PROGRAMMED Group

ASX Release

Friday 6 August 2010

Company Announcements Office
ASX Limited
Exchange Centre
Level 4
20 Bridge Street
Sydney NSW 2000

Dear Sir,

2010 Annual General Meeting

Chairman's and Managing Director's Addresses

Please find attached the addresses to be given by the Chairman, Mr. Geoff Tomlinson, and the Managing Director, Mr. Chris Sutherland, at the Annual General Meeting to be held in Melbourne later this morning.

Yours sincerely,
PROGRAMMED MAINTENANCE SERVICES LIMITED

Ian H. Jones

Ian H. Jones
Company Secretary

CHAIRMAN'S ADDRESS

TO THE ANNUAL GENERAL MEETING

6 AUGUST 2010

Ladies and gentlemen, on behalf of my fellow directors, I have pleasure in welcoming you to the Annual General Meeting of Programmed Maintenance Services Limited, our eleventh AGM since listing on the Australian Stock Exchange on 1st October 1999. Commencing primarily as a maintenance painting contractor, Programmed has grown to be a provider of staffing, maintenance and project services across Australia and New Zealand.

Your directors report that Programmed has come through the past year of significant economic uncertainty in sound shape. We have responded to falls in demand in some of our market sectors by reducing costs and commencing the exit from our small presence in the United Kingdom. We have strengthened the balance sheet, renewed our existing debt facility, continued to invest in the business and completed the acquisition of KLM Group Ltd, an electrical services company.

Group revenue fell overall by 5%, mainly attributable to the decline in Workforce revenue and being partly offset by higher revenue in Facility Management. The Group earnings before interest, taxes and amortization (EBITA) fell by 14%, attributable to lower Painting earnings, particular in our overseas operations in United Kingdom and New Zealand where market conditions were poorer than Australia. Workforce earnings were impacted by the lower staffing demand in Australia. Total interest expense was impacted by additional charges associated with the refinancing of our debt in May 2009. The reported profit after tax was $26.2 million, down 7% on prior year.

CAPITAL MANAGEMENT

In 2009, your directors reviewed Programmed's balance sheet and introduced a range of capital management initiatives to reduce debt further, provide greater balance sheet comfort and provide access to funds to invest as opportunities arise.

I am pleased to report that the Group balance sheet ended the 2010 financial year in a very healthy position with cash in bank of $48 million and undrawn debt facilities of near $70 million. Net debt to equity was 29% at 31 March 2010, down from 62% at the previous balance date

We raised $69 million last year to fund the acquisition of KLM for $29 million and other potential investment opportunities. If we invested the remaining $40 million, our notional debt to equity ratio would be 39%.

As part of the overall capital management programme, the Board decided to temporarily reduce the dividend payout ratio, with a target of achieving a 40% gearing level by September 2010. In my address to last year's AGM, I noted an intention to increase the payout ratio to 50% for earnings after October 2010 and that if we achieved our target gearing sooner, we would review our dividend policy at that time.

The actions of your directors have been consistent with last year's statements, with the dividend payout ratio reinstated to 50% - six months earlier than originally proposed. The final dividend for the 2010 financial year of 6c per share, paid last week, represents 50% of our second half profit.

Your directors activated the Dividend Reinvestment Plan (DRP) in January 2009 as another capital management initiative. The DRP was activated again for the July 2009 and January 2010 dividends. With the improvement in balance sheet strength and the reinstatement of the 50% payout ratio, the DRP was suspended for the July dividend, and we currently expect that the DRP will remain suspended for the foreseeable future.

AGM RESOLUTIONS

Although the list of resolutions to be discussed at this Annual General Meeting contains several items, they can be explained simply. There are the items regarding financial statements and the Remuneration Report, followed by the separate elections of four directors, and concluding with resolution to raise the maximum remuneration of non-executive directors. The AGM Notice did include explanatory notes on each of these resolutions and I will be happy to take any questions on these resolutions in the discussion to be held later in this AGM.

NEW DIRECTORS

I welcome Emma Stein and Bruce Brook as directors of the Company. The board appointed them on 16 June to fill casual vacancies, and accordingly are required to stand for election at the first AGM after their appointment. Their election as directors will be dealt with under Resolutions 5 & 6 on the Notice of Meeting.

BRIAN POLLOCK

Brian Pollock retires as a director at the end of this meeting, after nearly eleven years at Programmed. He joined the Board of Programmed prior to its listing in October 1999. As Chairman of the Board Audit Compliance & Risk Management Committee, Brian has been significantly involved in ensuring the financial strength of the business. His active participation as a director has contributed to the growth and strategic development of the Programmed Group into a leading staffing, maintenance and project services organisation.

