-term maintenance contracts, a unique offering in that market. As at the end of July 2004, it had signed a total of 165 contracts with a value of over \$13.0 million.

UK revenue rose by 3.8 per cent to A\$18.5 million. Earnings before interest and tax, and after goodwill amortisation and UK head office costs, were A\$200,000. This was 77.3 per cent lower than the previous year, primarily due to operating losses incurred by our Manchester branch.

The past year saw a bigger take-up of our services among private and government schools, which now account for almost half our UK programmes. Involvement in an education conference for the second year generated further inquiries and is part of the direct sales development approach we are taking with chosen market segments, replacing telemarketing. We also won several contracts to maintain historic houses and expect these will open up further opportunities.

Our contract to paint and maintain 4,300 council-owned houses in Lancaster, won during the year, is proving a major success and valuable reference site, and it has led to a similar contract from Derby Council.

The Birmingham and Nottingham branches performed well. Manchester produced an inadequate return, but new management has begun to improve its results. We recently opened a new branch in Bristol, to expand into the south-west of England.

Whittle management and staff are increasingly positive about the prospects for programmes, and we are excited about the potential for the business.

Our People

As Programmed Maintenance Services has evolved, we have upgraded our skills and the sophistication of our management systems. Initially we simply managed people in painting programmes, before progressing to multiple task. We then overlaid those skills with consulting services. Now, in adding a customer alliance approach to larger programmes, we are extending our capability to manage larger and more complex maintenance projects.

This opens further opportunities for our staff, and requires a more sophisticated approach to training. To build the management skills of our people and create a culture that differentiates us from our competitors, the company places significant importance on training programmes.

We run a large number of training courses for staff to build skills and promote safe work practices. During the year, foremen, team leaders and supervisory staff in all major and regional centres underwent specialised team leadership training. We also put some 40 senior people through a training programme specially developed with Mt Eliza Staff College, while several senior people attended its advanced management course.

As part of taking our responsibilities for training and developing our staff, we have continued to encourage and support apprenticeships across a number of trades. Currently we have 75 apprentices employed across Australia.

Your directors, in conjunction with all employees, are committed to the pursuit of the highest possible health and safety standards in all workplace activities. With more than 2,000 people working on numerous sites across three countries, we are continuing to build quality and safety into our culture. This is supported by our five quality and safety managers who regularly reinforce our group programmes in quality and safety.

In the past three years this has enabled us to reduce the number and duration of injuries throughout the group. Proactive injury management has reduced the downtime of injured workers, with 83 per cent now returning to work within 10 days of an injury, compared with 60 per cent three years ago. This improved safety record has created a greater awareness and pride among all our employees.

Technology and Innovation

Programmed Maintenance Services values the role that technology can play to co-ordinate our increasingly complex work-flow processes, improve productivity and add value to the services we provide customers. We support our customers by designing technology solutions that increase the productivity of those using the property, while simplifying process for the property manager.

Increasingly, we are finding that our improved systems create a marked difference between our service and that of our competitors.

For instance, our Building Services people now use a pen-tablet PC to carry out on-site audits, clipping the portable screen to their computer once they return to the office. This enables direct input of information into the auditing databases for more speedy production of reports. Our e-

maintenance system gives customers internet access to real time maintenance schedules and status reports on each of their buildings.

Another example is our unique Customer Image Management system, which enables customers to check the status of signage and corporate imaging work that we are carrying out on their sites scattered across Australia. This was refined during the past year.

On the Telstra contract, some 3,000 work orders are generated each month and we have established a system for new orders to be downloaded every five minutes direct from Transfield's computer.

Together with our fully integrated IT system and continual improvements to our work management processes, these technology initiatives help keep us ahead of the competition.

Dividends

Your directors were delighted to have declared an increased final dividend, up from 5 cents to 6.5 cents a share and franked to 50 per cent which lifted total dividend payments for the year to 12 cents, franked to 50 per cent, from 9 cents in 2003, franked to 41 per cent. The dividend reinvestment plan applied to the final dividend, again allowing shareholders the option to take up shares at market price.

Your directors will continue to aim for increasing dividends while retaining sufficient funds to facilitate our future growth and expect that the company will be able to frank dividends to at least 50% in the next twelve months

Share Price

Our shareholders should be pleased with the general re-rating of the company's shares that has occurred over the past year as the market better understands the advantages of our business model. On 1st August last year, our share price was \$2.22. The company's share price recently reached a record high of \$3.37, and at close of trading last Monday was \$3.32.

Over the year from 1 July 2003 to 30 June 2004, our share price grew 46%, exceeding the growth of both the ASX 300 index (22%) and our commercial services sector (33%) for the same period. Our price:earnings ratio also improved over that period to 13.6 from 10.2 times. It is also satisfying to see that broader investor interest in the company has swelled shareholder numbers to over 2,900 shareholders, a 20 per cent increase from June 2003.

Corporate Governance

Your directors have continued to guide and monitor the progress of the company in accordance with appropriate corporate governance practices. The Annual Report contained details of the company's actions regarding compliance with the "Best Practice Recommendations" of the ASX Corporate Governance Council, and I will now provide an update.

As stated on page 18 of the Annual Report, the company does not comply with one of the Best Practice Recommendations - the recommendation that at least one member of the Audit

Committee has formal accounting qualifications. The non-executive directors, who comprise the Board Audit Compliance & Risk Management Committee, are financially literate and have significant public company experience in financial matters. The board would give consideration to the possible appointment of a qualified accountant as a director if it is deemed necessary.

Current Year

The Group's trading results for the quarter ended 30 June 2004 have shown pleasing results for nearly all divisions. The Australian Painting business has performed below expectations, although the results to June were above the same period in the previous financial year. With the current sales and works projections throughout all divisions being at satisfactory levels, we expect that our consistent double-digit growth rates of recent years should continue for the full 2004/5 year.

In conclusion, I would like to thank our managing director, Max Findlay and all members of our team for their contribution to another successful year.