

**ASX ANNOUNCEMENT**

2 December 2009

Company Announcements Office  
Australian Securities Exchange  
Level 45, South Tower, Rialto  
525 Collins Street  
MELBOURNE VIC 3000

Dear Sir

**LODGEMENT OF TARGET'S STATEMENT**

In accordance with item 14 of Section 633(1) of the *Corporations Act 2001* (Cth), please find **attached** a copy of KLM Group Ltd's Target's Statement dated 2 December 2009 in relation to the off-market takeover bid by Programmed Maintenance Services Limited.

A copy of this Target's Statement has been lodged with the Australian Securities and Investments Commission today and will be despatched to KLM Group Ltd's shareholders shortly.

Yours sincerely,  
**KLM Group Limited**



**Gary Beaton**  
Company Secretary

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KLMGROUP



# ACCEPT

In response to the offer by Programmed Maintenance Services Limited ACN 054 742 264 to acquire all of your shares in KLM Group Ltd for \$0.47 cents cash per KLM Share

**The Directors of KLM Group Ltd unanimously recommend that you accept the Offer in the absence of a Superior Proposal**

#### Target's Statement

**This document is important and requires your immediate attention.** If you are in doubt as to how to deal with this document please contact your financial adviser or other professional adviser.

#### Important

To **accept** this offer you must complete, sign and return the acceptance form enclosed with the Bidder's Statement in accordance with the instructions on the form.

Legal Advisor

**herbertgeer**

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## IMPORTANT INFORMATION

This Target's Statement is dated 2 December 2009, and is given under section 638 of the Corporations Act by KLM Group Limited ("**KLM**") in response to the Bidder's Statement given by Programmed Maintenance Services Limited ("**Programmed**") dated 6 November 2009 and served on KLM on that date.

A copy of this Target's Statement has been lodged with ASIC on 2 December 2009. Neither ASIC nor any of its officers take any responsibility for the content of this Target's Statement.

## NO ACCOUNT OF PERSONAL CIRCUMSTANCES

The recommendations of the Directors contained in this Target's Statement do not take into account your individual investment objectives, financial situation or particular needs. It does not contain personal advice. This Target's Statement should not be relied on as the sole basis for any investment decision in relation to your KLM Shares. The Directors encourage you to obtain independent legal, financial and taxation advice before deciding whether to reject or accept the Offer.

## FORWARD LOOKING STATEMENTS

This Target's Statement may contain forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which KLM and Programmed operate as well as general economic conditions and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and such deviations are both normal and to be expected.

None of KLM, any of its Directors, any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement or any events or results expressed or implied in any forward looking statement.

You are cautioned not to place undue reliance on those statements. Any forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

## PRIVACY

KLM has collected your information from the KLM Share Register for the purpose of providing you with this Target's Statement. The type of information KLM has collected about you includes your name, contact details and information on your shareholding in KLM. The Corporations Act requires the name and address of Shareholders to be held in a public register.

KLM has also provided or will provide personal information about its Shareholders to Programmed in accordance with the Corporations Act and the ASTC Settlement Rules. As noted in the Bidder's Statement, Programmed may disclose this information on a confidential basis to Programmed's related bodies corporate and external service providers. It may also be required to be disclosed to regulators such as ASIC.

## DEFINED TERMS

Various defined terms are used in this Target's Statement. Their meaning is set out in **Section 10**.

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### KEY POINTS FOR SHAREHOLDERS

- Programmed is offering \$0.47 cents cash for each of your KLM Shares.
- The Offer is subject to the conditions set out in **Section 8**.
- Unless extended or withdrawn beforehand, the Offer will expire at **7:00 pm** (Sydney time) on 21 December 2009.
- KLM's Directors unanimously recommend that you **ACCEPT** the Offer in the absence of a Superior Proposal.
- Each KLM Director who owns or controls KLM Shares intends to **accept** the Offer for all of the KLM Shares that they own or control, in the absence of a Superior Proposal.
- Moller Volantor has entered into a Pre Bid Agreement with Programmed pursuant to which Moller Volantor has agreed to accept the Offer in respect of 11,975,145 KLM Shares held by it, subject to there being no Superior Proposal (see **Section 9.4**).

### KEY DATES

Announcement of offer by Programmed	29 October 2009
Bidder's Statement lodged with ASIC	6 November 2009
Register Date	9 November 2009
Date of Offer	20 November 2009
Target Statement dispatched to KLM Shareholders	2 December 2009
Offer Closes (unless extended or withdrawn)	7:00 pm (Sydney time) on 21 December 2009

### SHAREHOLDER ENQUIRIES

If you have any queries regarding Programmed's Offer, please contact KLM's Company Secretary, Mr Gary Beaton on (03) 9320 3444 (from within Australia).

If you have any queries regarding your shareholding in KLM, please contact Security Transfer Registrars Pty Limited on (08) 9315 2333 (from within Australia).

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**Directors**

Mr Rodney Chadwick (Chairman)  
Mr Greg Jinks (Managing Director)  
Mr Peter Jinks (Managing Director)  
Mr Geoffrey Lord  
Mr Mark Maine  
Mr Alan Moore

**Company Secretary**

Mr Gary Beaton

**Legal Advisers**

Herbert Geer  
Level 20, 385 Bourke Street  
Melbourne Victoria 3000  
Australia

**Corporate Advisers**

M&A Partners  
Level 1, 9 Queen Street  
Melbourne Victoria 3000  
Australia

**Registered Office**

71 Capel Street  
West Melbourne Victoria 3003  
Australia

**Website**

[www.klmgroup.com.au](http://www.klmgroup.com.au)

**Share Register\***

Security Transfer Registrars Pty Limited  
770 Canning Highway Applecross  
Western Australia 6153  
Australia

\* This entity is included for information purposes only. It has not been involved in the preparation of this Target's Statement.



## 2 Letter from the Chairman of KLM

KLM Group Limited  
ACN 089 479 676  
71 Capel Street  
West Melbourne  
Victoria 3003

2 December 2009

Dear Shareholder

On 29 October 2009, Programmed Maintenance Services Limited (**Programmed**) announced that it has signed a Takeover Bid Implementation Agreement with KLM Group Ltd (**KLM**) under which an off market takeover offer has been made to acquire all of the issued shares in KLM at a price of \$0.47 cents cash per ordinary share.

The Offer represents a premium of 4.4% to the KLM closing price of 45 cents on 28 October 2009, a 40% premium to the 30 trading day volume weighted average price of KLM Shares and a 57.7% premium to the volume weighted average price of KLM Shares for the 3 months to close of trade on 28 October 2009. The Offer represents total equity consideration of \$28.1 million.

You should by now have received the Bidder's Statement from Programmed, which was lodged with ASIC on 6 November 2009 and contains the details of the Offer.

The Directors have carefully considered the Offer and **unanimously recommend that KLM Shareholders ACCEPT** Programmed's Offer, in the absence of a Superior Proposal.

Moller Volantor Pty Ltd, the private investment company of joint Managing Directors Peter and Greg Jinks and the largest shareholder in KLM, has entered into a Pre-Bid Agreement with Programmed under which it has agreed to accept the Proposed Offer in the absence of a Superior Proposal in respect of 11,975,145 KLM Shares. 11,975,145 KLM Shares constitutes 19.99% of the total KLM Shares on issue and is the maximum amount of shares permitted to be acquired by Programmed before the Offer was made.

In addition each Director who owns or controls KLM Shares has confirmed that they intend to accept the Offer for all the KLM Shares that they own or control, in the absence of a Superior Proposal.