Brian always enjoys understanding the detail behind financial projections, and then has the capacity to succinctly describe the key outcomes. It has been a pleasure to work with a person of such integrity, commitment and enthusiasm who has always acted in the interests of all shareholders.

On behalf of the Board, I would like to thank Brian for his years of exceptional service to the Group. I also thank my fellow directors for their contribution through the year.

SHARE PRICE

Following the issue of shares from the capital raising, and the DRP components of dividends during the 2010 financial year, Programmed now has 118.2 million shares issued to more than 5,900 shareholders.

From our listing on October 1999 to March 2006, the PRG share price grew roughly in line with the All Ordinaries Index, then accelerated ahead of the All Ordinaries' growth until December 2008. Unfortunately our share price has significantly underperformed the All Ordinaries since late in 2009.

This underperformance of the PRG share price has occurred during a period of renewed instability and weakness in global financial markets. Markets have fallen and displayed a high level of volatility. Some of the significant factors affecting the equity market in Australia include:

- The fear of sovereign risk in Europe
- The impact of the withdrawal of the Federal government's stimulus package
- Access to and the cost of bank credit
- Softening of commodity prices
- Fears that China's growth may slow quickly; and
- Currently, we are halfway through a Federal election campaign which creates additional uncertainty in the minds of investors.

In 2010, the Company has made three significant announcements to inform the market about the Company's affairs. On 29 January, the Company issued a market update that contained guidance for the FY2010 results. The proposed exit from the UK operations and the refocusing of SWG was announced on 12 May, and last Friday, the Company issued a market update containing guidance for the FY2011 results. The immediate reaction of the market to these announcements was a reduction in share price, with the recent update resulting in a severe 25% decline in the share price. Following a mild recovery over this week, the share price closed yesterday at $2.01.

OUTLOOK

Market confidence varies across the three market segments in which Programmed operates. Conditions within the Property & Infrastructure segment remain subdued, with retail and commercial clients being cautious. An expansion of offshore oil and gas opportunities is expected to improve the second half results of Resources and Industrial segment. A general but slow recovery is occurring within the Workforce segment, however small and medium size businesses have yet to increase demand.

The recent market update, issued on 30 July, advised that the FY11 EBITA is projected to be approximately the same as last year ($58.9m). Our profit after tax for FY11 is projected to be approximately 10% higher than last year ($26.2m) due to lower interest expense, before adjustment of the net expense to close our UK operations ($7.6m after tax, as previously announced).

Based on these projections excluding the UK provisions, and assuming the operating cashflows are similar to the previous year, your directors would expect that the 50% dividend payout would result in total dividends of 12 to 13 cents per share, fully franked. I note that the dividends for FY2010 were 9 cents per share (3 cents interim and 6 cents final).

The Board continues to review the Company's strategic direction, and considers that the current strategies are appropriate responses to the market challenges. Some recent large contract wins demonstrate the opportunities for the Company's expansion as the economy improves.

CONCLUSION

The solid performance of the past financial year is the result of the commitment of all our people. I would like to thank our Managing Director, Chris Sutherland, the management team and all of our staff for their efforts and also thank our shareholders for their continuing support.

Geoff Tomlinson
Chairman
6 August 2010

MANAGING DIRECTOR'S ADDRESS

TO THE ANNUAL GENERAL MEETING
6 AUGUST 2010

Thank you for taking the time to attend our AGM.

OUR HERITAGE

Programmed was founded nearly 60 years ago. It is a company that started as a painting company with a unique product,….a painting programme,…..whereby we fund the initial re-paint / repair of a building and service and warrant the appearance for typically 7 years. The customer repays the original repaint / repair cost and servicing with equal annual payments over the 7 year period. Today we still sell this product and have diversified into a broader range of building, maintenance and operational services to provide additional value for our customers and avenues to grow returns for shareholders beyond the available painting maintenance market where we have such a dominant market share across Australia and New Zealand.

OUR VISION

Our Vision is to be the leading provider of staffing, maintenance and project services.
It's a simple vision built around providing the right person, at the right time with the appropriate skills to do the job safely.

OUR BUSINESS

Our business consists of three segments:-

1) Property & Infrastructure - providing building, maintenance and operation services to the property and infrastructure sector

2) Resources & Industrial - providing construction, maintenance and operation services to resources sector, and;

3) Workforce - providing staffing services to support our internal operations and the external market

OUR STRATEGY

We have a simple strategy to grow our business.

