

ASX Release

Thursday 29 October 2009

Company Announcements Office
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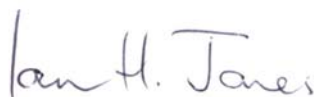
Dear Sir,

Proposed Acquisition of KLM Group and 4-for-19 Non-Renounceable, Pro Rata Entitlement Offer

Please find attached an ASX/media release by Programmed Maintenance Services Limited that announces its intention to acquire KLM Group Limited and to undertake an equity raising, via a non-renounceable entitlement offer, to fund the acquisition.

Yours sincerely,

PROGRAMMED MAINTENANCE SERVICES LIMITED



Ian H. Jones
Company Secretary

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Not for distribution or release in the United States

PROPOSED ACQUISITION OF KLM GROUP AND 4-for-19 NON-RENOUNCEABLE, PRO RATA ENTITLEMENT OFFER

Programmed Maintenance Services Limited ("Programmed") announces its intention to acquire KLM Group Limited ("KLM") and to undertake an equity raising to fund the acquisition.

Proposed acquisition of KLM Group

Programmed today announces that it has signed a Takeover Bid Implementation Agreement with KLM under which Programmed will make an off-market takeover bid to acquire all of the issued shares in KLM for a total consideration of \$28.1 million¹ cash ("Proposed Offer"). Under the Proposed Offer, each KLM shareholder will receive \$0.47 per KLM share payable in cash.

KLM is listed on the Australian Stock Exchange (ASX code: KLM) and specialises in the design, installation and maintenance of integrated electrical and communications systems.

The Board of Directors of KLM has confirmed that it intends to unanimously recommend that KLM shareholders accept the Proposed 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 relation to 19.9% of its shareholding.

In addition, each of the directors of KLM has confirmed that they intend to accept the Proposed Offer in respect of all KLM shares that they own or control, in the absence of a superior proposal.

The Proposed Offer will be subject to various conditions which are set out in Annexure A to this announcement.

1. Based on acquiring 59,875,731 KLM shares and assuming KLM's 2,000,000 employee options will be dealt with by private arrangement.

Background on KLM Group

KLM is a national business which operates five main businesses as described below:

- **Data and Communications** – design, installation, testing and maintenance of voice and data structured cabling, optical fibre, copper and TV cabling;
- **Audio Visual and Video** - design, installation, testing and maintenance of audio and video conferencing, data projection, digital display and public address systems;
- **Security** – design, installation, testing and maintenance of digital surveillance, access control and monitoring systems and CCTV networks;
- **Electrical and Lighting** – design, installation, testing and maintenance of power, light control and earthing systems; and
- **Energy Management** – Lighting efficiency design, energy audits and monitoring, installation, testing and maintenance of timers and sensors.

KLM services many clients in the private and public sectors across a variety of end markets including defence, health, finance, education, justice, retail and construction.

KLM has over 700 employees and had revenue of \$161.2 million and Earnings Before Interest and Tax (“EBIT”) of \$1.83 million for the financial year ended 30 June 2009 (“FY09”)². EBIT for the first quarter of the financial year ending 30 June 2010 was \$1.37 million³.

Strategic Rationale

Programmed’s vision is to be a leading provider of staffing, maintenance and project services. The acquisition of KLM supports this vision by extending Programmed’s capability to integrate electrical and communication services in construction, maintenance and facility management support to many property / infrastructure customers.

Commenting on the acquisition, Programmed’s Managing Director, Chris Sutherland said:

‘The acquisition of KLM has a number of strategic benefits for our company. KLM broadens Programmed’s service offering through electrical and communications services. There are also opportunities to sell KLM’s services to Programmed’s clients, while our extensive branch network will assist KLM to expand its market share. We are excited about this acquisition and look forward to welcoming the KLM team to Programmed.’

The acquisition of KLM is expected to be EPS accretive for the 2010 financial year on a pro-forma basis⁴.