In forming their unanimous recommendation, the Directors have carefully considered the following:

- The Offer Price represents a significant premium to the trading price of KLM Shares compared to its historical volume weighted average price.
- KLM Shares have historically traded at low liquidity levels on the ASX. The Directors believe that this illiquidity results in difficulties for Shareholders seeking to sell their shares. Under the Offer, KLM Shareholders who accept the Offer will receive \$0.47 cents cash for each KLM Share they hold.
- The earnings volatility of the KLM Group over the past 2 years and the uncertainty in the commercial construction sector.
- The Offer of \$0.47 cents cash per Share provides certainty of cash. Specifically, if you accept the Offer and if all of the conditions attaching to the Offer are satisfied or waived (as applicable) you are expected to receive your offer consideration on or before the earlier of:
  - One month after the date you validly accept the Offer or the contract resulting from your acceptance becomes unconditional (whichever is later); and
  - 21 days after the end of the Offer Period, provided that the Offer has become unconditional.
- Since the Announcement Date, up to the date of this Target's Statement, the KLM Board has not become aware of any Superior Proposal from a third party.
- KLM Shareholders will not pay any brokerage fees on the disposal of their KLM Shares.



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**To accept the offer, you should follow the instructions in the Bidder's Statement.**

**To reject the offer you do not need to take any action.**

The Directors strongly recommend that you read this Target's Statement in its entirety in conjunction with the Bidder's Statement that you have received from the Bidder. You should consider the Offer having regard to your own investment objectives, financial situation and tax position and, if in doubt about what to do, consult your independent legal, financial or other professional adviser.

Yours sincerely

Chairman



This section provides answers to some questions that you may have about the Offer and is qualified by, and should be read in conjunction with, the detailed information contained in this Target's Statement and the Bidder's Statement.

<b>What is the Offer?</b>	The Offer is \$0.47 cents cash per KLM Share for all your KLM Shares.
<b>Who is making the Offer?</b>	<p>The Offer is being made by Programmed. Programmed is an Australian company which has been listed on the Australian Securities Exchange (ASX: PRG) since 1999. As set out in the Bidder's Statement, Programmed's vision is to be a leading provider of staffing, maintenance and project services. Programmed's capabilities are delivered through five operating divisions: Property Services, Facility Management, Workforce, Marine Services and Engineering Services.</p> <p>Please refer to section 3 of the Bidder's Statement for further information about Programmed.</p>
<b>Are there any conditions to the Offer?</b>	<p>The Offer is subject to the conditions set out in full in Appendix B of the Bidder's Statement including a 90% minimum acceptance condition.</p> <p>Programmed may choose to waive some or all of the conditions in accordance with the terms of the Offer. Details of how the conditions can be waived are set out in clause 6 of Appendix A of the Bidder's Statement.</p>
<b>What happens if the conditions of the Offer are not satisfied or waived?</b>	If the Offer closes with conditions remaining unsatisfied the Offer will lapse and your acceptance will be void. In other words, you will continue to hold all of your KLM Shares (unless you otherwise sell them). Programmed will inform you of whether the conditions have been satisfied or waived during the Offer Period in accordance with its obligations under the Corporations Act. Programmed may extend the Offer Period in order to allow time for conditions to be satisfied in accordance with the requirements of the Corporations Act.
<b>How do I accept the Offer?</b>	You may only accept the Offer in respect of all of your KLM Shares. To accept the Offer please refer to <b>Section 7</b> of this Target's Statement.
<b>When will I be paid?</b>	<p>If you accept the Offer, Programmed will pay you the consideration to which you are entitled on or before the earlier of:</p> <ul style="list-style-type: none"> <li>• one month after you have validly accepted the Offer or the contract resulting from its acceptance becomes unconditional (whichever is later); and</li> <li>• 21 days after the end of the Offer Period, provided that the Offer has become unconditional.</li> </ul>

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<b>Do I have to pay brokerage if I accept?</b>	You will not pay brokerage on the disposal of your KLM Shares if you accept the Offer.
<b>Can I sell my KLM shares on the ASX?</b>	Yes, but you may incur brokerage costs if you do. However once you accept the Offer (even while it remains subject to any conditions), you will not be able to sell your KLM Shares on the ASX, accept any other offer or otherwise deal with your KLM Shares, subject to any statutory withdrawal rights that may arise.
<b>When does the Offer close?</b>	The Offer is currently scheduled to close at <b>7.00 pm</b> (Sydney time) on 21 December 2009, unless extended in accordance with the Corporations Act.
<b>Can the Offer Period be extended?</b>	Yes, the Offer Period can be extended at Programmed's election (subject to the Corporations Act), up to a maximum Offer Period of 12 months. You will be sent written notice of any extension as required by the Corporations Act and the extension will be announced to ASX.
<b>What are my choices as a KLM Shareholder?</b>	Your choices as a KLM Shareholder are explained in <b>Section 7</b> of this Target's Statement.
<b>Further information</b>	If you require any further information in relation to the Offer, please contact KLM's Company Secretary, Mr Gary Beaton on (03) 9320 3444 (from within Australia). If you have any queries regarding your shareholding in KLM, please contact Security Transfer Registrars Pty Limited on (08) 9315 2333 (from within Australia).

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## 4 SUMMARY OF OFFER TERMS

### 4.1 OFFER

Programmed is offering \$0.47 cents cash for each of your KLM Shares.

Unless extended or withdrawn beforehand, the Offer will expire at **7.00 pm** (Sydney time) on 21 December 2009.

### 4.2 OFFER PRICE PREMIUM

The Offer represents a premium of 4.4% to the KLM closing price of 45 cents on 28 October 2009, a 40% premium to the 30 trading day volume weighted average price of KLM Shares and a 57.7% premium to the volume weighted average price of KLM Shares for the 3 months to close of trade on 28 October 2009.

Before making a decision whether to accept or reject the Offer, you should read this Target's Statement carefully and seek independent financial and taxation advice.

Shareholders should also consider the risks associated with the Offer which are set out in **Section 9.8** of this Target's Statement.

### 4.3 TERMS AND CONDITIONS OF THE OFFER

The full terms and conditions of the Offer are set out in Appendix A and B of the Bidder's Statement and **Schedule 1** of this Target's Statement. In summary, these conditions are as follows:

- (a) **Minimum acceptance:** A minimum acceptance of 90% of KLM Shares during or at the end of the Offer Period.
- (b) **Market fall:** The S&P ASX 200 Index does not close below 4216.6 on any trading day between the Announcement Date and the end of the Offer Period.
- (c) **No change in KLM directors' recommendation:** The Directors do not announce that they no longer recommend the Offer or recommend that Shareholders accept or support any other transaction.
- (d) **No material adverse effect:** That no event or occurrence becomes apparent that is reasonably likely to have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses or prospects of KLM.
- (e) **No material acquisitions, disposals or new commitments:** Other than as announced prior to the Announcement Date, KLM does not agree or offer to acquire or dispose of any businesses or assets for more than \$1 million.
- (f) **Distributions and capital reductions:** Other than as announced prior to the Announcement Date, KLM does not make or declare any distribution (including a dividend).
- (g) **Prescribed occurrences:** During the Bid Process, none of the specific 'prescribed occurrences' occur (a full list of the 'prescribed occurrences' are set out in Appendix B of the Bidder's Statement and **Schedule 1** of this Target's Statement).
- (h) **Entitlement offer:** Macquarie Capital Advisers Limited does not terminate its obligations under the Underwriting and Offer Management Agreement (pursuant to which Macquarie Capital Advisers Limited is obliged to subscribe for, or procure subscriptions for, Shortfall Shares in respect of the entitlement offer being undertaken by Programmed prior to the settlement date). Shareholders should note that on 13 November 2009, Programmed announced in accordance with section 630(4) of the Corporations Act that this condition had been fulfilled.

