



**PROGRAMMED
MAINTENANCE
SERVICES**

**PEOPLE
TAKING CARE
OF PROPERTY**

52 RICKETTS ROAD
MOUNT WAVERLEY
VICTORIA 3149

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ASX Announcement

24 May 2006

Company Announcements Office
Australian Stock Exchange Limited
Exchange Centre
Level 4
20 Bridge Street
SYDNEY NSW 2000

Dear Sir,

APPENDIX 4E - PRELIMINARY FINAL REPORT

Please find attached a copy of the Appendix 4E – Preliminary Final Report announcing the Annual Results for the year ended 31st March 2006.

Yours sincerely,

PROGRAMMED MAINTENANCE SERVICES LIMITED

Ian H. Jones
Secretary

ASX Announcement

Programmed Maintenance Services Limited

ABN 61 054 742 264

Appendix 4E – Preliminary Final Report

Year ended: 31 March 2006

Previous corresponding period: 31 March 2005

Results for Announcement to the Market		SA'000	
Revenue from ordinary activities	up 22.1%	to	283,379
Profit from ordinary activities after tax attributable to members	up 10.5%	to	20,171
Net profit for the period attributable to members	up 10.5%	to	20,171

EXPLANATION
This is the first preliminary final report to be prepared under Australian equivalents to International Reporting Standards (A-IFRS), and comparative information for previous reporting periods has been restated for comparability as if it had been prepared under A-IFRS. Detailed notes explaining these changes are included in this preliminary final report.

Dividends

	<u>Amount per security</u>	<u>Franked amount per security</u>	<u>Record date for determining entitlements to the dividend</u>
Dividends paid			
Interim 2005 - 27 Jan. 2005	6.5 cents	3.9 cents	
Final 2005 - 22 July 2005	8.5 cents	6.8 cents	
Interim 2006 – 25 Jan. 2006	7.5 cents	7.5 cents	
Dividends to be paid			
Final 2005 - 24 July 2006	9.5 cents	9.5 cents	10 July 2005

In accordance with the Rules of the Dividend Reinvestment Plan (DRP), the Board of Directors have decided that the DRP remains suspended for the final dividend.



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Appendix 4E

Programmed Maintenance Services Limited
ABN 61 054 742 264

Preliminary Final report

Year ended 31 March 2006

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ASX/media release

24 May 2006

Record \$20.2 million profit

Eighth consecutive year of double digit profit growth

Programmed Maintenance Services Limited, the property maintenance and infrastructure services group, today announced a 10.5 per cent increase in profit after tax to a record \$20.2 million for the year to 31 March 2006. Revenue increased by 22.1 per cent to \$283.4 million.

The directors have increased the final dividend by 11.8 per cent to 9.5 cents per share fully franked (2004/5: 8.5 cents franked to 80 per cent), payable on 24 July 2006 to shareholders on the register at 10 July. This brings total dividends for 2005/6 to 17.0 cents fully franked, compared with 15.0 cents franked to 71 per cent in 2004/5 and 12.0 cents franked to 50 per cent in 2004/5. The dividend payout ratio for 2005/6 will be 60 per cent (2004/5: 57 per cent). The dividend reinvestment plan remains suspended.

<u>Results summary for the year ended</u>	31 – 3 – 06 A\$m	31 – 3 – 05* A\$m	% increase
Revenue	283.4	232.0	22.1
Earnings before interest, tax, depreciation and amortisation	43.2	38.0	13.5
Earnings before interest and tax	33.9	29.9	13.2
Profit before tax	29.7	26.8	11.0
Income tax expense	(9.6)	(8.5)	(11.9)
Profit after tax	20.2	18.3	10.5
Earnings per share (cents)	28.5	26.3	8.4
Final dividend (cents)	9.5	8.5	11.8
Franking (%)	100	80	25.0
* 2004/5 figures have been restated in line with A-IFRS			

'We are delighted with this record result – our eighth consecutive year of double digit profit growth', said Mr Max Findlay, managing director. 'In a market that was tough, especially in New South Wales, we have succeeded in increasing group revenue by 22 per cent. We have also maintained our margin at 12 per cent, despite the fact that margins on some of our new services tend to be lower than on our traditional maintenance painting programmes.

'This continuing growth demonstrates the success of our strategy to broaden the range of services and trade skills we provide in Australia, and to build a strong, efficient international property services group on the foundation of our Australian painting business.

'The investment we have made in expanding and diversifying our operations is contributing increasingly to the growth and quality of the company's earnings. Our industrial services business, which has invested \$12 million in new capital equipment over the past two years, increased its earnings by 89 per cent and generated positive cash flow of more than \$5 million which helped us to fully frank dividends. Our grounds management business, which now operates nationally, had a very strong year; and our UK painting business began to realise its potential, with earnings up 56 per cent as the proportion of revenue from maintenance programmes increased.

'One example of our expanded skill base is a three year contract we have secured to provide maintenance services to more than 60 Myer stores throughout Australia. This contract, starting this month, involves a diverse range of services including painting, carpentry, plumbing, major and minor electrical works and the employment of over 90 tradespeople and staff.

'Another example is a contract, won jointly by our Australia property maintenance and industrial services businesses, to roll out a traffic management safety program throughout 700 Coles supermarkets around Australia.

'We also continued to strengthen our operational processes; and there was a further significant improvement in workplace safety, with a nearly 50 per cent decline in the lost-time injury frequency rate, compared with the previous year.'

Outlook

'There has been an encouraging start to 2006/7, and we are expecting earnings to grow at a similar level to previous years', said Mr Findlay. 'Dividends for the year are likely to be fully franked.'

AUSTRALIA

Property maintenance

<u>Results for year ended</u>	31 – 3 – 06 A\$m	31 – 3 – 05 A\$m	% increase
Revenue	196.0	157.4	24.5
Earnings before interest and tax	17.2	17.2	0.1

The Australian property maintenance business continued to increase its revenue, with non-painting services contributing 42 per cent of the total. Earnings in the second half increased by 7.5 per cent, but for the full year were flat due to depressed demand in the painting business in New South Wales and the loss in 2004/5 of the building services business' New South Wales schools contract.

The painting business increased its earnings in Victoria and Queensland, but its performance in New South Wales and Western Australia was disappointing. More emphasis is being placed on pricing, and a more flexible estimating system will be rolled out nationally during the coming months.

The building services business succeeded in replacing the revenue from the New South Wales schools contract, but at lower margins, and now has a broader customer and skill base. New contracts, including that from Myer, will more than compensate for reduced demand and lead to higher earnings in the coming year. A new branch in Newcastle was profitable in its first year, and the Queensland and South Australian branches performed well.

The grounds management business continued its strong growth in both revenue and earnings, winning significant new contracts from the education, retirement and local government sectors. Performance was particularly good in Victoria, where revenue is underpinned by landscaping, and the decision to introduce landscaping services nationally is expected to contribute to further growth in 2006/7. New management has been appointed to turn around a disappointing result in New South Wales. The South Australian branch performed well and the Queensland branch made a positive contribution in its first full year.