More information about the Proposed Offer and the acquisition of KLM will be provided in the bidder’s statement which Programmed expects to dispatch to KLM shareholders during November.

2. As disclosed in KLM’s 2009 Annual Report.

3. As disclosed in KLM’s profit announcement for the first quarter of the financial year ending 30 June 2010, released on 20 October 2009.

4. EPS refers to Earnings Per Share. Pro forma basis assumes Programmed had acquired KLM on 1 April 2009 and receives a full 12 month contribution from KLM during the financial year ending 31 March 2010, the \$28.1 million purchase price being funded by the issue of 7.4 million shares at a price of \$3.80 per share.

Programmed Equity Raising

Programmed also announces today that it is undertaking an equity raising through a 4 for 19 non-renounceable, pro rata entitlement offer ("Entitlement Offer") to fund the acquisition of KLM and to fund other potential acquisitions. The equity raising will be structured as follows:

- An underwritten institutional component of \$50 million ("Institutional Entitlement Offer"); and
- A non-underwritten retail component ("Retail Entitlement Offer") which is expected to raise \$9 to \$15 million⁵.

The Entitlement Offer will proceed irrespective of whether or not the acquisition of KLM is completed.

Participation and Pricing

Eligible shareholders⁶ as at the Record Date (7pm Melbourne time on 4 November 2009) may subscribe for 4 new Programmed ordinary shares ("New Shares") for every 19 shares they own in Programmed as at the Record Date at a fixed offer price of \$3.80 per New Share ("Offer Price").

The Offer Price represents:

- a 15.7% discount to the volume weighted average price for the five day period up to and including 28 October 2009; and
- a 9.8% discount to the theoretical ex-rights price (TERP)⁷.

The Entitlement Offer is non-renounceable and the entitlements to New Shares will not be tradable on the ASX or be otherwise transferable. Shareholders who do not take up their full entitlement will not receive any value in relation to entitlements they do not take up and their percentage shareholding in Programmed will be diluted.

Each New Share will rank equally with existing Programmed shares from allotment.

Institutional Entitlement Offer

The Institutional Entitlement Offer will open today at 11.00am and close at 1.00pm on Friday, 30 October 2009. New Shares issued under the Institutional Entitlement Offer will commence trading on the ASX on Monday 16 November 2009⁸.

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5. Assumes a register split of 63% institutional shareholders and 37% retail shareholders and a participation rate among retail shareholders of 30% to 50%. The maximum amount that can be raised, based on an institutional component of \$50 million and assuming full participation in the retail component, is \$79.7 million.
 6. Eligible Shareholders are shareholders who as at 7pm (Melbourne time) on 4 November 2009 have an address on Programmed's share register in Australia or New Zealand, and institutional shareholders in Australia, New Zealand, Hong Kong, Norway, Singapore or the United Kingdom who are not US Persons or acting for the account or benefit of US Persons – see the offer documentation which will be provided to shareholders in relation to the Entitlement Offer.
 7. The theoretical ex-rights price (TERP) is the theoretical price at which Programmed shares should trade immediately after the ex-date for the Entitlement Offer assuming 100% take-up of the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which Programmed shares trade immediately after the ex-date for the Entitlement Offer may vary from TERP.
 8. All times and dates in this announcement refer to Australian Eastern Daylight Time. These dates and times are indicative only and subject to change. Any material changes will be notified via ASX.

Eligible institutional shareholders as at the Record Date may choose to accept all or part of their pro-rata entitlement or none at all.

New Shares equal in number to entitlements not taken up by eligible institutional shareholders, together with New Shares attributable to entitlements which otherwise would have been offered to ineligible institutional shareholders, will be offered to existing eligible institutional shareholders who apply for New Shares in excess of their pro-rata entitlement and to certain other eligible institutional investors.

Retail Entitlement Offer

The Retail Entitlement Offer will open on Thursday 5 November 2009 and close at 5.00pm on Tuesday 24 November. New Shares issued under the Retail Entitlement Offer will commence trading on the ASX on Friday 4 December 2009.