#### 4.4 HOW TO ACCEPT

Details of how you can accept the Offer are contained in section 2.2 and Appendix A of the Bidder's Statement.

In summary:

- a) **If you hold your KLM Shares in an Issuer Sponsored Holding (your SRN starts with an "I")**, to accept the Offer you must complete, sign and return the Issuer Acceptance Form in accordance with the instructions on it and return it to the address indicated on the form so that it is received before the end of the Offer Period.
- b) **If you hold your KLM Shares in a CHES Holding (your HIN starts with an "X")** to accept the Offer you must either:
  - i) instruct your Controlling Participant (for example, your Broker) to initiate acceptance of the Offer on your behalf in sufficient time for your acceptance of the Offer to be received in CHES before the end of the Offer Period; or
  - ii) complete, sign and return the CHES Acceptance Form in accordance with the instructions on it and return it to the address indicated on the form so that it is received before **7.00 pm** (Sydney time) on the **second last day** of the Offer Period. This will authorise Programmed to instruct your Broker or other Controlling Participant to initiate acceptance of the Offer on your behalf. Your Controlling Participant still needs to complete an acceptance in CHES before the Offer closes.
- c) **If you are a Broker or an ASTC Participant**, to accept the Offer you must initiate acceptance in accordance with the requirements of the ASTC Settlement Rules before the end of the Offer Period.
- d) **If some of your KLM Shares are in an Issuer Sponsored Holding and some in a CHES Holding**, please see clause 4(b)(iv) of the Offer Terms in Appendix A of the Bidder's Statement to see how to accept the Offer.

#### 4.5 HOW TO REJECT

If you wish to reject the Offer, you do not need to take any action.

#### 4.6 WHEN YOU WILL RECEIVE PAYMENT IF YOU ACCEPT

If you accept the Offer and all the conditions of the Offer are satisfied or waived (as applicable), you can expect to receive your Offer consideration on or before the earlier of:

- (a) One month after the date you validly accept the Offer or, if the Offer is subject to a condition when accepted, one month after the contract resulting from your acceptance becomes unconditional; and
- (b) 21 days after the end of the Offer Period.

## 5 UNANIMOUS RECOMMENDATION OF THE KLM DIRECTORS TO ACCEPT THE OFFER

The Directors unanimously recommend acceptance of the Offer for the following reasons:

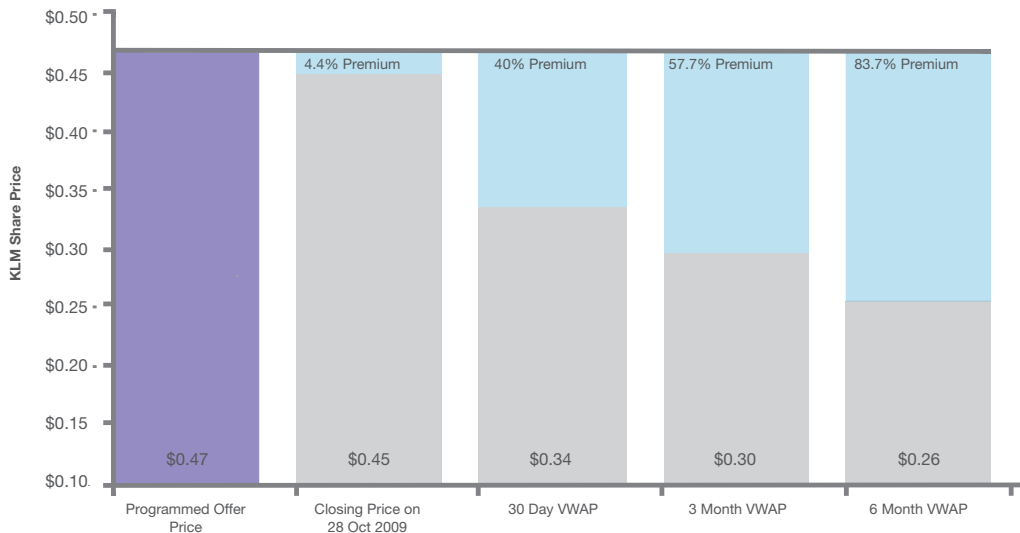
### 5.1 THE OFFER PRICE REPRESENTS A SUBSTANTIAL PREMIUM TO RECENT TRADING PRICES OF KLM SHARES

The Offer Price of \$0.47 cents cash represents a substantial premium to the recent trading prices of KLM Shares prior to the Announcement Date.

Specifically, the Offer Price represents a:

- 4.4% premium to the closing price of KLM Shares on 28th October 2009, being the last trading day before the offer was announced
- 40% premium to the 30 trading day VWAP\*
- 57.7% premium to the 3 month VWAP\*
- 83.7% premium to the 6 month VWAP\*

#### IMPLIED PREMIUM TO HISTORICAL PRICES OF KLM



VWAP (i.e. volume weighted average price) has been calculated as the 30 trading day, 3 month and 6 month volume weighted average share price of KLM to 28th October 2009, being the last trading day before the Offer was announced.

Further, prior to the announcement of the Offer, KLM Shares have not closed at or above \$0.47 cents since April 2008. The following graph sets out the share price history of KLM over 12 months ending 28th October 2009.

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## HISTORICAL SHARE PRICE AND VOLUME FOR KLM



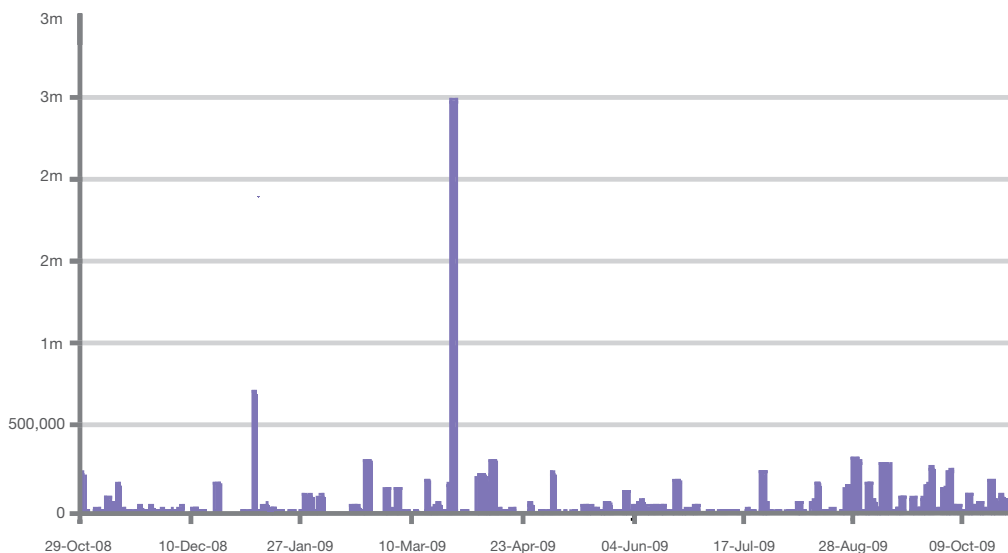
### 5.2 KLM SHARES HAVE LOW LIQUIDITY

The Offer represents an opportunity to dispose of your KLM Shares, a stock which is thinly traded, at an attractive premium (see section 5.1 above for details of price premium).

