PROGRAMMED MAINTENANCE SERVICES

PEOPLE TAKING CARE OF PROPERTY

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ASX Announcement

3 August 2007

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

Dear Sir,

CHAIRMAN'S ADDRESS TO THE ANNUAL GENERAL MEETING

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

Yours sincerely,
PROGRAMMED MAINTENANCE SERVICES LIMITED

Ian H. Jones

Ian H. Jones
Secretary

PROGRAMMED MAINTENANCE SERVICES

CHAIRMAN'S ADDRESS

TO THE ANNUAL GENERAL MEETING

3rd AUGUST 2007

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

In 2006-7, Programmed Maintenance Services achieved its ninth consecutive year of double digit profit growth. This consistent performance has been the result of our long-term strategy to diversify the services we offer and expand our geographical coverage.

During the past year we took our most significant step so far with the merger, through a scheme of arrangement, with Integrated Group Limited. We welcome Integrated's chairman, Neil Hamilton, and non-executive director, Jonathan Whittle, to the Programmed Maintenance Services board.

Being completed on 7 June, the merger is a logical step in Programmed Maintenance Services' growth as a leading provider of outsourced services. It follows our purchases of the infrastructure services contracts from Serco in 2004 and the Tungsten infrastructure and facilities management business in 2005. The merger with Integrated will broaden our range of services further, adding labour hire, recruitment and managed labour, and also increase our market footprint. We are creating an organisation selling a range of complementary services and leveraging the combined platform for faster growth. The property maintenance and industrial services businesses have begun utilising the Integrated branch network to provide skilled labour.

The merger will also further diversify our earnings, improve cash flow, triple our number of employees to more than 9,500 and provide a larger geographic footprint. The combined group will have annualised revenue exceeding $800 million and the merger is projected to be earnings per share positive before synergies in 2007-8.

Combining the two businesses, however, promises far more than that. It offers scope to bundle more services and offer them to a broader customer base; expand labour hire services into New Zealand and the United Kingdom; stream existing Programmed Maintenance Services expertise into more locations, particularly in Western Australia; and expand business in industries where Integrated has a strong presence, such as mining and marine. It will also create greater labour flexibility across the group to meet tight regional labour market conditions and seasonal demands.

We are implementing a detailed integration plan, which will deliver some cost savings where functions are duplicated. From the outset, there has been tremendous cooperation and goodwill and the two groups are working together harmoniously to capitalise on the special skills that each business contributes.

Through diversifying our services, and increasing our coverage of the three countries where we operate, we have reduced our reliance on Australian painting. We now maintain and protect landmark buildings, retail outlets, industrial sites, educational facilities, sporting grounds and infrastructure, and increasingly we are providing multiple services to customers with multiple sites. Our activities extend to operating water recycling plants, carrying out compliance assessments for large institutions, and managing catering, IT help desks and emergency response teams.

Reflecting this diversification, 60 per cent of Australian revenue in 2006-7 came from services other than painting, compared with 50 per cent the previous year. While margins on these newer services tend to be lower than on our traditional maintenance painting programmes, our average EBIT to revenue margin of 11.6 per cent was in line with plan and remains well ahead of other listed services groups operating in our market segments.

Our People

In the current full employment conditions, the company has continued to attract and retain high quality people, including 150 apprentices. Skills shortages, however, have continued to hold us back in some areas, particularly in Western Australia and New Zealand. To help overcome the shortage of skilled tradespeople, we seconded a small team of painters from our United Kingdom business to Western Australia during Australia's peak summer season.

A firm commitment to emphasising safety throughout the organisation significantly reduced the rate of injury and illness. Our approach is to develop a culture of safety, rather than rely on supervised safety, and the lost-time injury rate continued to fall during the year.

Our management trainee programme again enabled frontline staff to progress to key roles. To help maintain high standards of customer service, we developed an online induction programme which will be implemented across the group in 2007-8. This provides consistency, can be customised for each business and offers a testing and annual re-testing capability. We also created an eRecruitment hub to coordinate and streamline all recruitment processes, track effectiveness of advertising, control costs and provide a talent warehouse. This was successfully trialled in the Australian Painting business.

