



ASX ANNOUNCEMENT

12 FEBRUARY 2007

## **INTEGRATED GROUP LIMITED AND PROGRAMMED MAINTENANCE SERVICES LIMITED ANNOUNCE AGREEMENT TO MERGE BY SCHEME OF ARRANGEMENT**

Integrated Group Limited (**Integrated**) (ASX:IWF) and Programmed Maintenance Services Limited (**PMS**) (ASX:PRG) today announced that they have agreed to a merger which will create a new national force in outsourced maintenance and labour hire services.

### **Transaction details**

Under the proposed transaction, PMS will acquire all of the issued shares of Integrated through a Scheme of Arrangement undertaken by Integrated with its shareholders (**Scheme**). PMS is offering Integrated shareholders \$1.25 in cash and 0.26 PMS shares for each Integrated share they hold. In addition, Integrated shareholders will be entitled to receive any interim dividend declared by Integrated for the six months ended 31 December 2006, up to a maximum of 5 cents per Integrated share. As holders of new PMS shares, Integrated shareholders will also be entitled to any final dividend declared by PMS for the six months ending 31 March 2007.

Excluding the impact of any potential cost synergies and improved growth prospects, the offer has an implied value of \$2.64<sup>1</sup> per Integrated share based on the closing share price of PMS on 9 February 2007 of \$5.14.

The highly attractive offer represents a premium to Integrated shareholders of:

- 16.7% premium to the closing share price of Integrated on 9 February 2007 of \$2.26 per share;
- 24.8% premium to the one month volume weighted average share price (**VWAP**) of Integrated up to and including 9 February 2007 of \$2.11 per share; and
- 32.3% premium to the three month VWAP of Integrated up to and including 9 February 2007 of \$1.99 per share.

The offer consideration values Integrated's equity at approximately \$191 million and implies an enterprise value of approximately \$217 million.

As a result of the transaction, the merged group expects to benefit from significant operational improvements, superior growth prospects and greater industry and geographic coverage

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<sup>1</sup> Includes maximum permitted interim dividend of 5 cents per Integrated share.

through cross-selling opportunities and an expanded branch network. The merged group will have revenues of approximately \$800 million.

### **The Directors recommend that Integrated shareholders support the Scheme**

The Directors of Integrated unanimously recommend that Integrated shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to the Independent Expert concluding that the merger proposal is in the best interests of Integrated shareholders. Subject to those same qualifications, all Integrated's Directors intend to vote all of their shares in favour of the Scheme.

The Board of Integrated has appointed KPMG Corporate Finance (Aust) Pty Ltd as its Independent Expert to consider the merger proposal.

### **Strategic rationale**

The complementary nature of the two businesses means that the merger will create a larger, broad-based outsourced maintenance and labour hire services company, capable of leveraging maintenance services and labour management systems and tools to provide better service to the combined customer base.

- **Full service offering with an opportunity to add greater customer value** – scope to bundle services ranging from labour hire to full maintenance solutions to a broader client base.
- **Larger geographic footprint** – leverage PMS's presence in New Zealand and the United Kingdom to accelerate Integrated's expansion into those regions while utilising Integrated's growing national branch network to expand PMS's customer reach.
- **Broader industry coverage leading to a more diversified earnings base** – expand PMS's asset maintenance services into the resources market, particularly in Western Australia and Queensland, while leveraging Integrated's presence in the offshore oil and gas services sector.
- **Operational improvements** – extract a range of vertical integration benefits, including access to a larger workforce pool enabling greater labour flexibility to meet seasonal demands as well as improved shared services delivery at lower unit costs.
- **More dynamic workplace** – improved HSE risk management practices and greater career opportunities for all staff leading to improved employee recruitment and retention.
- **Superior financial scale** – larger combined balance sheet to fund growth, increased market capitalisation and investor relevance, with additional shareholder value flowing from cost and revenue synergies.

PMS's Chairman, Mr Geoff Tomlinson commented, "This transaction represents a terrific opportunity for PMS to extend its service offering into the labour hire market. The two businesses have an outstanding strategic and operational fit and we are confident that the combination of the two will be value enhancing to PMS shareholders".