As an indication of the limited liquidity of KLM Shares, during the 12 month period ending 28 October 2009:

- there was less than 5,000 KLM shares traded on the ASX for almost 50% of the available trading days; and
- the average daily volume of KLM Shares traded on the ASX was less than 0.1% of the total number of KLM Shares on issue.

### HISTORICAL TRADING VOLUME FOR KLM



### 5.3 CERTAINTY OF CASH

The Offer Price of \$0.47 cents cash per share offered to KLM Shareholders provides certainty of value and timing. Specifically, if you accept the Offer and if all the conditions of the Offer are satisfied or waived, as applicable:

- The payment to which you are entitled on acceptance of the Offer will be made to you on or before the earlier of:
  - One month after the date you validly accept the Offer or, if the Offer is subject to a Condition when accepted, one month after the contract resulting from your acceptance becomes unconditional: and
  - 21 days after the end of the Offer Period
- You will cease to be exposed to the risks associated with an investment in KLM including potential share price volatility due to general share market and current market conditions.

In contrast if the Offer lapses, the amount which KLM Shareholders will be able to realise for their KLM Shares (in terms of price and by way of future dividends), will necessarily be uncertain. Among other factors, this will be subject to the future operating performance of KLM business and the market conditions prevailing from time to time.

### 5.4 NO SUPERIOR PROPOSAL HAS EMERGED

Since the Announcement Date and up to the date of this Target's Statement, the KLM Board has not become aware of any Superior Proposal from a third party .

### 5.5 YOU WILL NOT INCUR ANY BROKERAGE FEES

You will not be required to pay any brokerage fees on the disposal of your KLM Shares under the Offer.

### 5.6 HISTORICAL EARNINGS VOLATILITY OF KLM

The Board in reaching its decision has taken into consideration the earnings volatility of KLM over the past 3 years and the uncertainty in the commercial construction sector.

Detailed below is a summary of the actual financial results of KLM:

#### KLM Group Ltd Profit and Loss

(A\$ '000, 30 June)	FY2006	FY2007	FY2008	FY2009
Revenue	87,371	122,337	154,092	161,259
Revenue growth	43.04%	40.02%	25.96%	4.65%
EBITDA	3,944	6,405	4,269	2,935
EBITDA margin	4.51%	5.24%	2.77%	1.82%
EBIT	3,402	5,588	3,241	1,832
EBIT margin	3.89%	4.57%	2.10%	1.14%
NPAT	2,501	3,862	2,181	1,035
NPAT margin	2.86%	3.16%	1.42%	0.64%
NPAT growth (yoy)	29.72%	54.42%	-43.53%	-52.54%
EPS (diluted)	4.75c	6.42c	3.62c	1.73c

#### Notes

EBITDA	Earning Before Interest Depreciation and Tax	NPAT	Net Profit After Tax
EBIT	Earning Before Interest and Tax	EPS	Earnings Per Share

The Historical Profit & Loss overview for KLM highlights the inconsistent earnings of KLM over the last 3 years. The disappointing result in FY2008 – principally in the second half – reflected the lack of earnings predictability due to inadequate project cost control and reporting systems. These same issues appeared again in 1H 2009 with 4 projects causing over \$2.2million in losses.

Although KLM reported a record second half 2009 EBIT of \$3.5 million, such a result cannot be considered indicative of future performance. Additionally, the first quarter result of KLM for the period end 30 Sept 2009 of \$1.37 million is not necessarily indicative of a 'run rate' for a full year result given the timing of certain projects and the uncertainty of future revenue and margins.

## 5.7 COMMERCIAL CONSTRUCTION SECTOR

KLM operates in a market segment where over 47% of its revenue is derived from undertaking contracting work for commercial builders as a sub contractor. The very nature of this work requires KLM to secure (win) and complete contracted work at projected margins in any given period. At the start of any given financial year KLM may only have between 25-30% of its annual budgeted revenue secured.

This leaves KLM annual revenues and margins exposed to a downturn in the commercial construction sector, project delays and project cost fluctuations.

The short term outlook (12 – 18 months) for the commercial construction market is uncertain, particularly once the Government stimulus is wound back. The collapse of international credit markets post July 2008 prompted a sharp reduction in the number of projects in the pipeline. Major contributors to the drop were private sector offices and warehouses. It is clear that a constraint of a lack of available funds could cause a deteriorating performance in non-residential construction development across Australia over 2009/10. However, new information is emerging that banks are slowly easing their restrictive policies on commercial lending.

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## 6 DIRECTORS' INTENTIONS IN RELATION TO THE OFFER

Each Director who owns or controls KLM Shares has confirmed that they intend to accept the Offer in respect of those KLM Shares.

The interests of each KLM Director in KLM Shares are set out in **Section 9.1** of this Target's Statement.

Moller Volantor, the private investment company of the joint Managing Directors of KLM, has entered into a Pre Bid Agreement with Programmed pursuant to which Moller Volantor has agreed to accept the Offer in respect of 11,975,145 KLM Shares held by it, subject to there being no Superior Proposal (see **Section 9.4**).



## 7 YOUR CHOICES AS A KLM SHAREHOLDER

KLM Shareholders should seek professional advice if they are unsure as to whether acceptance of the Offer is in their best interests, taking into account their individual circumstances.

The Bidder's Statement and this Target's Statement contains important information that KLM Shareholders are urged to read carefully. Information on Programmed in this Target's Statement has been obtained by KLM from the Bidder's Statement and other publicly available information. KLM Shareholders should note that KLM has not undertaken investigations to verify the accuracy or completeness of the information contained in the Bidder's Statement and neither KLM nor its Directors or advisers make any representation as to the accuracy or completeness of information contained in the Bidder's Statement. To the fullest extent permitted by law, each of those parties disclaims liability to any person who acts in reliance on that information.

Shareholders who would like further information on KLM or Programmed before making a decision about the Offer can obtain from ASIC or the ASX copies of all documents lodged by KLM or Programmed with ASIC or the ASX. Alternatively, they can visit the websites of KLM ([www.klmgroup.com.au](http://www.klmgroup.com.au)) or Programmed ([www.programmed.com.au](http://www.programmed.com.au)).

During the Offer Period, KLM Shareholders have the following choices:

### (a) Accept the Offer

Details of how you can accept the Offer are contained in Appendix A of the Bidder's Statement.

In summary:

- (i) **If you hold your KLM Shares in an Issuer Sponsored Holding (your SRN starts with an "I")**, to accept the Offer you must complete, sign and return the Issuer Acceptance Form in accordance with the instructions on it and return it to the address indicated on the form so that it is received before the end of the Offer Period.
- (ii) **If you hold your KLM Shares in a CHESS Holding (your HIN starts with an "X")** to accept the Offer you must either:
  - (a) instruct your Controlling Participant (for example, your Broker) to initiate acceptance of the Offer on your behalf in sufficient time for your acceptance of the Offer to be received in CHESS before the end of the Offer Period; or
  - (b) complete, sign and return the CHESS Acceptance Form in accordance with the instructions on it and return it to the address indicated on the form so that it is received before **7.00 pm** (Sydney time) on the **second last day** of the Offer Period. This will authorise Programmed to instruct your Broker or other Controlling Participant to initiate acceptance of the Offer on your behalf. Your Controlling Participant still needs to complete an acceptance in CHESS before the Offer closes.
- (iii) **If you are a Broker or an ASTC Participant**, to accept the Offer you must initiate acceptance in accordance with the requirements of the ASTC Settlement Rules before the end of the Offer Period.
- (iv) **If some of your KLM Shares are in an Issuer Sponsored Holding and some in a CHESS Holding**, please see clause 4(b)(iv) of the Offer Terms in Appendix A of the Bidder's Statement to see how to accept the Offer.