Firstly we plan to provide additional services to our large Property & Infrastructure customer base. Our original painting business in Australia and New Zealand is a large mature business. We maintain strong, long term relationships with these customers and expect painting volumes to be stable over the long term. Growth will come from building our other services such as grounds, corporate imaging, electrical, and facility management to these customers.

Secondly we plan to expand our existing services in the resources / industrial market. We have a large operation in the offshore oil and gas sector, but remain a small player in the onshore market compared to our peers.

Thirdly we plan to expand our staffing services market. There remain both new geographic and customer sector opportunities for the business as well as providing ongoing internal staffing support for other parts of our group.

And finally we will continue to identify and develop new services to bring to the Group customers that leverage our core competencies to recruit, deploy and manage a workforce.

GROUP RESULTS

Now let us consider our 2010 financial year.

Australia was a very different place, more than a year ago in March 2009 when we prepared our business for the start of the 2010 financial year. The economy had stalled, businesses had stopped hiring staff and projects were being deferred or cancelled. Refinancing risks were considered high which was affecting many companies including Programmed.

Thus I am pleased to report that our company has weathered the storm well with a revenue decline of only 5%, and an EBITA decline of 14% against our normalized FY09 results.

Importantly, we refinanced our debt and significantly reduced borrowings and gearing levels; we raised capital to continue to expand the business and have reinstated our 50% payout ratio for dividends.

PROPERTY & INFRASTRUCTURE

I will now discuss the performance of the various business units that make up our Property & Infrastructure segment.

Australia Paint

In Australia our painting revenue declined 9%, due to painting maintenance demand being reduced across all sectors excluding education which was the beneficiary of federal government stimulus funds.

There was some margin pressure in capital cities where the lack of new commercial building work saw traditional construction painting contractors enter the maintenance market.

Grounds

In grounds maintenance, revenue and earnings increased as our position as a high quality national service provider becomes more widely recognised and the market moves further to an outsourced contract model.

We are developing a full landscape and construction capability to rollout nationally as an added service to our customers.

Corporate Imaging (including signage)

In corporate imaging, revenue and earnings increased in a tight retail market.
We are developing further our project / store refurbishment capability as increasingly customers seek us to reimage both the inside and outside of their retail outlets with new brand corporate livery and furnishings.

Electrical / KLM

We were pleased to successfully complete the acquisition of KLM, a leading electrical service provider, in January of this year for $29m. With a strong balance sheet and solid work in hand, we are confident the acquisition will be earnings per share accretive in the year ahead.

The group is selling KLM's capability to its broader customer base and current trading results are in line with expectations.

Facility Management

We achieved solid growth in our Facility Management business including some benefit from government stimulus expenditures in our public housing contracts in NSW and SA.

We are continuing to build a stronger and more capable business in a large market against more established players. Our strategy to leverage our internal workforce and maintenance capabilities makes us different to our larger competitors.

The Facility Management business has tendered for a number of major opportunities in the past year including opportunities in the Private Public Partnership (PPP) market. We are pleased to have just been recently awarded a 25 year facility management contract for provision of a range of services to maintain the Ararat prison as part of the Aegis Consortium PPP contract with the Victorian government. Our contract value is estimated to be in excess of $200m with our main services commencing in 2012.

New Zealand

In New Zealand the average painting margin has declined over the past 5 years as competition has increased and contracts secured in earlier years are renewed at lower margins.

Last year we also saw our revenue fall as the impact of global downturn impacted an already flat economy and commercial customers reduced expenditures.
We are responding by lowering overheads through combining most business functions on a transnational basis with the Australian painting operations.

Our plan in NZ is to hold our current high painting market share albeit at lower margins than previous years and to develop its other services to enable further revenue growth over time. Thus corporate imaging and workforce have opened in NZ and there are plans to develop grounds, electrical and facility management services in time as the general market recovers and opportunities are identified.

United Kingdom

As announced on 12 May, we propose to exit the UK. The rationale is simple.

We acquired a small painting business in the UK ten years ago and it remains a small business. Revenue last year was less than $20m or only 2% of Group sales. There is no relationship or synergy of this business with the customers or operations of the rest of the group and the business lost half a million pounds in the past year and the current economic outlook is poor.

Thus we propose to exit the UK by way of winding down the business to collect the considerable amount of working capital and contract recoverable that exist on our UK balance sheet. This will result in an estimated provision of $7.6m after tax in FY11 to cover redundancies and closure costs but return more than $5m cash to be reinvested back in Australia.