PMS's Managing Director, Mr Max Findlay said, "We are very excited by this transaction and believe PMS will now be even better placed to add value to our customers' operations by leveraging the core competencies of both companies to provide a more comprehensive service. The combined group will also create new and exciting opportunities for employees of both companies".

Commenting on the merger proposal, Integrated's Chairman, Mr Neil Hamilton said, "This is an excellent outcome for our company, its staff, customers and its investors. Integrated's Board unanimously recommends the transaction to Integrated shareholders. PMS's offer provides shareholders with a payment which represents a premium to the Integrated share price and we are confident that the transaction will be highly attractive for Integrated shareholders. The combination of these two highly successful companies has significant strategic merit and will create a dynamic competitor in the labour hire and maintenance services markets".

Integrated's CEO, Mr Chris Sutherland said, "I am confident that the combination of Integrated and PMS will create substantial benefits for the customers and employees of both companies. After the implementation of this transaction, shareholders in the combined group will be able to leverage the platform created by the merger across Australia, New Zealand and the United Kingdom, while looking forward to significant future growth".

"PMS brings to Integrated a presence in New Zealand and United Kingdom which provides the potential for faster expansion of Integrated's recruitment, marine and labour hire services into these countries. In addition, PMS brings a maintenance background, which combined with Integrated's marine business, should generate new opportunities in offshore oil and gas services, particularly in Western Australia and New Zealand, with existing Integrated customers".

### **Board and Management Structure**

Geoff Tomlinson will continue as PMS's Chairman. Two members of the Board of Integrated, Neil Hamilton and Jon Whittle, have indicated an intention to accept an invitation to join the Board of PMS in the event that the Scheme is approved by Integrated shareholders.

Max Findlay will continue as PMS's Managing Director. Chris Sutherland will have responsibility for the workforce, marine and technical maintenance businesses, reporting directly to Max Findlay.

### **Merger Implementation Agreement**

On 12 February 2007, PMS and Integrated entered into a Merger Implementation Agreement (MIA). The MIA imposes certain obligations on each party with respect to the merger. The attachment to this announcement sets out the key terms and conditions of the MIA.

### **Conditions to the Scheme**

The Scheme proposal is subject to a number of conditions including:

- Integrated shareholder approval in respect of the Scheme;
- the Independent Expert concluding that the Scheme is in the best interests of Integrated shareholders;
- the approval of the Scheme by the Court;
- obtaining any necessary regulatory consents and approvals (including ASIC and ASX) on acceptable terms;
- no "Prescribed Occurrences" or "Material Adverse Change" (each being defined in the MIA) occurring in relation to either party; and
- the warranties given by the parties being and remaining materially true and correct.

## **Funding**

PMS will fund the cash component of the Scheme consideration through a committed bank loan facility.

## **Timing**

An Explanatory Booklet with full details of the Scheme proposal and the reasons for the unanimous recommendation of the Integrated Directors (in the absence of a superior proposal and subject to the Independent Expert concluding that the merger proposal is in the best interests of Integrated shareholders), together with a copy of the Independent Expert's Report is expected to be sent to Integrated shareholders in April 2007. A meeting of Integrated shareholders to vote on the Scheme is expected to be held in early May 2007.

## **Advisers**

Calburn Partnership is acting as financial adviser to Integrated and Cochrane Lishman is acting as legal adviser.

Macquarie Bank is acting as financial adviser to PMS and Allens Arthur Robinson is acting as legal adviser.

## **Shareholder information**

For further information contact:

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## **ABOUT INTEGRATED GROUP LIMITED**

Integrated Group Limited is a national leader in the supply of recruitment, labour hire and managed labour services across all sectors of industry and commerce. Integrated operates through three separate divisions: 'Workforce', "Marine Services" and "Maintenance".

Since being established in 1992 (as Integrated Workforce) the company has been at the forefront of transforming traditional labour hire and recruitment with its complete employment model and has made numerous acquisitions as part of its growth strategy.

The Integrated branch network of 43 offices in all states and territories employs more than 7,000 people daily for client companies.

Further information on Integrated Group Limited is available on the company website at [www.intgroup.com.au](http://www.intgroup.com.au).