Australian Property Maintenance

The Australian Property Maintenance businesses had a very successful year. Tighter controls over job management led to a strong uplift in margins, particularly in Painting, with earnings before interest and tax increasing by 31.9 per cent, compared with a 19 per cent increase in revenue. This was assisted by the dry temperate weather conditions throughout Australia during the year.

The Painting business performed strongly, especially in Victoria, New South Wales and Queensland. Improved estimating, performance measurement and reporting systems contributed to greater accountability. Revenue from long-term maintenance programmes increased and several significant programmes were renewed, including maintenance of some iconic racecourses and prominent schools. Multi-site projects completed during the year included a traffic management programme to improve traffic flow and safety in some 700 supermarkets, and interior refurbishment of stores throughout Australia for a major retail chain.

In the present strong business climate, more companies are differentiating themselves through re-imaging, resulting in increased revenue and profit for our Australian Corporate Imaging business.

Projects included the 235-store rollout of Tyrepower's vibrant new branding, and creating a sleek look for luxury car showrooms in Sydney and Melbourne.

Building Services improved strongly in the second half, aided by excellent performance in South Australia and considerable progress in Victoria and New South Wales. The business continued to diversify its revenue and skills base and added to the number of its multi-site, multi-service national customers. This is expected to lead to further revenue and earnings growth in 2007-8.

The Grounds Management business also had a very strong year, especially in Victoria, South Australia and Queensland. Its national presence enabled it to secure a major contract for Woolworths' petrol stations, and we were appointed by Spotless to maintain the grounds at Defence Department bases in south-east Queensland. Our national landscaping service attracted a diverse range of customers, ranging from tertiary institutions to the Victorian Arts Centre. It also expanded its share of the new home development market and strengthened its position in the education sector.

The infrastructure and facilities management business, Tungsten, was restructured to incorporate Infraserv, and considerable new business was generated. Tungsten coordinates a wide range of skills, including engineers, fitters, plumbers, grounds and other services, to provide large industrial and mining sites with solutions from security at the front gate to emergency fire and accident response teams.

Tungsten secured a new contract covering BHP Billiton sites in Western Australia until 2011, while its contract for BHP Billiton's sites in Victoria and South Australia was extended until 2011. It also gained significant long-term contracts from Port of Melbourne Corporation, the Water Corporation of Western Australia, Yarra Valley Water and ASSA Abloy. Reflecting its community profile, Tungsten won the Toyota Community Arts Award for Frankston City Council in Victoria and was nominated for the national award.

Industrial Services

The Barry Bros. industrial services business continued to increase its revenue following investment in new equipment and opening branches at Gosford, New South Wales, and the Gold Coast. Earnings, however, were constrained by drought, which caused under-utilisation of new equipment, so while revenue increased by 19 per cent over the previous year, earnings before interest and tax declined marginally.

Demand is increasing for Barry Bros.' Envirovac infrastructure sweeping, non-destructive digging and concrete demolition services. These services have been particularly successful in Victoria and Queensland, and are reducing the business' dependence on drain cleaning. Demonstrating the role Barry Bros. can play in emergencies, our teams worked closely with authorities to clean up after the Lismore train derailment in south-west Victoria and the Burnley Tunnel accident in Melbourne.

New Zealand

The performance of the New Zealand property maintenance business was affected by poor weather interrupting projects and by the relative strength of the Australian dollar. In New Zealand dollars, revenue increased by 16.9 per cent and earnings before interest and tax grew by 0.8 per cent, but after translation into Australian dollars, earnings were 5.9 per cent weaker. Indicating the underlying strength of our painting programmes in New Zealand, contract recoverables rose 17 per cent to NZ$65 million. Several long term contracts were renewed, and a significant refurbishment project was completed successfully after financial year-end.

Training programmes and new processes are being introduced to improve project planning, operational performance, customer satisfaction and safety, as well as to attract and retain skilled tradespeople, who remain in short supply.

United Kingdom

Whittle Painting Group, our United Kingdom business, continued to increase its revenue and earnings, although margins were affected by a bad debt in the first half and underperformance by two branches. We expanded our market footprint through the acquisition of a small painting business in Leeds, bringing the number of branches to nine and enhancing our geographic coverage of England.

