PROGRAMMED MAINTENANCE SERVICES

PEOPLE TAKING CARE OF PROPERTY

52 RICKETTS ROAD
MOUNT WAVERLEY
VICTORIA 3149

PO BOX 331
MOUNT WAVERLEY
VICTORIA 3149

TELEPHONE
(03) 9562 8033
FACSIMILE
(03) 9562 8006

ASX Announcement

3 August 2005

Company Announcements Office
Australian Stock Exchange Limited
Exchange Centre
Level 4
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

Ian H. Jones
Secretary

PROGRAMMED MAINTENANCE SERVICES LIMITED

CHAIRMAN'S ADDRESS

TO THE ANNUAL GENERAL MEETING

3rd AUGUST 2005

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

Programmed Maintenance Services is focused on meeting the needs of the increasing numbers of non-residential property owners who outsource the maintenance of their buildings, grounds and other infrastructure. We have expanded from the sole provision of painting services to now offering customers almost 40 different services that protect and lengthen the life of their buildings, industrial facilities and other assets.

This strategic progression in our business mix to become a provider of integrated property solutions is shown on page 17 of the 2005 Annual Report. Our reliance on Australian painting activities has reduced and we have improved our operational cash flow and ability to pay franked dividends.

The growing diversity of our property maintenance services, as well as the geographic expansion in the three countries where we operate, has underpinned our consistent earnings growth. In 2004/5 the PMS Group continued its record of double-digit growth in consolidated revenue and profit. The Group also followed its traditional seasonal split of earnings, with 38% of annual earnings being recorded in the first half ended 30 September 2004, and 62% in the second half ended 31 March 2005. Revenue rose by 13.2 per cent to $233.1 million and profit after tax by 11.2 per cent to a record $18.1 million. This is the seventh consecutive year that the PMS Group has increased both revenue and earnings by more than 10 per cent.

A continuation of our strategic progression in the past year was the successful integration of five large contracts acquired from Serco, which have formed the basis of a new business called Infraserv. This expands the services we can offer customers and enables us to provide government and large corporations with an integrated mix of infrastructure maintenance capability.

The company's strategic progression has helped to improve cash flow, with gross operating cash flow growing dramatically in recent years to be double what it was three years ago. In the latest year, there was a slight decrease in net operating cash flow, down 13 per cent to $13.0 million, due to increases in contract recoverables, Australian income tax payments and interest charges. The total value of contract recoverables and work in progress, the major assets on our balance sheet, rose to $161.3 million at 31 March 2005, compared with $147.9 million at the end of the previous year.

While the purchases of the Infraserv contracts and higher capital expenditure increased net debt to $47.2 million from $41.7 million, the group's debt to equity ratio has remained around 40%. Total shareholders' equity rose 15 per cent to $118.4 million, while net tangible assets per share were $1.55 at year end, compared with $1.41 at 31 March 2004.

Property Maintenance - Australia

Revenue from our Australian property maintenance group of businesses in 2004/5 increased by 13.6 per cent, despite several factors restricting Australian painting performance.

While painting remains an important core business that continues to grow, non-painting services contributed 37 per cent of the company's revenue, compared with 29 per cent in the previous year. Strong growth in building services and grounds management, as well as the initial revenue from Infraserv in the second half, drove this trend.

Growth of the Australian painting business was constrained by wet weather during the Christmas period, when a significant proportion of school painting takes place. There were also one-off costs related to contract tenders and corporate activity. The business was restructured during the year as a national unit with all state operations now reporting to a general manager for Australian Painting. This streamlines the organisation for better accountability as both the diversity and geographic footprint of our businesses expand. The corporate imaging business, which installs, refurbishes and replaces corporate branding for national retail chains, increased revenue in another year of steady expansion.

Australia's buoyant economy has made it more difficult to attract skilled tradespeople, particularly in Queensland where population growth has accelerated infrastructure and housing construction. To address this, the company increased the size of its apprenticeship program to 120 places from 100 the previous year, reinforced our graduate cadet program, and continued to focus on skills training.

The values that we constantly foster throughout the company also help us retain loyal tradespeople in times of full employment. We encourage all in the company to treat each other with respect, as valuable members of the team. Our training, work processes and recognition of achievement all aim to draw out the best in people, challenge them to look for better solutions and build a sense of pride in workmanship.

Our investment in occupational health and safety over the past four years helps ensure our workplaces are safe environments. Across the company, the frequency of lost time injuries was reduced by 35 per cent in 2005. Emphasis on safety and accident prevention has cut lost time injuries to half the level they were three years ago and 83 per cent of injured workers now return to work within 10 days, an improvement on the 60 per cent recorded three years ago.

Building services extended its national network to regional areas by adding offices at Newcastle and Lismore. Revenue increased by 29 per cent with significantly higher earnings and operational cash flow. Results in Victoria, New South Wales and South Australia were particularly encouraging.

The business has continued developing opportunities from aged care facilities and has won major new contracts that will contribute to revenue in 2005-6. This, together with new business in the pipeline, should offset the unsuccessful tender to retain the New South Wales schools maintenance contract from July 2005. This contributed $15 million revenue in 2005 and, while we were disappointed we did not retain the business, we could only have done so at unacceptable margins.

The grounds maintenance services business also grew strongly, increasing revenue by 28 per cent. The Transfield/Telstra contract, involving maintenance at more than 6,000 sites throughout Australia, contributed to the result and is progressing successfully. Grounds now has a presence in every state, after opening a Brisbane office in 2004, where it achieved profitability in the first year.

The business offers specialist skills in landscape design and construction, irrigation control and water budgeting, sports field management and maintenance. Its expansion is a good illustration of how we are gaining growth through the successful strategic progression of our business. Many of the schools, hospitals and public authorities that began with our painting programmes have adopted our grounds maintenance services.