The Infraserv business performed ahead of expectations, with strong organic growth due to increases in customers' business activity and government infrastructure spending. Acquired in July 2004, Infraserv provides a wide range of infrastructure services that are non-core to its government and industrial customers.

Tungsten, which was acquired in October 2005, has secured new contracts since its acquisition. However, due to integration costs and office rationalisation, the Tungsten business made only a minor contribution to earnings in the second half.

Infraserv and Tungsten Group have expanded the company's supply chain capability to include facilities management and outsourced activities. There are an increasing number of opportunities for long term contracts, and the systems and intellectual capital acquired are contributing value to other group businesses.

Industrial services

<u>Results for year ended</u>	31 – 3 – 06 A\$m	31 – 3 – 05 A\$m	% increase
Revenue	28.3	20.9	35.2
Earnings before interest and tax	3.1	1.6	88.6

The industrial services business, which trades as Barry Bros. Specialised Services, produced a record result due to greater utilisation of equipment and tighter operating cost controls. Equipment purchases of more than \$12 million in the past two years have enabled the business to grow and expand geographically to Adelaide and Rockhampton. They have also enabled the business to offer a broader range of services to meet the needs of existing customers.

The increased investment in infrastructure projects in the eastern states has contributed to the revenue growth. A further two water recycling plants were commissioned during the year in Adelaide (October) and Melbourne (January), and a new street sweeping service for industrial and construction sites was introduced. To minimise risk and realise greater efficiencies, the business upgraded its business systems and introduced structured training programmes for all employees.

NEW ZEALAND

<u>Results for year ended</u>	31 – 3 – 06 A\$m	31 – 3 – 05 A\$m	% increase
Revenue	36.9	32.1	15.1
Earnings before interest and tax	11.9	10.0	18.4

The New Zealand property maintenance business had another excellent year, with all regions performing well despite economic uncertainty leading up to the election. The second half was particularly strong, and the order book indicates continuing growth. Significant new contracts were signed with two racing clubs, a meat works and a listed agricultural business. The total value of contract recoverables and work in progress grew 17 per cent in local currency.

The business' customer satisfaction rating increased following campaigns to improve foremen's communication skills and to sharpen the focus on meeting customers' needs.

UNITED KINGDOM

<u>Results for year ended</u>	31 – 3 – 06 A\$m	31 – 3 – 05 A\$m	% increase
Revenue	22.3	21.6	3.1
Earnings before interest and tax *	1.7	1.1	55.9

** Earnings are after deduction of UK head office costs*

The UK business, Whittle Painting Group, began to demonstrate its substantial growth potential. Average margin increased significantly as revenue from long-term maintenance programmes reached 25 per cent of total revenue, compared with 19 per cent in 2004/5, and as the business benefited from indexation payments.

Whittle's maintenance programmes are unique in the UK market, and a further 90 contracts were signed during the year, bringing the total to 300 with an overall value of \$22 million. As in New Zealand, the programmes are particularly popular in the education sector.

New branches were opened during the year in Slough, to service customers on the western side of London, and Cambridge. These bring the number of branches to eight, covering the north-west, midlands, south-west and east of England, as well as the Thames Valley.

CASH FLOW AND BALANCE SHEET

Growth in contract recoverables, together with increased income tax payments in Australia and higher interest charges, resulted in a 50 per cent decrease in net operating cash flow to \$6.4 million. The acquisition of the Tungsten group, together with purchases of plant and equipment of \$15.8m, increased net debt to \$74.4 million from \$47.2 million at 31 March 2005. As a consequence, the group's debt:equity ratio increased to 59 per cent from 40 per cent at 31 March 2005. Contract recoverables at 31 March 2006 totalled \$176.9 million, compared with \$161.3 million at 31 March 2005.

The total equity base at 31 March 2006 was \$126.0 million, an increase of 6.3 per cent over 31 March 2005 (\$118.5 million), due to the solid operating results offset by higher dividend payments. Net tangible assets per share at 31 March 2006 were \$1.61, virtually unchanged from \$1.60 at 31 March 2005.

The company currently has over 4,000 shareholders, which is an increase of nearly 50 per cent since May 2004, reflecting greater recognition of the company's value and potential by the investment community.

Programmed Maintenance Services Limited
Consolidated Income Statement
For The Year Ended 31 March 2006

	<u>Note</u>	<u>2006</u> <u>\$'000</u>	<u>2005</u> <u>\$'000</u>
Revenue	2	283,379	232,002
Other Income	2	251	410
Changes in inventories of finished goods and work in progress		494	496
Raw materials and consumables used		(24,910)	(19,700)
Employee benefits expenses		(129,711)	(97,493)
Sub Contractor expenses		(54,209)	(53,528)
Depreciation and amortisation expense		(9,306)	(7,965)
Finance costs		(4,283)	(3,395)
Equipment & motor vehicle costs		(14,240)	(11,328)
Information technology & telecommunications costs		(2,673)	(2,673)
Impairment of non-current assets		-	-
Other expenses		<u>(15,065)</u>	<u>(10,028)</u>
Profit before income tax expense	2	29,727	26,798
Income tax expense	3	<u>(9,556)</u>	<u>(8,543)</u>
Profit from continuing operations		20,171	18,255
Profit from discontinued operations		<u>-</u>	<u>-</u>
Profit attributable to members of the parent entity		<u><u>20,171</u></u>	<u><u>18,255</u></u>
Earnings Per Share:			
Basic (cents per share)	17	28.5	26.3
Diluted (cents per share)	17	28.4	26.3

Notes to the financial statements are included on pages 8 to 37.

Programmed Maintenance Services Limited
Consolidated Balance Sheet
As At 31 March 2006

	<u>Note</u>	<u>2006</u> <u>\$'000</u>	<u>2005</u> <u>\$'000</u>
Current Assets			
Cash and cash equivalents		6,527	2,209
Trade and other receivables	6	131,313	109,303
Other financial assets		-	26
Inventories	7	18,534	15,449
Current tax assets	3	459	-
Other	8	3,903	3,081
Total Current Assets		<u>160,736</u>	<u>130,068</u>
Non-Current Assets			
Trade and other receivables	9	90,417	83,589
Inventories	10	7,681	7,782
Property, plant and equipment		33,075	26,009
Deferred tax assets	3	5,666	4,231
Goodwill	11	9,378	2,335
Other intangible assets	12	2,167	2,677
Total Non-Current Assets		<u>148,384</u>	<u>126,623</u>
Total Assets		<u>309,120</u>	<u>256,691</u>
Current Liabilities			
Trade and Other Payables		37,653	27,640
Borrowings		11,810	6,159
Current tax payables	3	2,363	2,546
Provisions		8,790	7,125
Total Current Liabilities		<u>60,616</u>	<u>43,470</u>
Non-Current Liabilities			
Borrowings		69,074	43,297
Deferred tax liabilities	3	51,145	48,548
Provisions		2,241	2,854
Total Non-Current Liabilities		<u>122,460</u>	<u>94,699</u>
Total Liabilities		<u>183,076</u>	<u>138,169</u>
Net Assets		<u>126,044</u>	<u>118,522</u>
Equity			
Issued Capital	14	27,198	26,219
Reserves		5,976	8,263
Retained earnings	15	92,870	84,040
Total Equity		<u>126,044</u>	<u>118,522</u>

Notes to the financial statements are included on pages 8 to 37.