Our long term maintenance programmes remain unique in the UK market and they are gaining increasing recognition, particularly in the education sector. We renewed our partnerships with Lancaster and Derby Homes, completed projects at several prisons and gained a contract from the Queen's estate at Sandringham. The 70 contracts signed during the year bring the total to over 420, with a value of £14.8 million (A$36 million).

Business development was strengthened and two salespeople with experience of programmes were transferred from Australia and New Zealand to increase the rate of growth. Whittle achieved ISO 9001 accreditation for its products and services, and a survey reflected a high level of customer satisfaction. We expect to see solid growth in the United Kingdom as we continue to increase our market presence.

Key Financial Measures

A major benefit of Programmed Maintenance Services' strategic progression over recent years has been the strong growth in gross operating cash flow. For 2006/7, gross operating cash flow was $31.3 million, an increase of 71 per cent over 2005/6, while net operating cash flow increased by $10.4 million to $16.8 million. These solid results were achieved despite contract recoverables in our painting businesses increasing by 7 per cent and higher interest charges.

Our total borrowings increased with $16.1 million of plant and equipment purchased during the year. The debt-to-equity ratio increased to 67 per cent from 59 per cent at 31 March 2006, and our net interest payments were covered 6.2 times. With the payments to the former Integrated shareholders following the merger in June, our total borrowings now exceed $200 million.

Your Board is comfortable with this increased level of gearing, with the sound cash flows from the Integrated businesses contributing to the greater debt-servicing capacity of the PMS group. The interest cover for the year ending 31st March 2008 is projected to be about 4.5 times, with the debt-to-equity ratio expected to rise to 85 per cent at 31 March 2008. Over the following year to 31 March 2009, repayments of the borrowings are projected to reduce the debt-to-equity ratio to below 80% and increase the interest cover above 5 times.

During the year ended 31 March 2007, the major financial asset of the PMS Group - contract recoverables and work in progress - increased to $187 million. Total shareholders' equity grew to $136.6 million at 31 March 2007, from $126.0 million a year earlier.

Current Year

The Group's trading results, excluding the contribution from the Integrated businesses, for the quarter ended 30 June 2007 have shown growth over the prior corresponding period.

At this stage in the PMS financial year ending 31 March 2008, it is too early to provide guidance on earnings for the full year. The Australian property maintenance business continues to increase the range of services sold to our larger customer base. Because of the cold and wet winter, both the Australian and New Zealand painting businesses have had a slow start to the new financial year. The trading results of the Integrated businesses of Workforce and Marine have met expectations for the month of June 2007, since forming part of the PMS Group. The amount of identifiable intangible assets arising from the Integrated merger, and any applicable annual amortization, has not yet been finalised.

Consistent with previous years, your directors expect to give guidance for profit for the year ending 31 March 2008 upon the release in late November of the results for the half year ending 30 September 2007.

Share Price

Your directors consider that the Company's strategic growth, earnings consistency and higher dividends with 100% franking have contributed to a re-rating of the Company's shares. Over the 2006/7 year the Company's share price grew from $3.61 to $5.15 at 31 March 2007, with the shares' historical price-to-earnings ratio growing from 11 times to more than 16 times. Since that time, the Company's share price has shown a steady increase, with the average price for June being $5.71. The Company's share price at close of trading last Wednesday was $5.91.

Following the merger, the number of shareholders has grown to be now over 5,900 with a broad geographic spread of shareholders. The top twenty registered shareholders hold nearly 70% of the issued shares, with more than half of the shareholders having individual holdings of between 1,000 and 5,000 shares.

Dividends

Profitable growth of non-painting services has enabled us to continue full franking of dividends, which increased from 17c to 18.5c a share for the year.

Your directors will continue to aim for increasing dividends while retaining sufficient funds to facilitate our future growth. We expect that the company will be able to fully frank dividends over the next twelve months, and maintain a payout ratio of broadly 60% of after-tax profits.

Conclusion

I thank my fellow directors for their contribution during the year. In particular, I would like to thank our managing director, the management team and all our employees for another record result, and shareholders for their continuing support.

We are excited by the opportunities that Programmed Maintenance Services now has, both as a national force in outsourced maintenance and labour hire services in Australia and with its expanding businesses in New Zealand and the United Kingdom. There has been an encouraging start to 2007-8, with strong order books across our businesses, and the company is well positioned to accelerate its rate of growth and to continue to increase shareholder value.