Industrial Services

A very strong second half performance helped the industrial services business achieve an 11.2 per cent increase in revenue for the full year, after dry weather in Queensland and New South Wales restricted demand in the first half. The business, trading as Barry Bros. Specialised Services, provides specialised sewer and underground asset maintenance as well as water recycling services. It increased revenue in Victoria, New South Wales and Queensland, while expanding its operations to Tasmania and South Australia. Revenue from non-destructive digging services, which use jets of high-pressure air or water for excavation, increased by 77 per cent. Logistics planning helped improve plant utilisation and increase margins. An investment of $5 million in new equipment will underpin future growth.

With drought conditions in many states prompting introduction of new water management techniques, our technology is attracting the interest of local government authorities. Two plants installed at Parramatta, NSW, and one operating in conjunction with the City of Port Phillip, Victoria, treat water recovered from underground telecommunications and data cabling pits to use in irrigating public playing fields. Local sporting groups enjoy the benefit of being able to play on green fields despite summer water restrictions.

New Zealand

The New Zealand property maintenance business recovered strongly in the second half after the number of hours worked in the first half were reduced by wet weather. Revenue increased in all regions to a record level and operating cash flow was strong.

New Zealand has increased revenue by an average of 12 per cent a year for the past four years and its continuing growth indicates further market potential. Some three quarters of our painting business is programme-based, with particularly strong relationships in education where several institutions have been customers for more than a decade.

We overcame a shortage of skilled painters during the year and placed significant focus on training throughout New Zealand to maintain high standards. Customer appraisals showed the success of this effort, with customer satisfaction increasing. Building services continued to expand and the operation in the Midland region, started in the previous year, maintained a high quality of service and extended its customer base. In the initial stages of its development, building services made a small loss during 2004/5.

United Kingdom

The UK business, trading as Whittle Painting Group, achieved a significant turnaround in the Manchester branch and an exponential growth in the acceptance of painting programmes. With all six branches profitable, this business now has the critical mass for significant improvement in performance.

We now have a significant number of reference customers for our unique programmes in the area of schools, historic buildings, aged care, private and public health, retail and racecourse property. Long-term maintenance programmes contributed 19 per cent of revenue in 2005 and we expect this to continue to grow. The number of programme sales increased by 50 per cent to 80 sales during the year and this brought UK programme sales to date to over 210 with a total value of $16.25 million.

Increased supervision, new control systems and standardized processes across all six branches were opportunities to infuse the UK with Programmed Maintenance Services workplace values. An excellent health and safety record enabled us to negotiate reduced insurance premiums.

Significant projects included the company's first 'Royal' job for estates owned by the Crown, the re-imaging of 100 Thomson TUI holiday travel sales centres and a bonus payment for our exceptional performance for Lancaster City Council.

Technology

Programmed Maintenance Services continues to invest in technology that reduce costs and increase efficiency in our business, while also contributing a unique value-added element to our service. One example is the system we have developed that gives our customers direct access to our computerised order scheduling programme for quick collaboration on maintenance planning. We are moving more of our maintenance audits from paper to electronic systems to improve efficiency. We capture data on hand held electronic devices to build a detailed picture of a customer's maintenance needs and future maintenance costs.

Such technology not only allows better asset life-cycle maintenance planning, but allows us to offer customers access to our system for their own business planning. A customer can check everything from optimum light globe replacement to the state of statutory compliance of fire and other emergency equipment.

In a similar way, when re-imaging sites we provide customers access to web-based photos and reports of their sites to view progress and check results. Technology extends to internationally integrated on-line systems; electronic job despatch and monitoring systems we share with Transfield Services on our joint Telstra work; remote radio controls to safely operate Barry Bros. high pressure equipment; and fleet asset maintenance systems to improve our reliability. Such services provide additional value to Programmed Maintenance Services customers and help create a point of difference from our competitors.

Share Price

Following a general re-rating of the company's shares in mid 2004, the company's share price at 31st March 2005 was $3.17. This represented a 22% increase over the share price at 31st March 2004, and exceeded the growth in the ASX 300 Index for the same twelve month period. The company's share price at close of trading last Monday was $3.20.

For the second consecutive year, the broader investor interest in the company has increased the number of shareholders to over 3,600 shareholders, a 30 per cent increase from June 2004.

Current Year

The Group's trading results for the quarter ended 30 June 2005 were below targets for our painting businesses in Australia and New Zealand. Industrial Services has substantially grown its earnings, and the United Kingdom painting business has shown further improvement, over the June 2005 quarter.

Based on current sales and works projections, the Group would expect that consolidated profit after tax for the half year ending 30th September 2005 would be in the range of 7% to 10% above the $6.6 million profit after tax for the September 2004 half year. This range is consistent with the growth rates in previous years for the September half year profit after tax.

Dividends

With our sound performance lifting earnings per share to 26.1 cents in 2005 from 23.9 cents in the previous year, dividends have been increased. The final dividend was 31 per cent higher at 8.5 cents per share, while the franking component and payout ratio were also increased. Total dividends for the 2004-5 year were 15 cents franked to 71 per cent, compared with 12 cents franked to 50 per cent the previous year, taking the payout ratio to 57 per cent from 50 per cent previously.

Due to the improved cash flows and our objective to further improve capital management, the directors decided to suspend the dividend reinvestment plan for the final dividend paid in July. Your directors will continue to aim for increasing dividends while retaining sufficient funds to facilitate our future growth. We expect that the company will be able to frank dividends to at least 80% over the next twelve months, and maintain a payout ratio in excess of 50% of after-tax profits.

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.