Programmed Maintenance Services Limited
Consolidated Statement of Recognised Income and Expense
For The Year Ended 31 March 2006

	<u>2006</u> <u>\$'000</u>	<u>2005</u> <u>\$'000</u>
Translation of foreign operations		
Exchange differences taken to equity	(2,286)	1,568
Income tax on items taken directly to or transferred from equity	-	-
Net income recognised directly in equity	<u>(2,286)</u>	<u>2,143</u>
Profit for the period	<u>20,171</u>	<u>18,255</u>
Total recognised income and expense for the period	<u><u>17,885</u></u>	<u><u>20,398</u></u>

Notes to the financial statements are included on pages 8 to 37.

Programmed Maintenance Services Limited
Consolidated Cash Flow Statement
For The Year Ended 31 March 2006

		2006	2005
		<u>\$'000</u>	<u>\$'000</u>
Cash Flows From Operating Activities			
Receipts from customers		288,927	237,178
Payments to suppliers and employees		(270,592)	(215,581)
Interest and other costs of finance paid		(4,283)	(3,395)
Income tax paid		(7,641)	(5,374)
		<u>6,411</u>	<u>12,828</u>
Net cash provided by operating activities	16(b)		
Cash Flows From Investing Activities			
Interest received		145	124
Payment for property, plant and equipment		(4,696)	(4,812)
Proceeds from sale of property, plant and equipment		869	1,069
Payment for businesses	16(c)	(8,332)	-
Payments for acquisition of long-term contracts	16(c)	-	(2,080)
		<u>(12,014)</u>	<u>(5,699)</u>
Net cash used in investing activities			
Proceeds from issue of equity securities		979	2,552
Proceeds from borrowings		21,529	-
Repayment of borrowings		(5,818)	(2,747)
Dividends paid		(11,341)	(6,458)
		<u>5,349</u>	<u>(6,653)</u>
Net cash used in financing activities			
Net Increase/(Decrease) In Cash Held		(254)	476
Cash At The Beginning Of The Financial Year		508	71
Effect of exchange rate changes on the balance of		15	(39)
		<u>269</u>	<u>508</u>
Cash At The End Of The Financial Year	16(a)		

Notes to the financial statements are included on pages 8 to 37.

1 Summary of accounting policies

Basis of preparation

This preliminary final report has been prepared in accordance with ASX listing rule 4.3 and the disclosure requirements of ASX Appendix 4E.

The consolidated entity changed its accounting policies on 1 April 2005 to comply with Australian equivalents to International Financial Reporting Standards. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 April 2004 as the date of transition. An explanation of how the transition from superceded policies to A-IFRS has affected the consolidated entity's financial position, financial performance and cash flows is discussed in note 23.

The accounting policies set out below have been applied in preparing this preliminary final report for the year ended 31 March 2006, the comparative information presented in this preliminary final report, and in the preparation of the opening A-IFRS balance sheet at 1 April 2004 (as disclosed in note 23), the consolidated entity's date of transition. The consolidated entity has not restated comparative financial information for financial instruments, including derivatives, as permitted under the first time adoption transitional provisions. The accounting policies for financial instruments applicable to the comparative information are consistent with those adopted and disclosed in the lodged 2004 annual financial report.

The impact of changes in these accounting policies on 1 April 2005, the date of transition for financial instruments, is disclosed further in note 1(u).

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of this preliminary final report:

(a) Revenue Recognition

Rendering of Services

The revenue recognised from rendering of services combines:-

- (i) invoicing from the provision of the company's services inclusive of the amounts due and payable under the terms of the long term maintenance contracts;
- (ii) revenue not yet invoiced but earned on work completed in servicing long term maintenance contracts which, while owing to the company under the terms of those contracts, will not become payable until future years; and
- (iii) revenue not yet invoiced but earned on work completed under contracts other than long term maintenance contracts.

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 long term maintenance contracts specifically detail both services to be performed and the invoicing components for each year of the contracts. The company'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.

1 Summary of accounting policies (continued)

(a) Revenue Recognition (continued)

The company's long term maintenance contracts include indexation clauses to allow for cost escalations. Labour and material costs are indexed on publicly available indices, with overhead costs being indexed at long term interest rates.

The company reviews the projected inflows of sales receipts to determine whether the values of revenue earned for the reporting period and Contracts in Progress at Recoverable Value at the reporting date are at their fair values. The fair values would be calculated by indexing the nominal values at the weighted average of the indexation and then discounting these amounts by the implicit rate of interest. As the current view of the company is that the weighted average of the indexation equates to the implicit rate of interest, there is no material difference between the nominal values and fair values of the revenue earned and the recoverable values. Accordingly, the revenue not yet invoiced but earned on work completed is recorded at fair value.

Dividend and Interest Revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(b) Contracts in progress at recoverable value

The revenue earned on long term maintenance contracts includes a portion that will only become payable after the reporting date. This revenue is carried forward and shown in the statement of financial position as contracts in progress at recoverable value.

As described above in the accounting policy on revenue recognition, contracts in progress at recoverable value are reviewed and recorded at fair value on initial recognition, and are subsequently measured at amortised cost which includes the adjustment for indexation.

(c) Inventories

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

(d) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, 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 goodwill.

1 Summary of accounting policies (continued)

(d) Income tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the consolidated entity 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 consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, 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.

Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Programmed Maintenance Services Limited is the head entity in the tax-consolidated group.

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.

(e) Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method is review at the end of each annual reporting period.

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

Buildings	20 - 30 years
Leasehold improvements - Buildings	5 years
Plant and equipment	3 - 15 years
Equipment under finance lease	5 years

1 Summary of accounting policies (continued)

(f) Foreign currency

Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise except that:

- exchange differences which relate to assets under construction for future productive use are included in the cost of those assets; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

Foreign operations

On consolidation, the assets and liabilities of the consolidated entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after the date of transition to A-IFRS are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date. Goodwill arising on acquisitions before the date of transition to A-IFRS is treated as an Australian dollar denominated asset.

(g) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

1 Summary of accounting policies (continued)

(h) Financial assets

Trade and other receivables

Trade receivables and other receivables are recorded at amortised cost less impairment.

Other financial assets

Other financial assets, including investment in wholly owned controlled entities are recorded at cost less impairment.

(i) Employee benefits

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

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits, which are not expected to be settled within 12 months, are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

(j) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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 balance sheet 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.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

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.