We believe we are better investing further in our strategy in Australia to expand the range of building, maintenance and operational services we sell to customers across the property, infrastructure, industrial and resources markets.

RESOURCES & INDUSTRIAL

I will now discuss the performance of the business units that make up our Resources & Industrial segment.

Marine

Our marine business saw revenue fall by 10% and earnings fall by 4% impacted by the major industrial dispute that occurred though our second half and significantly impacted our last quarter.

Agreement has been reached with the relevant unions and some work previously deferred has commenced.

There is a significant expansion of work opportunities towards the end of the 2010 year.

We have a contract to provide marine manning and related services to Allseas, an offshore pipeline contractor who has secured the offshore pipelay contract for Gorgon with Chevron. The contract value is well in excess of $100m and will commence later this year and run for at least 18 months.

Construction & Maintenance

Now looking at Construction & Maintenance.

Over the past 18 months, many resource/industrial companies and in particular, small and medium size companies have reduced maintenance expenditure and deferred project spend. Our results have not been what we had expected due mainly to this slowdown in activity. Hence we have decided to refocus the business and seek a lower cost structure.

Consequently, we have sold the direct offshore contracting part of the business to DOF Subsea, a leading international subsea engineering contractor, whilst retaining our capability to provide construction and project services to offshore contractors.

WORKFORCE

The restructuring of the Workforce business at the end of the 2009 financial year has produced a creditable result for the business in the 2010 financial year, considering the significant downturn in the market. Revenue fell 15% whilst earnings fell 37% from $12.7m to $8m. Casual labour demand in small and medium size enterprises remains relatively flat but is increasing in large enterprises, particularly within the mining and construction sectors.

The plan for FY11 is to maintain a tight administration cost base, invest further in the Integrated brand and increase the marketing and sales effort.

THANK YOU

Throughout the year our employees have shown tremendous spirit and commitment in sometimes challenging economic conditions. I thank them for their efforts.

Brian Pollock retires from the Board today after nearly eleven years of dedicated service. I thank Brian for his support.

RECENT MARKET UPDATE

Finally I would like to comment further about the market update that we provided last week and the subsequent fall in share price.

Over the past 12 months, we have been consistently cautious about the timing and extent of economic recovery, despite the exuberance some market analysts and commentators may have. On the 26th May our outlook advice included the statement that many retail and commercial clients are cautious about their own prospects and are maintaining low levels of maintenance and project expenditures, without providing any earnings guidance, as we were less than two months into the year. We also noted that small and medium size businesses remain cautious. There has been over the past 4 months numerous reports regarding the effect Federal Government stimulus had on certain market segments last year which was making trading conditions tougher this year. In addition, since April, survey data has revealed weakened business and consumer confidence. We provided our first initial guidance last week for FY11 where we projected our EBITA to be similar to last year (which was only 7% less than the prior year reported EBITA) and net profit to still increase by 10% from last year (excluding the UK provision previously disclosed). One can see that we have successfully managed our business through the economic cycle.

Of equal importance is that through the economic cycle we have acted to significantly reduce our debt from $234m at March 2008 to $106m at March 2010 and our gearing ratio (net debt / equity) from 94% at March 2008 to 28% at March 2010. We are a far stronger company than we were 2 years ago. Whilst the additional equity raised has reduced our earnings per share, the resulting significant reduction in finance risk was of greater value and importance for shareholders.

At the same time as managing our business through the economic cycle we have gone about staying on course to deliver our strategy.

The genesis of the merger with Integrated in 2007 was a strategy that we should look to grow other services and move into other industry sectors across Australia and New Zealand rather than pursue a riskier and capital intensive, major expansion of the painting programme business into new overseas markets. Now Programmed has major operations in the general workforce / labour hire segment as well as a major position in the oil and gas sector with strong growth prospects over the coming 5 years.

In addition, over the past two years, we have significantly expanded our Facility Management business and acquired SWG and KLM to complement our existing services in the property, infrastructure and resources markets.

CONCLUSION

In conclusion, whilst the short term economic outlook remains uncertain, there is general consensus that we are moving into the recovery phase of the economic cycle. We are a strong and stable company with a clear plan and significant opportunities to focus on as we look to further grow as the economy recovers. Recent successes in securing both our largest Facility Management contract and our largest Marine services contract highlight the strength of our internal capabilities and such opportunities.

Chris Sutherland
Managing Director
6 August 2010