Acceptances must be received by **7.00 pm** (Sydney time) on 21 December 2009, unless the Offer is extended. If you accept the Offer you are prevented from selling your KLM Shares on the market unless you withdraw your acceptance when you have the right to do so. The right to withdraw an acceptance of the Offer is limited (refer to **Section 8.5** of this Target's Statement).

**OR**

**(b) SELL ON ASX**

You may wish to sell your KLM Shares on ASX in the ordinary course of trade at any time during the Offer Period.

**OR**

**(c) DO NOTHING**

If you wish to retain your KLM Shares, you need take no action in relation to the Offer.

Although Programmed's Offer is unanimously recommended by your Directors, KLM Shareholders should be aware of potential disadvantages of the Offer, which may be relevant to your decision to accept the Offer. Some factors that may lead you to not accept the Offer are set out below.

- (i) **Acceptance is not in your best interest:** You may consider the Offer by Programmed and the consideration offered by Programmed is not in your best interests, or not in the best interests of all KLM Shareholders.
- (ii) **Limited right to withdraw your acceptance:** Once you have accepted the Offer, you only have a limited right to withdraw your acceptance. Under Australian law, if you accept the Offer and Programmed varies the Offer so as to postpone for more than one month from the time when Programmed must meet its obligations under the Offer, you will be able to withdraw your acceptance (provided that the Offer was subject to a defeating condition at the time of variation).
- (iii) **Inability to accept a Superior Proposal:** Once you accept the Offer (even while it remains subject to conditions) you will not be able to sell your KLM Shares on market or otherwise deal with the rights attaching to your KLM Shares (subject to your limited statutory rights to withdraw your acceptance), including pursuant to any competing and superior takeover offer that may be made.
- (iv) **Offer may lapse:** The Offer is subject to a number of conditions, which are set out in Appendix B of the Bidder's Statement and **Schedule 1** of this Target's Statement (and summarised in **Section 4.3**). There is a risk that one or more of the conditions may not be satisfied or may be breached (as appropriate). If an unsatisfied or breached condition is not waived by Programmed, Programmed may choose to allow the Offer to lapse, in which case any acceptances of the Offer will be void.
- (v) **Taxation risks:** The tax consequences and risks of the Offer depend upon the specific circumstances of each KLM Shareholder. Section 8 of the Bidder's Statement specifies possible tax implications for KLM Shareholders.
- (vi) **No guarantee of timing of payment:** There will be no guarantee of payment until the Offer becomes unconditional. In addition, the Offer Period could be extended by Programmed, which could result in delays in payment.

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## 8 CONDITIONS AND OTHER OFFER INFORMATION

### 8.1 Conditions of the Offer

The Offer is subject to various conditions. Those conditions are set out in full in **Schedule 1** and have been summarised in **Section 4.3** of this Target's Statement.

### 8.2 Likelihood of Satisfaction of the Conditions

As noted above, the Offer is subject to various conditions. On 13 November 2009, Programmed notified the ASX in accordance with its obligations under the Corporations Act that the condition relating to the Entitlement Offer (set out in clause 9 of Appendix B to the Bidder's Statement) had been fulfilled.

### 8.3 Conditions Notice

Programmed is required to provide a notice of status of conditions ("**Conditions Notice**") to ASX and KLM no less than 7 days before the end of the Offer Period. The Conditions Notice will set out Programmed's voting power in KLM and advise whether the Offer is free of any or all of the conditions and whether, so far as Programmed knows, the conditions have been fulfilled on the date the Conditions Notice is given.

If the Offer Period is extended by a period, the date for giving the Conditions Notice is taken to be postponed for the same period. As soon as practicable after the extension, Programmed must give a notice ("**Extension Notice**") that states the new date for giving the Conditions Notice, whether the Offer has been freed from any conditions and whether, as far as Programmed knows, any conditions have been fulfilled on the date of the Extension Notice.

### 8.4 Implications of Conditions not being Satisfied

Any conditions that are not satisfied or have been breached (as appropriate) may be waived by Programmed.

If any condition is unsatisfied or has been breached and has not been waived, Programmed will have the right to either proceed with the acquisition of KLM Shares under the Offer or allow the Offer to lapse with unsatisfied conditions.

If the Offer lapses your acceptance of the Offer will be void and cannot be enforced against you. You will not receive the consideration for each of your KLM Shares and you will be free to deal with your KLM Shares at your discretion.

### 8.5 Withdrawal of Your Acceptance

Once you have accepted the Offer, you only have a limited right to withdraw your acceptance.

KLM Shareholders may only withdraw their acceptance of the Offer if the Offer remains subject to conditions and is varied so as to postpone for more than one month from the time when Programmed must meet its obligations under the Offer.

### 8.6 Effect of an Increase in Consideration

If Programmed improves the consideration offered under the Offer, all KLM Shareholders who have accepted the Offer will be entitled to the benefit of that improved consideration (whether they accepted the Offer before or after the consideration was improved).

## 8.7 Movements in Programmed's interest in KLM

As at the Announcement Date, Programmed is deemed to have a Relevant Interest in 19.99% of the KLM Shares. This Relevant Interest arises as a result of the Pre Bid Agreement with Moller Volantor.

Programmed is required to notify ASX during the Offer Period every time there is movement of 1% or more in its Relevant Interest in the KLM Shares. Programmed is required to notify the ASX by 9:30am on the day following the relevant movement. Accordingly, you can monitor Programmed's announcements on the ASX website to determine its Relevant Interest in the KLM Shares.

## 8.8 Compulsory Acquisition

There are two mechanisms under which Programmed may become entitled to compulsorily acquire your KLM Shares:

- (a) If Programmed and its Associates have Relevant Interests in at least 90% (by number) of all KLM Shares during or at the end of the Offer Period and Programmed and its Associates have acquired at least 75% of the KLM Shares for which an Offer was made, Programmed will be entitled to proceed to compulsory acquisition of your KLM Shares. If that happens, you will be paid the last price offered by Programmed for KLM Shares before compulsory acquisition commences.

Programmed must give compulsory acquisition notices within one month from the end of the Offer Period if it wishes to acquire KLM Shares in the manner described. KLM Shareholders may challenge any compulsory acquisition (although this would require the challenging Shareholders to establish that the terms of the Offer do not represent fair value for their KLM Shares).

- (b) If Programmed and its Associates do not have a Relevant Interest in at least 90% of all KLM Shares during or at the end of the Offer Period, Programmed may be entitled to compulsorily acquire any outstanding KLM Shares if at a later time Programmed and its Related Body Corporates have the full beneficial interest in at least 90% (by number) of all of the issued shares in KLM.

If this threshold is satisfied, Programmed will be able to give a compulsory acquisition notice to KLM Shareholders setting out a number of matters, together with an independent expert's report stating whether the offer for the KLM Shares is of fair value. Unless minority KLM Shares who collectively hold 10% or more (in number) of the KLM Shares the subject of the notice object, the acquisition will proceed. However, if 10% or more do object, the acquisition can only proceed with the approval of the Court (and such approval must be given if Programmed satisfies the Court that a fair value is being offered for the KLM Shares).