(k) Impairment of assets

At each reporting date, the consolidated entity 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 consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1 Summary of accounting policies (continued)

(k) Impairment of assets (continued)

Goodwill and intangible assets not yet available for use are tested for impairment at each reporting date and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

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 an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

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 in profit or loss immediately.

(l) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(m) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(o) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment at each reporting date and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. Refer also note 1(k).

1 Summary of accounting policies (continued)

(p) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

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 cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

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 recovery will be received and the amount of the receivable can be measured reliably.

(q) Goods & services tax

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

- i. 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
- ii. 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 as operating cash flows.

(r) Value of long term contracts acquired

Included in intangible assets is the value of long term contracts acquired. The consolidated entity recognises the value of these intangible assets as the total of the purchase consideration and the fair value of the net liabilities acquired. These intangible assets are being amortised over six years.

These intangible assets are tested for impairment whenever there is an indication that the intangible assets may be impaired. Any impairment is recognised immediately in profit or loss. Refer also note 1(k).

(t) Share-based payments

No equity-settled share based payments have been granted after 7 November 2002. The consolidated entity has elected to take advantage of Accounting Standard AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards" first time adoption elections and not record these share based payments at fair value. Any equity-settled share based payments made in the future will be measured at fair value at the date of the grant. The fair value determined at the grant date will be expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

(u) Comparative information

The consolidated entity has not elected to restate comparative financial instruments within the scope of Accounting Standards AASB 132 "Financial Instruments: Disclosure and presentation" and AASB 139 "Financial Instruments: Recognition and measurement", as permitted on first time adoption of A-IFRS. There is no effect on the balance sheet as at 1 April 2005 following the changes in the accounting policies for financial instruments.

Programmed Maintenance Services Limited
Notes to the Financial Statements
For The Year Ended 31 March 2006

2 Profit from operations

	2006	2005
	<u>\$'000</u>	<u>\$'000</u>
(a) Revenue		
Revenue from continuing operations consisted of the following items:-		
Revenue from rendering of services:		
Invoiced	265,789	217,758
Not Yet Invoiced		
- Increase in amounts recoverable	15,083	11,251
- Work in progress	2,048	2,546
	<u>282,920</u>	<u>231,555</u>
Interest revenue		
- other entities	145	124
	<u>145</u>	<u>124</u>
Rental revenue		
- operating lease rental revenue	164	323
Other Income	150	-
	<u>283,379</u>	<u>232,002</u>
Total Revenue		

(b) Profit before income tax

Profit before income tax has been arrived at after crediting/(charging) the following gains and losses from continuing operations:

Gain/(loss) on disposal of property, plant & equipment	346	410
Net foreign exchange gains/(losses)	(95)	-
	<u>251</u>	<u>410</u>
Total Other income		

Profit before income tax has been arrived at after charging the following expenses attributable to continuing operations:

Finance Costs:

Interest on loans		
- other entities	(2,612)	(2,213)
- finance lease finance charges	(1,529)	(1,182)
Total interest expense	<u>(4,141)</u>	<u>(3,395)</u>
Other finance costs	(142)	-
	<u>(4,283)</u>	<u>(3,395)</u>

Net bad and doubtful debts arising from		
- other entities	(190)	(114)

Programmed Maintenance Services Limited
Notes to the Financial Statements
For The Year Ended 31 March 2006

2 Profit from operations (continued)

	2006	2005
(b) Profit before income tax (continued)	<u>\$'000</u>	<u>\$'000</u>
Depreciation of non-current assets		
- Property, plant and equipment	(3,649)	(3,563)
Amortisation of non-current assets		
- Finance lease assets	(5,147)	(4,042)
- Goodwill	-	-
- Value of long term contracts acquired	(510)	(360)
	<u>(5,657)</u>	<u>(4,402)</u>
Operating lease rental expense		
- Minimum lease payments	(2,821)	(1,793)
Employee benefit expense:		
Post employment benefits		
- Defined contribution plans (superannuation contributions)	(6,629)	-
Termination benefits	(1,172)	-
Other employee benefits	(121,910)	(97,493)
Total employee benefit expense:	<u>(129,711)</u>	<u>(97,493)</u>

3 Income taxes

(a) Income tax recognised in profit and loss

Tax expense comprises:

Current tax expense	7,468	5,194
Deferred tax expense relating to the origination and reversal of temporary differences	2,088	3,349
Total tax expense	<u>9,556</u>	<u>8,543</u>

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Profit from operations	29,727	26,798
Income tax expense calculated at 30%	8,918	8,039
Amortisation of intangibles	153	108
Non-deductible expenses	257	253
Effect of different rates of tax on overseas income	282	266
	<u>9,610</u>	<u>8,666</u>
Over provision of income tax in previous year	(54)	(123)
Total tax expense	<u>9,556</u>	<u>8,543</u>

Programmed Maintenance Services Limited
Notes to the Financial Statements
For The Year Ended 31 March 2006

3. Income taxes (continued)

	2006	2005
	<u>\$'000</u>	<u>\$'000</u>
(b) Current tax assets and liabilities		
Current tax assets:		
Tax losses - revenue	459	-
Current tax payables:		
Income tax attributable to:		
Parent entity	615	1,880
Entities in the tax-consolidated group	434	220
Other	1,314	446
	<u>2,363</u>	<u>2,546</u>
(c) Deferred tax balances		
Deferred tax assets comprise:		
Tax losses - revenue	-	-
Temporary differences	5,666	4,231
	<u>5,666</u>	<u>4,231</u>
Deferred tax liabilities comprise:		
Temporary differences	51,145	48,548

Taxable and deductible temporary differences attributable to continuing operations arise from the following:

Consolidated - 2006	Opening balance <u>\$'000</u>	Charged to income <u>\$'000</u>	Acquisitions /Disposals <u>\$'000</u>	Exchange differences <u>\$'000</u>	Closing balance <u>\$'000</u>
Gross deferred tax liabilities:					
Inventories	(22,953)	(2,389)	(612)	141	(25,813)
Contracts in progress at recoverable value	(133,443)	(7,754)	-	2,305	(138,892)
Property, plant & equipment	(935)	198	-	-	(737)
Other	(1,074)	529	-	-	(545)
	<u>(158,405)</u>	<u>(9,416)</u>	<u>(612)</u>	<u>2,446</u>	<u>(165,987)</u>
Gross deferred tax assets:					
Provisions	10,237	(47)	859	(9)	11,040
Property, plant & equipment	398	(25)	-	(19)	354
Doubtful Debts	943	(54)	51	(9)	931
Other	4,011	2,463	6	(18)	6,462
	<u>15,589</u>	<u>2,337</u>	<u>916</u>	<u>(55)</u>	<u>18,787</u>
	<u>(142,816)</u>	<u>(7,079)</u>	<u>304</u>	<u>2,391</u>	<u>(147,200)</u>