## **ABOUT PROGRAMMED MAINTENANCE SERVICES LIMITED**

Programmed Maintenance Services Limited, founded in 1951, provides a growing range of property maintenance services to commercial, industrial and institutional property owners. It operates the largest contract painting businesses in Australia and New Zealand, an expanding contract painting business in the United Kingdom, one of Australia's three largest grounds management businesses, building services businesses in Australia and New Zealand, an industrial services business in Australia and facilities management services in Australia and New Zealand.

The company maintains 60,000 buildings for over 5,000 customers.

Further information on Programmed Maintenance Services Limited is available on the company website at [www.pmsltd.com.au](http://www.pmsltd.com.au).

## ATTACHMENT TO ASX ANNOUNCEMENT

### KEY TERMS OF THE MERGER IMPLEMENTATION AGREEMENT

Integrated and PMS have entered into a Merger Implementation Agreement (**MIA**) dated 12 February 2007 to provide a framework for proposing and implementing the Scheme.

The MIA sets out the rights and obligations of Integrated and PMS in relation to the Scheme. A copy of the MIA will be contained in the Explanatory Booklet to be provided to Integrated shareholders prior to the meeting of Integrated shareholders to vote on the Scheme.

A summary of the key terms of the MIA is set out below.

#### Conditions

Implementation of the Scheme is conditional upon (among other things):

- Integrated shareholder approval;
- the Independent Expert concluding that the Scheme is in the best interests of Integrated shareholders;
- the approval of the Scheme by the Court;
- obtaining necessary regulatory consents and approvals (including ASIC and ASX) on acceptable terms;
- no "Prescribed Occurrences" or "Material Adverse Change" (each being defined in the MIA) occurring in relation to either party; and
- the warranties given by the parties being and remaining materially true and correct.

The parties are required to use best endeavours to satisfy the conditions.

#### Warranties and indemnities

Mutual warranties and indemnities have been given by each party including in relation to corporate capacity, authorisation, no contravention of respective constitutions and the accuracy of information provided to the other party as part of due diligence.

Further warranties and indemnities are provided by Integrated in favour of PMS in relation to the accuracy of information provided in the scheme documentation and that the Scheme will not cause the termination of any material contracts.

#### No shop, no talk restriction

During the restriction period:

- No shop restriction: Integrated must ensure that neither it, its related entities nor any of its representatives directly or indirectly approaches, solicits inquiries from or initiates discussions, expression of interests, offers or proposals with any person (other than PMS or its related entities) in relation to a competing proposal.
- No talk restriction: Integrated must ensure that neither it, its related entities or any of its representatives participate in any discussions or negotiations, provide any information, or take any other action to facilitate a competing proposal (subject to the fiduciary duties exception specified below).

- Notwithstanding the above no talk restriction, the Board of Integrated may engage a third party in discussions if it has received a written proposal and, acting in good faith and in accordance with its fiduciary and other duties to shareholders and after having taken legal and financial advice, it forms the view that it is in the best interests of Integrated shareholders for the discussions to take place.

The restriction period noted above is the period from the date of the MIA to the earliest of four months after that date, the date any Court orders approving the Scheme become effective and the date the MIA is terminated in accordance with its terms.

### **Termination rights**

The MIA can be terminated by either party if (among other things) any condition precedent is not satisfied or waived or either Integrated shareholders or the Court fail to approve the Scheme.

PMS may terminate the MIA where:

- Integrated is in material breach of the MIA; or
- the Board of Integrated or any Integrated Director withdraws or qualifies their support for the transaction or otherwise acts in a manner which is inconsistent with obtaining approval for the transaction.

Integrated may terminate the MIA where PMS is in material breach of the MIA or a competing proposal is announced which in the opinion of the Directors of Integrated is more favourable than the PMS proposal.

### **PMS's break fee**

Integrated must pay PMS a break fee of \$1.9 million if:

- A takeover bid or other merger proposal is launched by a third party in respect of Integrated and that bid or proposal results in the bidder or proponent acquiring 50% or more of Integrated; or
- PMS terminates the MIA due to a material unremedied breach of the MIA by Integrated.

### **Integrated's break fee**

PMS must pay Integrated a break fee of \$1.9 million if Integrated terminates the MIA due to a material unremedied breach of the MIA by PMS.