This general compulsory acquisition power can only be exercised within 6 months of the date on which Programmed reaches the relevant 90% threshold.

Programmed has indicated in its Bidder's Statement that it intends to proceed to compulsorily acquire outstanding KLM Shares under the Corporations Act, if it becomes entitled to do so.

## 9 ADDITIONAL INFORMATION

### 9.1 Directors' Interests in KLM Shares

As at the date of this Target's Statement, the Directors own or control the following KLM Shares:

Name of Director	No. of Shares and percentage of total
Mr Rodney Chadwick (Chairman)	300,000 (0.50%)
Mr Greg Jinks and Mr Peter Jinks jointly (Managing Directors) through Moller Volantor Pty Ltd	14,285,000 (23.86%)
Mr Greg Jinks (Managing Director) through the GD Superfund	510,000 (0.85%)
Mr Peter Jinks (Managing Director) through Volantor Super Fund	15,000 (0.03%)
Mr Geoffrey Lord through Belgravia Strategic Equities Pty Ltd and GNR Superfund	5,368,001 (8.97%)
Mr Mark Maine	216,475 (0.36%)
Mr Alan Moore	703,000 (1.17%)

As at the date of this Target's Statement, the Directors hold a relevant interest in the following KLM Shares:

Name of Director	No. of Shares and percentage of total
Mr Rodney Chadwick (Chairman)	300,000 (0.50%)
Mr Greg Jinks and Mr Peter Jinks jointly (Managing Directors) through Moller Volantor Pty Ltd	14,285,000 (23.86%)
Mr Greg Jinks (Managing Director) through the GD Superfund	510,000 (0.85%)
Mr Peter Jinks (Managing Director) through Volantor Super Fund	15,000 (0.03%)
Mr Geoffrey Lord through Belgravia Strategic Equities Pty Ltd and GNR Superfund	5,368,001 (8.97%)
Mr Mark Maine	216,475 (0.36%)
Mr Alan Moore	703,000 (1.17%)

**9.2 Transactions in KLM Shares**

The Directors have not acquired or disposed of any KLM Shares in the period of 4 months immediately preceding the date on which the Bidder's Statement was served on KLM.

**9.3 Options**

The Offer does not extend to the KLM Options. However, it does extend to KLM Shares which are issued on the exercise of the KLM Options if those KLM Shares are issued between the Register Date and the end of the Offer Period. Programmed has indicated in its Bidder's Statement that it intends to propose to KLM Option holders during the Bid Period that those KLM Options be replaced with comparable entitlements under Programmed's long term incentive plan.

**9.4 Agreements or Arrangements with KLM Directors**

Moller Volantor, the private investment company of the joint Managing Directors of KLM (Mr Peter Jinks and Mr Greg Jinks), has entered into a Pre Bid Agreement with Programmed pursuant to which Moller Volantor has agreed to accept the Offer in respect of 11,975,145 KLM Shares held by it, subject to there being no Superior Proposal. 11,975,145 KLM Shares constitutes 19.99% of the total KLM Shares on issue and is the maximum amount of shares permitted to be acquired by Programmed before the Offer was made.

The Pre Bid Agreement will terminate automatically if the Offer Period ends for any reason or is extended by Programmed to a date that falls after 28 February 2010 or if Moller Volantor has accepted the Offer and the Offer has become unconditional or if a Superior Proposal is announced during the Offer Period that is not matched by Programmed within 3 business days of the announcement by KLM that the relevant proposal has been determined by the Directors as a Superior Proposal.

**9.5 The Members of the Board Following Completion of the Offer**

Programmed has indicated in its Bidder's Statement that if it acquires 90% or more of the KLM Shares and so becomes entitled to proceed to compulsory acquisition of the outstanding KLM shares it will replace all members of the KLM Board and of any company in respect of which KLM has nominee directors with its own nominees.

If Programmed gains effective control of KLM by acquiring 50.1% or more of KLM but does not become entitled to compulsorily acquire the outstanding KLM Shares then, subject to the Corporations Act and KLM's constitution, Programmed has indicated in its Bidder's Statement that it intends to replace a majority of the members of the KLM Board with nominees of Programmed. Programmed has stated that it has not made any decision as to who would be nominated for appointment to the KLM Board in this case. If KLM remains listed on the ASX, Programmed has indicated that it would consider, but not necessarily be bound by, the recommendations in the ASX Corporate Governance Principles and Recommendations when determining the composition of the KLM Board.

## 9.6 Programmed's Intentions if it acquires 100% of KLM's Shares

Mr Greg Jinks and Mr Peter Jinks have indicated to Programmed their preparedness to remain with the KLM business should the Offer be successful.

Programmed has confirmed that it intends that:

- (a) It will retain KLM staff and management.
- (b) The KLM head office will remain in Melbourne.
- (c) It will continue to operate KLM as a new business unit within the Programmed group with KLM management continuing to be responsible for their core operations.
- (d) It will provide opportunities for KLM staff to benefit from the opportunities and growth arising from being part of a larger diversified services company.
- (e) It will seek to identify opportunities for KLM to leverage its 'value added' services across Programmed's customers and business divisions.

## 9.7 Taxation Implications

The Australian tax implications of Programmed's Offer for a KLM Shareholder will depend on a number of factors, including, without limitation:

- (a) whether the Shareholder holds its KLM Shares on capital or revenue account for taxation purposes;
- (b) the nature of the Shareholder (i.e. whether the Shareholder is an individual, company, trust, or complying superannuation fund); and
- (c) the tax residency status of the Shareholder (i.e. Australian resident or not).

The Australian tax consequences of the Offer for KLM Shareholders who are residents of Australia for tax purposes are summarised in section 8 of the Bidder's Statement, to which reference should be made for further information.

Your Directors have not sought to verify the accuracy of the statements made about the tax implications in the Bidder's Statement and you are urged to seek independent advice based on your individual circumstances.

## 9.8 Risks

The Directors suggest that you read the entire Target's Statement and the Bidder's Statement carefully before making a decision in respect of the Offer. Some key risk factors are set out below. If you require further information in relation to the risks associated with accepting or refusing the Offer, please contact your professional adviser.

- (a) **Share price:** The Directors cannot predict whether the share price for KLM Shares would increase or decrease in the absence of the Offer.
- (b) **Less than 90% ownership:** The Offer is subject to a 90% minimum acceptance condition. As this condition may be waived by Programmed, there is a risk that the final level of ownership acquired by Programmed is less than 90%, which could have an impact on Programmed's intentions regarding KLM.

Shareholders should also consider the issues outlined in **Section 8** of this Target's Statement in respect of your limited right to withdraw an acceptance, your inability to accept a Superior Proposal, the risk of the Offer lapsing and taxation risks.

## 9.9 Other Material Information

The Directors are of the opinion that there is no other information that Shareholders or their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, being information which:

- (a) it is reasonable for Shareholders and their professional advisers to expect to find in this Target's Statement; and
- (b) is known to any Director.

In deciding what information should be included in this Target's Statement, your Directors have had regard to, amongst other things, the matters which Shareholders (or their professional advisers) may reasonably be expected to know, including information contained in documents previously sent to Shareholders and information available from public sources such as ASX, ASIC or the KLM website at [www.klmgroup.com.au](http://www.klmgroup.com.au).

## 9.10 ASX Disclosures

KLM has continuous disclosure obligations under the Corporations Act and the ASX Listing Rules. Subject to specific carve-outs, KLM is required to immediately disclose to the market through the ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of KLM Shares.