Programmed Maintenance Services Limited
Notes to the Financial Statements
For The Year Ended 31 March 2006

3 Income taxes (continued)

(c) Deferred tax balances (continued)

Consolidated - 2005	Opening balance \$'000	Charged to income \$'000	Acquisitions /Disposals \$'000	Exchange differences \$'000	Closing balance \$'000
Gross deferred tax liabilities:					
Inventories	(19,643)	(1,098)	(2,075)	(137)	(22,953)
Contracts in progress at recoverable value	(125,259)	(7,252)	-	(1,866)	(134,377)
Property, plant & equipment	-	-	-	-	-
Other	(130)	84	(1,027)	-	(1,073)
	<u>(145,032)</u>	<u>(8,266)</u>	<u>(3,102)</u>	<u>(2,003)</u>	<u>(158,403)</u>
Gross deferred tax assets:					
Provisions	6,569	721	2,943	3	10,236
Property, plant & equipment	2,194	(1,816)	-	20	398
Doubtful Debts	943	(12)	-	11	942
Other	2,271	(345)	2,080	5	4,011
	<u>11,977</u>	<u>(1,452)</u>	<u>5,023</u>	<u>39</u>	<u>15,587</u>
	<u>(133,055)</u>	<u>(9,718)</u>	<u>1,921</u>	<u>(1,964)</u>	<u>(142,816)</u>

Relevance of tax consolidation to the consolidated entity

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 April 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Programmed Maintenance Services Limited.

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.

4 Acquisition of businesses

Name of business acquired	Principal Activity	Date of Acquisition	Proportion of shares acquired (%)	Cost of Acquisition \$'000
2006:				
Tungsten Group Pty. Limited	Operations Management	10/10/2005	100%	9,956
2005:				
Long term contracts acquired from Serco	Infrastructure Management	1/07/2004	-	3,037

Programmed Maintenance Services Limited
Notes to the Financial Statements
For The Year Ended 31 March 2006

4 Acquisition of businesses (continued)

(a) Acquisition of Tungsten Group Pty. Limited

	\$'000
The cost of acquisition comprises:-	
Cash	9,326
Issue of equity securities	630
	<hr/>
Total cost of acquisition	9,956

Included in the cost of acquisition was the issue of equity securities in the Company to two former shareholders in Tungsten Group Pty. Limited. The number of securities issued was 195,890 at a fair value of \$3.2135 per security. The fair value was based on the volume weighted average price of the Company's securities traded on the Australian Stock Exchange over the three months from September to November 2005.

Included in the net profit for the period is \$108 thousand attributable to the additional business generated by Tungsten Group Pty. Pty. Limited. Had this business combinations been effected at 1 April 2005, the revenue of the consolidated entity would be \$326,178 thousand, and net profit \$20,627 thousand.

	Book value	Fair value adjustment	Total fair value on acquisition
	\$'000	\$'000	\$'000
Net assets acquired:			
Current assets			
Cash	1,550	-	1,550
Receivables	5,415	-	5,415
Other financial assets	198	(16)	182
Inventories	612	-	612
Current tax asset	890	(127)	763
Non-current assets			
Other financial assets	74	-	74
Property, plant & equipment	533	(4)	529
Current liabilities			
Trade and other payables	(5,167)	(67)	(5,234)
Borrowings	(46)	-	(46)
Current tax payables	-	(24)	(24)
Provisions	(446)	-	(446)
Non-current liabilities			
Borrowings	(52)	-	(52)
Deferred tax liabilities	(84)	(100)	(184)
Provisions	(226)	-	(226)
	<hr/>		
	3,251	(338)	2,913
			<hr/>
Goodwill on acquisition			
Total cost of acquisition			9,956
Less: Net assets acquired			<hr/> 2,913
			<hr/>
Goodwill on acquisition			7,043

Further details of the business acquired during the financial year are disclosed in note 16.

(b) Value of long term contracts acquired from Serco

On 5th April 2004, the Company announced it had signed an agreement to purchase a number of infrastructure services contracts from Serco Australia Pty. Ltd. with total annualised revenue of \$12,000 thousand excluding recoverables. The novation of these contracts was subject to the consent of various customers. Five customers, from a total of seven, consented to novate the contracts. The transfer of employees and assets associated with the contracts took place on 1st July 2004 for four customers, and on 1st September 2004 for the remaining customer. These five contracts have formed the basis of a new division in the Australian property maintenance business called 'Infraserv'.

Programmed Maintenance Services Limited
Notes to the Financial Statements
For The Year Ended 31 March 2006

4 Acquisition of businesses (continued)

(b) Value of long term contracts acquired from Serco (continued)

The financial details of the acquisition of these long term contracts were:-

	2006	2005
	<u>\$'000</u>	<u>\$'000</u>
Fair value of net liabilities acquired		
Current assets		
Receivables	-	99
Inventories	-	2,075
Current tax asset	-	624
Non-current assets		
Receivables	-	933
Property, plant & equipment	-	148
Deferred tax asset	-	883
Current liabilities		
Payables	-	(1,782)
Borrowings	-	(8)
Provisions	-	(655)
Non-current liabilities		
Deferred tax liabilities	-	(931)
Provisions	-	(2,343)
Total fair value of net liabilities acquired	-	(957)
Consideration		
Cash	-	2,080
Value of long term contracts acquired	-	(3,037)

5 Share options

The company has a share option scheme for directors and senior executives. Each share option upon exercise becomes one fully paid ordinary share in Programmed Maintenance Services Limited. No amounts are paid or payable by the recipients on receipt of the share option

In accordance with the provisions of the scheme, as approved by shareholders' consent, certain directors senior executives and employees have been offered and accepted options which can be exercised at various expiry dates up to 29 September 2006. The options are offered at the discretion of the board, with the issue price of an option to equal or exceed the market price of one fully paid ordinary share on the date the option is granted.

	2006	2005
	No.	No.
Balance at beginning of the financial year (i)	193,500	1,412,000
Granted during the financial year (ii)	-	-
Exercised during the financial year (iii)	(157,500)	(1,218,500)
Lapsed during the financial year (iv)	-	-
Balance at end of the financial year (v)	36,000	193,500

Programmed Maintenance Services Limited
Notes to the Financial Statements
For The Year Ended 31 March 2006

5 Share options (continued)

(i) Balance at beginning of the financial year 2006

Options - Series	No.	Vesting Date	Expiry/ Exercise Date	Exercise Price \$
(3) Granted 29 September, 1999	97,500	29.09.03	29.09.05	2.00
(6) Granted 8 May, 2002	96,000	29.09.04	29.09.06	2.57
Balance at end of the half year	193,500			

(ii) Granted during the financial year 2006

No share options were granted during the financial year or the previous financial year.