Eligible retail shareholders as at the Record Date may participate in the Retail Entitlement Offer at the same price as the Institutional Entitlement Offer.

Eligible retail shareholders as at the Record Date may choose to accept all or part of their pro-rata entitlement or none at all. Eligible retail shareholders who take up their entitlement in full may not apply for New Shares in excess of their entitlement. Those entitlements of eligible retail shareholders which are not taken up will lapse.

Eligible retail shareholders will shortly receive a retail offer booklet and a personalised entitlement and acceptance form which will provide further details on how to participate.

Update on Programmed's Dividend Policy

Programmed's current dividend policy, as announced on 27 May 2009, is to maintain a dividend payout ratio of 30% in order to achieve a target debt to equity ratio of 40% by 31 March 2011. The Entitlement Offer will increase Programmed's equity base and, as a result, Programmed expects to achieve its target debt to equity ratio sooner than previously indicated. Once the debt to equity ratio reaches the 40% target, Programmed will review the current dividend policy.

Further Information

For further information, including in relation to the Retail Entitlement Offer, please contact:

Chris Sutherland Managing Director Programmed Group Telephone: +61 3 8542 5702 Fax: +61 3 9543 3760	Ian Jones Company Secretary Programmed Group Telephone: +61 3 8542 5702 Fax: +61 3 9543 3760
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For media enquiries, please contact:

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Important Notice and Disclaimer

This announcement is issued by Programmed Maintenance Services Limited, ABN 61 054 742 264 ("Programmed"), and contains general background information about Programmed's activities current as at the date of the announcement, 29 October 2009. It is information in a summary form and does not purport to be complete. It should be read in conjunction with Programmed's other periodic and continuous disclosure announcements, including the Programmed 2009 Annual Report lodged with the Australian Securities Exchange ("ASX") on 8 July 2009 and announcements to the ASX available at www.asx.com.au.

This announcement is not a prospectus or a product disclosure statement under the Corporations Act and has not been lodged with the Australian Securities and Investments Commission ("ASIC"). The Entitlement Offer to which this announcement relates complies with the requirements of section 708AA of the Corporations Act as modified by ASIC Class Order 08/35, and a Cleansing Notice complying with that section has been lodged with ASX.

The information contained in this announcement is for information purposes only and does not constitute an offer to issue or arrange to issue, securities or other financial products. The information provided in this announcement is not intended to be relied upon as advice to investors or potential investors and has been prepared without taking into account the recipient's investment objectives, financial circumstances or particular needs. Before making an investment decision, you should consider, with or without the assistance of a financial adviser, whether an investment is appropriate in light of your particular investment needs, objectives and financial circumstances.

This announcement has been prepared for publication in Australia and may not be released or distributed in the United States or to US persons. This announcement does not constitute an offer of securities for sale in the United States or any other jurisdiction. Any securities described in this announcement may not be offered or sold in the United States or to US persons (as defined in Regulation S under the US Securities Act of 1933) absent registration under the US Securities Act or an exemption from registration.

This announcement may contain certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Due care and attention have been used in the preparation of forecast information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Programmed that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

ANNEXURE A - OFFER CONDITIONS

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.

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.

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.

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.

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).

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.

7. 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.

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.

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.

Definitions

Terms used in this Annexure A have the following meanings:

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

ASIC means the Australian Securities & Investments Commission.

ASX means Australian Securities Exchange Limited.

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

Bidder's Statement means the statement of Programmed under Part 6.5 Division 2 of the Corporations Act relating to the Offer.

Corporations Act means the Corporations Act 2001 (Cwlth).

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

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.

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.

KLM Shareholder means a holder of KLM Shares.

Listing Rules means the Listing Rules of ASX.

Market Fall Percentage means 10%.

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.

Programmed means Programmed Maintenance Services Limited ACN 054 742 264.

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.

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.

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

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.