Copies of announcements made by KLM to ASX can be obtained from ASX's website at [www.asx.com.au](http://www.asx.com.au) (ASX code: KLM). KLM's annual report for the year ending 30 June 2009 was lodged with ASX on 17 September 2009. Copies are available upon request.

## 9.11 Consents to statements included in Target's Statement

This Target's Statement contains statements which are made, or are based on statements which are made, in documents lodged by Programmed or another person with ASIC or given to ASX. In accordance with ASIC Class Order 01/1543, the consent of those persons is not required for the inclusion of such statements. Any Shareholder who would like a copy of any of those documents may obtain a copy (free of charge) during the Offer Period.

Herbert Geer has given, and has not withdrawn, its consent to being named as legal adviser to KLM in this Target's Statement in the form and context in which it is named.

M&A Partners has given, and has not withdrawn, its consent to being named as corporate adviser to KLM in this Target's Statement in the form and context in which it is named.

Each person named above as having given their consent to the inclusion of a statement or being named in this Target's Statement:

- (a) does not make, or purport to make, any statement made in the Target's Statement or any statement on which a statement in this Target's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement, a statement included in this Target's Statement; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to their name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement which has been included in this Target's Statement with the consent of that person.



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## 10 DEFINITIONS AND INTERPRETATION

### 10.1 Definitions

In this Target's Statement (including but not limited to **Schedule 1**), unless the context otherwise requires:

**Acceptance Form** means the form of acceptance and transfer with the title "CHESS Acceptance Form" or "Issuer Acceptance Form" accompanying the Bidder's Statement.

**Announcement Date** means 29 October 2009 being the date of announcement of the Offer.

**ASIC** means Australian Securities and Investments Commission.

**Associates** has the meaning given to that term in section 9 of the Corporations Act.

**ASTC Participant** means a "Participant" under the ASTC Settlement Rules.

**ASTC Settlement Rules** means the operating rules of the ASX Settlement and Transfer Corporation Pty Limited as amended and replaced from time to time.

**ASX** means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires.

**Bidder's Statement** means the bidder's statement of Programmed dated 6 November 2009 which was served on KLM on that date.

**Bid Period** means the period between the date the Bidder's Statement is given to KLM and the end of the Offer Period.

**Board** means the board of Directors of KLM.

**Broker** means a person who is a share broker and a participant in CHESS.

**CHESS** means the Clearing House Electronic sub registry System operated by ASX.

**CHESS Acceptance Form** means the transfer and acceptance form entitled "CHESS Acceptance Form" accompanying the Bidder's Statement (for those with a CHESS Holding), which form may be used, in accordance with the Offer Terms, to relay an instruction to accept the Offer in respect of your KLM Shares in a CHESS Holding.

**CHESS Holding** means a holding of KLM Shares on the CHESS subregister of KLM.

**Controlling Participant** means the person who is designated as the controlling participant for shares in a CHESS Holding in accordance with the ASTC Settlement Rules.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Director** means a director of KLM.

**Entitlement Offer** means the non-renounceable offer of Programmed shares announced on the Announcement Date.

**HIN** stands for Holder Identification Number, which is the number that is prefixed with an "X", allocated by your Controlling Participant, to identify a KLM Shareholder with a CHESS Holding.

**Institutional Shareholder** means a shareholder in Programmed who is an "exempt investor" as defined in ASIC Class Order 08/35 or to whom an offer can be made under the Entitlements Offer without the need for a prospectus or other disclosure document.

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**Issuer Acceptance Form** means the transfer and acceptance form entitled “Issuer Acceptance Form” accompanying the Bidder’s Statement (for those with an Issuer Sponsored Holding), which form must be used to accept the Offer in respect of your KLM Shares in an Issuer Sponsored Holding.

**Issuer Sponsored Holding** means a holding of KLM Shares on KLM’s issuer sponsored subregister.

**KLM** means KLM Group Ltd ACN 089 479 676.

**KLM Option** means an option over a KLM Share.

**KLM Shares** means fully paid ordinary shares in the capital of KLM.

**Listing Rules** means the Listing Rules of ASX.

**Market Fall Percentage** means 10%.

**Moller Volantor** means Moller Volantor Pty Ltd ACN 005 835 058

**Offer** means the offer by Programmed to acquire KLM Shares referred to in the Bidder’s Statement.

**Offer Period** means the period for which the Offer remains open, being the period of 1 month, or such later date to which the Offer has been extended.

**Offer Price** means \$0.47 cents cash per KLM Share.

**Programmed** means Programmed Maintenance Services Limited ACN 054 742 264.

**Related Body Corporate** has the meaning given to that term in section 9 of the Corporations Act.

**Relevant Interest** or **relevant interest** has the meaning given in the Corporations Act.

**Settlement Date** means the date on which ordinary shares in Programmed offered to Institutional Shareholders under the Entitlement Offer are issued and when payment of net proceeds of at least \$28.1 million is received by Programmed for those shares.

**Shareholder** or **KLM Shareholder** means a holder of one or more KLM Shares.

**Shortfall Shares** means the ordinary shares in Programmed that Macquarie Capital Advisers Limited is required to subscribe for or procure subscriptions for under the Underwriting and Offer Management Agreement.

**SRN** stands for Securityholder Reference Number, which is the number that is prefixed with an “I”, allocated by KLM to identify a KLM Shareholder with an Issuer Sponsored Holding.

**Subsidiary** means a subsidiary as that term is defined in the Corporations Act.

**Superior Proposal** means an offer or proposal made by a third party to acquire more than 50% of the voting shares of KLM by way of an off-market takeover bid within the meaning of the Corporations Act or a scheme of arrangement (endorsed by the KLM Board) which, the board of KLM have determined, in good faith, is more favourable to KLM Shareholders (as a whole) than the Offer, taking into account all the terms and conditions of the competing offer or proposal.

**Target’s Statement** means this target’s statement.

**Underwriting and Offer Management Agreement** means the agreement of that name between Macquarie Capital Advisers Limited and Programmed dated on or about 29 October 2009.

**\$** means Australian dollars.

## 10.2 Interpretation

In this Target's Statement, unless the context otherwise requires:

- (a) words and phrases have the same meaning (if any) as is given to them by the Corporations Act.
- (b) words importing one gender include the other genders. Words (including defined terms) importing the plural include the singular and vice versa.
- (c) a reference to a person includes a reference to a corporation.
- (d) headings are for ease of reference only and do not affect the interpretation of this Target's Statement.
- (e) schedules, annexures and appendices to this Target's Statement form part of the Target's Statement.
- (f) all references to time in this Target's Statement are to Australian Eastern Standard Time (AEST).

## 11. AUTHORISATION OF THE DIRECTORS OF KLM

The Directors of KLM have unanimously approved the contents of this Target's Statement and its lodgement with ASIC.

Dated: 2 December 2009



**Rod Chadwick, Chairman**  
**FOR AND ON BEHALF OF KLM GROUP LTD**

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## SCHEDULE 1 Offer Conditions

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### 1 MINIMUM ACCEPTANCE

That during, or at the end of, the Offer Period, Programmed has acquired a relevant interest in at least 90% (by number) of the KLM Shares.

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### 2 MARKET FALL

Between the Announcement Date and the end of the Offer Period the S&P ASX 200 Index does not close below 4216.6 on any trading day.