(iii) Exercised during the financial year 2006

Options - Series	No. of Options Exercised	Vesting Date	Expiry/ Exercise Date	Exercise Price \$	No. of Shares Issued	Fair Value Received \$	Fair Value of shares at date of issue \$
(3) Granted 29 Sept., 1999	97,500	29.09.03	29.09.05	2.00	97,500	195,000	305,175
(6) Granted 8 May, 2002	60,000	29.09.04	29.09.06	2.57	60,000	154,200	187,800
	157,500				157,500	349,200	492,975

The fair value of shares at date of exercise was determined by using the market price of the company's ordinary shares on 27 September 2005. At this date, the market price was \$3.13 per share.

Exercised during the previous financial year 2005

Options - Series	No. of Options Exercised	Vesting Date	Expiry/ Exercise Date	Exercise Price \$	No. of Shares Issued	Fair Value Received \$	Fair Value of shares at date of issue \$
(2) Granted 29 Sept., 1999	546,000	29.09.02	29.09.04	2.00	546,000	1,092,000	1,829,100
(3) Granted 29 Sept., 1999	448,500	29.09.03	29.09.05	2.00	448,500	897,000	1,502,475
(4) Granted 8 May, 2002	128,000	29.09.02	29.09.04	2.49	128,000	318,720	428,800
(5) Granted 8 May, 2002	96,000	29.09.03	29.09.05	2.54	96,000	243,840	321,600
	1,218,500				1,218,500	2,551,560	4,081,975

The fair value of shares at date of exercise was determined by using the market price of the company's ordinary shares on 27 September 2004. At this date, the market price was \$3.35 per share.

(iv) Lapsed during the financial year 2006

No share options lapsed during the current or previous half year reporting period.

Programmed Maintenance Services Limited
Notes to the Financial Statements
For The Year Ended 31 March 2006

5 Share options (continued)

(v) Balance at end of the financial year 2006	No	Vested No	Unvested No	Vesting Date	Expiry/ Exercise Date	Exercise Price \$
Options - Series						
(6) Granted 8 May, 2002	36,000	36,000	-	29.09.04	29.09.06	2.57
	<u>36,000</u>	<u>36,000</u>	<u>-</u>			

Executive share options carry no rights to dividends and no voting rights.
The market price of the company's ordinary shares at 31 March 2006 was \$3.61.

6 Current trade and other receivables

	2006 \$'000	2005 \$'000
Trade receivables	64,289	48,265
Allowance for doubtful debts	(996)	(990)
	<u>63,293</u>	<u>47,275</u>
Contracts in progress at recoverable value	66,702	61,857
Other amounts due from customers under long-term contracts	1,318	171
	<u>131,313</u>	<u>109,303</u>

7 Current inventories

At cost:		
Raw materials and stores	1,444	1,185
Work in progress	4,424	5,250
Finished goods	215	6
At recoverable amount:		
Work in progress	12,451	9,008
	<u>18,534</u>	<u>15,449</u>

8 Other current assets

Prepayments	3,003	2,400
Other	900	681
	<u>3,903</u>	<u>3,081</u>

9 Non-current trade and other receivables

Contracts in progress at recoverable value	90,104	82,827
Other amounts due from customers under long term contracts	313	762
	<u>90,417</u>	<u>83,589</u>

10 Non-current inventories

At cost:		
Work in progress	-	144
At recoverable amount:		
Work in progress	7,681	7,638
	<u>7,681</u>	<u>7,782</u>

Programmed Maintenance Services Limited
Notes to the Financial Statements
For The Year Ended 31 March 2006

	2006	2005
	<u>\$'000</u>	<u>\$'000</u>
11 Goodwill		
Goodwill	9,913	2,870
Accumulated amortisation	(535)	(535)
	<u>9,378</u>	<u>2,335</u>
12 Other intangible assets		
Value of long-term contracts acquired	3,037	3,037
Accumulated amortisation	(870)	(360)
	<u>2,167</u>	<u>2,677</u>
13 Contracts and work in progress at recoverable value		
Contracts in Progress		
Balance at beginning of year	144,684	131,342
Increase in amounts recoverable	15,083	11,251
Effect of foreign currency movements	(2,961)	2,091
	<u>156,806</u>	<u>144,684</u>
Balance at end of year	156,806	144,684
Shown in the financial statements as:		
Current	66,702	61,857
Non-Current	90,104	82,827
	<u>156,806</u>	<u>144,684</u>
Work in Progress		
Balance at beginning of year	16,646	16,516
Increase in amounts recoverable	3,630	(13)
Effect of foreign currency movements	(144)	143
	<u>20,132</u>	<u>16,646</u>
Balance at end of year	20,132	16,646
Shown in the financial statements as:		
Current	12,451	9,008
Non-Current	7,681	7,638
	<u>20,132</u>	<u>16,646</u>
Total Contracts and Work in Progress		
Shown in the financial statements as:		
Current	79,153	70,865
Non-Current	97,785	90,465
	<u>176,938</u>	<u>161,330</u>

Programmed Maintenance Services Limited
Notes to the Financial Statements
For The Year Ended 31 March 2006

14 Issued Capital

	2006	2005
	<u>\$'000</u>	<u>\$'000</u>
71,159,705 fully paid ordinary shares (31 March 2005 70,806,315)	<u>27,198</u>	<u>26,219</u>

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	2006	
Fully Paid Ordinary Shares	<u>No.'000</u>	<u>\$'000</u>
Balance at beginning of financial year	70,806	26,219
Issue of shares under director and senior executive share option plan (note 5)	157	349
Issued of shares as part consideration for acquisition of business (note 4)	<u>196</u>	<u>629</u>
Balance at end of financial year	<u>71,159</u>	<u>27,198</u>

	2006	2005
	<u>\$'000</u>	<u>\$'000</u>
<u>15 Retained Profits</u>		
Balance at beginning of financial year	84,040	74,830
Profit from ordinary activities after related income tax expense	20,171	18,255
Dividends provided for or paid (note 20)	(11,341)	(9,045)
Balance at end of financial year	<u>92,870</u>	<u>84,040</u>

Programmed Maintenance Services Limited
Notes to the Financial Statements
For The Year Ended 31 March 2006

	2006	2005
	<u>\$'000</u>	<u>\$'000</u>
16 Notes to Statement of Cash Flows		
(a) Reconciliation of Cash		
Cash	6,527	2,059
Bank overdraft	(6,258)	(1,988)
	<u>269</u>	<u>71</u>
(b) Reconciliation of profit for the period to net cash flows from operating activities		
Profit for the period	20,171	18,255
(Gain)/loss on sale of non current assets	(346)	(410)
Depreciation and amortisation of non-current assets	9,306	7,965
Interest income received and receivable	(144)	(124)
(Increase)Decrease in current tax assets	459	256
Increase(Decrease) in current tax liability	(155)	66
Increase(Decrease) in deferred tax balances	1,611	2,847
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase)/decrease in assets:		
current receivables	(18,020)	(9,082)
current inventories	(2,563)	496
other current assets	(347)	679
non-current receivables	(9,335)	(11,299)
non-current inventories	489	-
Increase/(decrease) in liabilities		
current payables	4,863	2,393
current provisions	1,262	800
other current liabilities	-	-
non-current trade payables	-	-
non-current provisions	(840)	(14)
	<u>6,411</u>	<u>12,828</u>
(c) Businesses acquired		

During the financial year, the business of Tungsten Group Pty. Limited was acquired. In the previous year, five long-term contracts were acquired from Serco (note 4)

Programmed Maintenance Services Limited
Notes to the Financial Statements
For The Year Ended 31 March 2006

	2006	2005
	<u>\$'000</u>	<u>\$'000</u>
16 Notes to Statement of Cash Flows (continued)		
(c) Businesses acquired (continued)		
The financial details of these acquisitions are:-		
Consideration		
Cash and cash equivalents	9,956	2,080
Fair value of net assets acquired		
Current assets		
Cash	1,550	-
Receivables	5,415	99
Other financial assets	182	-
Inventories	612	2,075
Current tax asset	763	624
Non-current assets		
Receivables	-	933
Other financial assets	74	-
Property, plant & equipment	529	148
Deferred tax asset	-	883
Current liabilities		
Payables	(5,234)	(1,782)
Borrowings	(46)	(8)
Current tax payables	(24)	-
Provisions	(446)	(655)
Non-current liabilities		
Borrowings	(52)	-
Deferred tax liabilities	(184)	(931)
Provisions	(226)	(2,343)
Net assets/(liabilities) acquired	2,913	(957)
Goodwill on acquisition	7,043	-
	9,956	(957)
Net cash outflow on acquisition		
Cash and cash equivalents consideration	9,956	2,080
Less: Cash and cash equivalent balances acquired	1,624	-
	8,332	2,080
(d) Non-cash financing and investing activities		
Aggregate amount of property, plant and equipment acquired during the financial year by entering into hire purchase agreements and finance leases. These acquisitions are not reflected in the statement of cash flows		
	11,369	8,436

Programmed Maintenance Services Limited
Notes to the Financial Statements
For The Year Ended 31 March 2006

17 Earnings per share	2006 Cents per share	2005 Cents per share
Basic earnings per share	28.5	26.3
Diluted earnings per share	28.4	26.3

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:

	2006 \$'000	2005 \$'000
Earnings	20,171	18,255
	2006 No.'000	2005 No.'000
Weighted average number of ordinary shares	70,898	69,378

The share options are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. These securities have been included in the determination of diluted earnings per share on the basis that each share option will convert to one ordinary share.

Diluted Earnings per Share

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

	2006 \$'000	2005 \$'000
Earnings	20,171	18,255
	2006 No.'000	2005 No.'000
Weighted average number of ordinary shares and potential ordinary shares	70,906	69,433

Weighted average number of ordinary shares and potential ordinary shares in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2006 No.'000	2005 No.'000
Weighted average number of ordinary shares used in the	70,898	69,378
Employee options	8	55
Weighted average number of ordinary shares and potential	70,906	69,433

Programmed Maintenance Services Limited
Notes to the Financial Statements
For The Year Ended 31 March 2006

18 Net tangible assets per share

	2006 Cents per share	2005 Cents per share
Net Tangible Assets per ordinary security	160.9	160.3

19 Segment information

Segment Revenues

	External Sales				Other	Total		
	Property Maintenance		Industrial Services					
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000				2006 \$'000
Australia	195,689	157,227	28,118	20,653	268	447	224,075	178,327
New Zealand	36,906	32,002	-	-	2	0	36,908	32,002
United Kingdom	22,207	21,549	-	-	45	0	22,252	21,549
Total of all segments							283,235	231,878
Unallocated							144	124
Consolidated							283,379	232,002

Segment Results

	Property Maintenance		Industrial Services		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
	Australia	17,739	18,453	3,097	1,147	20,836
New Zealand	11,854	10,015	-	-	11,854	10,015
United Kingdom	1,740	1,116	-	-	1,740	1,116
Total of all segments					34,430	30,731
Unallocated					(420)	(538)
Profit before interest and income tax expense					34,010	30,193
Net borrowing and financing charges					(4,283)	(3,395)
Profit before income tax expense					29,727	26,798
Income tax expense					(9,556)	(8,543)
Profit for the period					20,171	18,255

Programmed Maintenance Services Limited
Notes to the Financial Statements
For The Year Ended 31 March 2006

19 Segment information (continued)

The consolidated entity operates in three principal geographic locations - Australia, New Zealand and the United Kingdom. The composition of each geographical segment is as follows:

Australia -	- Property maintenance services includes maintenance painting, corporate signage, grounds maintenance, building services and infrastructure services
	- Industrial services includes sewerage and drainage maintenance, vacuum loading, high pressure cleaning and non-destructive digging
New Zealand	- Property maintenance services - maintenance painting and building services
United Kingdom	- Property maintenance services - painting

20 Dividends

	2006	2005	2006	2005
	Cents per Share	Total \$'000	Cents per Share	Total \$'000
Recognised Amounts				
Interim Dividend				
Fully Paid Ordinary Shares				
- franked to 100% at 30% tax rate (2005:60%)	7.5	5,322	6.5	4,572
Final Dividend				
- franked to 80% at 30% tax rate (2005: 50%)	8.5	6,019	6.5	4,473
		<u>11,341</u>		<u>9,045</u>
Unrecognised Amounts				
Fully Paid Ordinary Shares				
Final Dividend				
- franked to 100% at 30% tax rate (2005: 80%)	9.5	6,760	8.5	6,019
		<u>6,760</u>		<u>6,019</u>

21 Contingent Liabilities

During the prior financial year, a legal action was begun against Programmed Maintenance Services Limited by a subcontractor, who is making a number of claims regarding entitlement to provide services under a long-term agreement. In accordance with legal advice, the directors have provided in these financial statements towards the cost of defending this action and their best estimate of the settlement thereof. The directors, based on legal advice, believe that the action can be successfully defended and therefore no losses in addition to the amounts provided will be incurred. It is the directors' belief that these claims will be settled in the forthcoming financial year.

22 Other Information

Information on Audit or Review

This preliminary final report is based upon accounts which are in the process of being audited.

Annual General Meeting

The Annual General Meeting will be held as follows:-

Place:	Deloitte Touche Tohmatsu, 180 Lonsdale Street, Melbourne, Victoria
Date:	23rd August 2006
Time:	11:00am

The approximate date the Annual Report will be available is 7th July 2006.

Programmed Maintenance Services Limited
Notes to the Financial Statements
For The Year Ended 31 March 2006

23 Impacts of the adoption of Australian equivalents to International Financial Reporting Standards (A-IFRS)

The consolidated entity changed its accounting policies on 1 April 2005 to comply with Australian equivalents to International Financial Reporting Standards ('A-IFRS'). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 April 2004 as the date of transition.