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### 3 NO CHANGE IN KLM DIRECTORS' RECOMMENDATION

The directors of KLM do not make any announcement on or after the Announcement Date and before the end of the Offer Period to the effect that:

- (a) they no longer recommend that KLM Shareholders accept the Offer; or
  - (b) they recommend that KLM Shareholders accept or support any other transaction involving the acquisition by any third party of a relevant interest in more than 20% of the KLM Shares.
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### 4 NO MATERIAL ADVERSE EFFECT

That no Specified Event or series of Specified Events occurs or becomes apparent that will, or is reasonably likely to, have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses or prospects of KLM and its Subsidiaries, including as a result of making the Offer or the acquisition of KLM Shares pursuant to the Offer. For these purposes, a "**Specified Event**" is:

- (a) an event or occurrence that occurs on or after the Announcement Date and before the end of the Offer Period;
- (b) an event or occurrence that occurs before the Announcement Date but only becomes apparent or is announced or publicly disclosed between the Announcement Date and the end of the Offer Period; or
- (c) an event or occurrence that will or is reasonably likely to occur following the Offer Period and which has not been publicly announced prior to the Announcement Date.

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**5 NO MATERIAL ACQUISITIONS, DISPOSALS OR NEW COMMITMENTS**

Except for any proposed transaction publicly announced by KLM before the Announcement Date, none of the following events occurs during the period from the Announcement Date to the end of the Offer Period:

- (a) KLM or a Subsidiary acquires, offers to acquire or agrees to acquire one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount in aggregate greater than \$1 million or makes an announcement in relation to such an acquisition, offer or agreement;
- (b) KLM or a Subsidiary disposes of, offers to dispose of or agrees to dispose of one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount, or in respect of which the book value (as recorded in KLM's balance sheet as at 30 June 2009) is, in aggregate, greater than \$1 million or makes an announcement in relation to such a disposition, offer or agreement;
- (c) KLM or a Subsidiary enters into, or offers to enter into or agrees to enter into, any agreement, joint venture, partnership, management agreement or commitment which would require expenditure, or the foregoing of revenue, by KLM and/or its Subsidiaries of an amount which is, in aggregate, more than \$1 million or makes an announcement in relation to such an entry, offer or agreement; or
- (d) KLM or any Subsidiary enters into, or offers to enter into or agrees to enter into, a transaction that has the same economic effect as any of the things in clauses (a) to (c) or resolves to do any of the things in clauses (a) to (c) or this clause (d).

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**6 DISTRIBUTIONS AND CAPITAL REDUCTIONS**

That between the Announcement Date and the end of the Offer Period neither KLM nor any Subsidiary makes or declares or announces an intention to make or declare any distribution (whether by way of dividend, special dividend, capital reduction or otherwise and whether in cash or in specie) other than:

- (a) any distribution which has been publicly announced by KLM before the Announcement Date; or
- (b) the declaration and/or payment by any Subsidiary of a dividend where the only recipient of that dividend is KLM or a wholly-owned Subsidiary.

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**PRESCRIBED OCCURRENCES**

That, during the Bid Period, none of the following events happen:

- (a) KLM converts all or any of its shares into a larger or smaller number of shares;
- (b) KLM or a Subsidiary resolves to reduce its share capital in any way;
- (c) KLM or a Subsidiary:
  - (i) enters into a buy-back agreement; or
  - (ii) resolves to approve the terms of a buy-back agreement under section 257C(1) or section 257D(1) of the Corporations Act;
- (d) other than on an exercise of a KLM Option (on issue at the Announcement Date), KLM or a Subsidiary issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (e) KLM or a Subsidiary issues, or agrees to issue, convertible notes;
- (f) KLM or a Subsidiary disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) KLM or a Subsidiary charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (h) KLM or a Subsidiary resolves to be wound up;
  - (i) a liquidator or provisional liquidator of KLM or of a Subsidiary is appointed;
  - (j) a court makes an order for the winding up of KLM or of a Subsidiary;
- (k) an administrator of KLM or of a Subsidiary is appointed under sections 436A, 436B or 436C of the Corporations Act;
- (l) KLM or a Subsidiary executes a deed of company arrangement; or
- (m) a receiver or a receiver and manager is appointed in relation to the whole, or a substantial part, of the property of KLM or of a Subsidiary.

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## 8 PRESCRIBED OCCURRENCES AFTER ANNOUNCEMENT DATE

That none of the prescribed occurrences listed above happens during the period beginning on the Announcement Date and ending at the end of the day before the start of the Bid Period.

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## 9 ENTITLEMENT OFFER\*

Macquarie Capital Advisers Limited does not prior to the Settlement Date give notice to Programmed terminating its obligations under the Underwriting and Offer Management Agreement to subscribe for or procure subscriptions for the Shortfall Shares because of or purportedly because of any of the following:

- (a) Regulatory action
  - (i) ASIC issues, or threatens to issue, proceedings or commences any inquiry or investigation in relation to the Entitlement Offer;
  - (ii) the ASX makes any official statement to any person, or indicates to Programmed, or Macquarie Capital Advisers Limited (whether or not by way of an official statement) that existing shares in Programmed will be suspended from quotation, Programmed will be removed from the official list or that quotation of all of the Shortfall Shares will not be granted by the ASX or such approval has not been given, in the case of the Shortfall Shares, before the Settlement Date, or such suspension from quotation occurs; or
  - (iii) any regulatory body commences any public action against an officer of Programmed in his or her capacity as an officer of Programmed or announces that it intends to take any such action or an officer of Programmed is charged with an indictable offence or is disqualified from managing a corporation under the Corporations Act;
- (b) Hostilities, index falls, changes in law, moratoriums
  - (i) hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, any member of the European Union, Russia, Japan or the Peoples Republic of China, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of these countries elsewhere in the world;
  - (ii) the S&P/ASX 200 Index on any day in the period from and including the Announcement Date and until the Settlement Date is equal to or less than:
    - (A) the level of that index as at the close of trading on the day before the date of the Underwriting and Offer Management Agreement (**Initial Level**), minus
    - (B) the Market Fall Percentage of the Initial Level;
  - (iii) a general moratorium on commercial banking activities in Australia, the United States or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries;

- (iv) there is introduced or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority including Takeovers Panel and ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the Announcement Date), any of which does or is likely to prohibit, regulate or otherwise adversely affect the Entitlement Offer, capital issues or stock markets (including the manner in which Macquarie Capital Advisers Limited manages its underwriting risk);
- (v) any of the following occurs:
  - (A) trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for more than one day on which that exchange is open for trading; or
  - (B) there is any adverse change or disruption to the political conditions or financial markets of Australia, the United States of America, the United Kingdom or Japan or the international financial markets or any change involving a prospective adverse change in national or international political, economic or financial conditions;
- (c) Entitlement Offer Documents  
A statement contained in any document issued in respect of the Entitlement Offer is or becomes misleading or deceptive, omits any material required by the Corporations Act or otherwise fails to comply with the Corporations Act or any other applicable law or the Listing Rules;
- (d) Material adverse change  
There is a material adverse change, or an event occurs which is likely to give rise to a material adverse change, in the financial position, results, operations, assets, liabilities, profits, losses or prospects of Programmed;
- (e) Material Contracts  
Any material contract is:
  - (i) terminated, rescinded, repudiated or released; or
  - (ii) amended in any material respect without the prior consent of Macquarie Capital Advisers Limited.

\*Shareholders should note that on 13 November 2009, Programmed gave notice in accordance with section 630(4) of the Corporations Act that this condition has been fulfilled.