An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

		Consolidated		
		Super- seded policies*	Effect of transition to A-IFRS	A-IFRS
Effect of A-IFRS on the balance sheet as at 1 April 2004		\$'000	\$'000	\$'000
	Note			
Current Assets				
Cash and cash equivalents		2,059	-	2,059
Trade and other receivables		96,754	-	96,754
Inventories		12,978	-	12,978
Current tax assets		245	-	245
Other		3,794	-	3,794
Total Current Assets		115,830	-	115,830
Non-Current Assets				
Trade and other receivables		73,535	-	73,535
Inventories		7,300	-	7,300
Other financial assets		282	-	282
Property, plant and equipment		20,802	-	20,802
Deferred tax assets		3,305	-	3,305
Goodwill	a	2,335	-	2,335
Total Non-Current Assets		107,559	-	107,559
Total Assets		223,389	-	223,389
Current Liabilities				
Trade and Other Payables		23,362	-	23,362
Borrowings		5,531	-	5,531
Current tax liabilities		2,845	-	2,845
Provisions		5,630	-	5,630
Total Current Liabilities		37,368	-	37,368
Non-Current Liabilities				
Borrowings		38,266	-	38,266
Deferred tax liabilities		44,344	-	44,344
Provisions		804	-	804
Total Non-Current Liabilities		83,414	-	83,414
Total Liabilities		120,782	-	120,782
Net Assets		102,607	-	102,607
Equity				
Issued Capital		21,082	-	21,082
Reserves		6,695	-	6,695
Retained earnings	d	74,830	-	74,830
Total Equity		102,607	-	102,607

* Reported financial position for the financial year ended 31 March 2004.

Programmed Maintenance Services Limited
Notes to the Financial Statements
For The Year Ended 31 March 2006

23 Impacts of the adoption of Australian equivalents to IFRS (continued)

Effect of A-IFRS on the income statement for the year ended 31 March 2005

	Note	Consolidated		
		Super- seded policies* \$'000	Effect of transition to A-IFRS \$'000	A-IFRS \$'000
Revenue	b	233,071	(1,069)	232,002
Other income	b	-	410	410
Changes in inventories of finished goods		496	-	496
Raw materials and consumables used		(19,700)	-	(19,700)
Employee benefits expenses		(97,493)	-	(97,493)
Sub Contractor expenses		(53,528)	-	(53,528)
Depreciation and amortisation expense	a	(8,109)	144	(7,965)
Finance costs		(3,395)	-	(3,395)
Equipment & motor vehicle costs		(11,328)	-	(11,328)
Information technology & telecommunications costs		(2,673)	-	(2,673)
Impairment of non-current assets		-	-	-
Other expenses	b	(10,687)	659	(10,028)
Profit before income tax expense		26,654	144	26,798
Income tax expense		(8,543)	-	(8,543)
Profit from continuing operations		18,111	144	18,255
Profit from discontinued operations		-	-	-
Profit attributable to members of the parent entity		18,111	144	18,255

* Reported financial results under previous Australian GAAP

Programmed Maintenance Services Limited
Notes to the Financial Statements
For The Year Ended 31 March 2006

23 Impacts of the adoption of Australian equivalents to IFRS (continued)

Effect of A-IFRS on the balance sheet as at 31 March 2005

	<u>Note</u>	<u>Consolidated</u>		
		<u>Super- seded policies* \$'000</u>	<u>Effect of transition to A-IFRS \$'000</u>	<u>A-IFRS \$'000</u>
Current Assets				
Cash and cash equivalents		2,209	-	2,209
Trade and other receivables		109,303	-	109,303
Other financial assets		26	-	26
Inventories		15,449	-	15,449
Other		3,081	-	3,081
Total Current Assets		130,068	-	130,068
Non-Current Assets				
Trade and other receivables		83,589	-	83,589
Inventories		7,782	-	7,782
Property, plant and equipment		26,009	-	26,009
Deferred tax assets		4,231	-	4,231
Goodwill	a	2,191	144	2,335
Other intangible assets		2,677	#REF!	#REF!
Other		-	-	-
Total Non-Current Assets		126,479	#REF!	#REF!
Total Assets		256,547	#REF!	#REF!
Current Liabilities				
Trade and Other Payables		27,640	-	27,640
Borrowings		6,159	-	6,159
Current tax liabilities		2,546	-	2,546
Provisions		7,125	-	7,125
Total Current Liabilities		43,470	-	43,470
Non-Current Liabilities				
Borrowings		43,297	-	43,297
Deferred tax liabilities		48,548	-	48,548
Provisions		2,854	-	2,854
Total Non-Current Liabilities		94,699	-	94,699
Total Liabilities		138,169	-	138,169
Net Assets		118,378	#REF!	#REF!
Equity				
Issued Capital		26,219	-	26,219
Reserves		8,263	-	8,263
Retained earnings	d	83,896	144	84,040
Total Equity		118,378	144	118,522

* Reported financial position under previous Australian GAAP

Programmed Maintenance Services Limited
Notes to the Financial Statements
For The Year Ended 31 March 2006

23 Impacts of the adoption of Australian equivalents to IFRS (continued)

Effect of A-IFRS on the cash flow statement for the year ended 31 March 2005

There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under the superseded policies.

Notes to the reconciliations of income and equity

(a) Goodwill

The consolidated entity has elected not to restate business combinations that occurred prior to the date of transition to A-IFRS, and accordingly, the carrying amount of goodwill at the date of transition has not changed. In addition, goodwill arising from these business combinations that involved the acquisition of foreign businesses will be treated as an Australian dollar denominated asset.

However, goodwill, which was amortised under superseded policies, is not amortised under A-IFRS from the date of transition. The effect of the change is an increase in the carrying amount of goodwill by \$144 thousand and an increase in net profit before tax of \$144 thousand for the financial year ended 31 March 2005. There is no tax effect as deferred taxes are not recognised for temporary differences arising from goodwill for which amortisation is not deductible for tax purposes.

(b) Revenue

Under superseded policies, the consolidated entity recognised the gain or loss on disposal of property, plant and equipment on a 'gross' basis by recognising the proceeds from sale as revenue, and the carrying amount of the property, plant and equipment disposed as an expense. Under A-IFRS, the gain or loss on disposal is recognised on a 'net' basis, and is classified as income, rather than revenue. Accordingly, the 'gross' amounts have been reclassified within the income statement for A-IFRS reporting purposes.

(c) Deferred tax

Under superseded policies, the consolidated entity adopted tax-effect accounting principles whereby income tax expense was calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items were included or allowed for income tax purposes in a period different to that for accounting were recognised at current taxation rates as deferred tax assets and deferred tax liabilities, as applicable.

Under A-IFRS, deferred tax is determined using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases.

There is no effect on the deferred tax balances from the adoption of A-IFRS methodology.

(d) Retained earnings

The effect of the above adjustments on retained earnings are as follows:-

	Consolidated	
	01-Apr-04	31-Mar-05
	\$'000	\$'000
Goodwill no longer amortised	-	144
Net increase in retained earnings	-	144