

Section 2

Profile of Integrated



Section 2 – Profile of Integrated

2.1 Overview

Integrated was established in 1992 and has grown to become a major provider of recruitment, labour hire and managed labour services across Australia.

Integrated is headquartered in Perth, Western Australia and operates through 45 offices in Australia and New Zealand.



Integrated on-hires 6,000 to 7,000 persons each day to more than 2,000 customers across a broad range of industries.

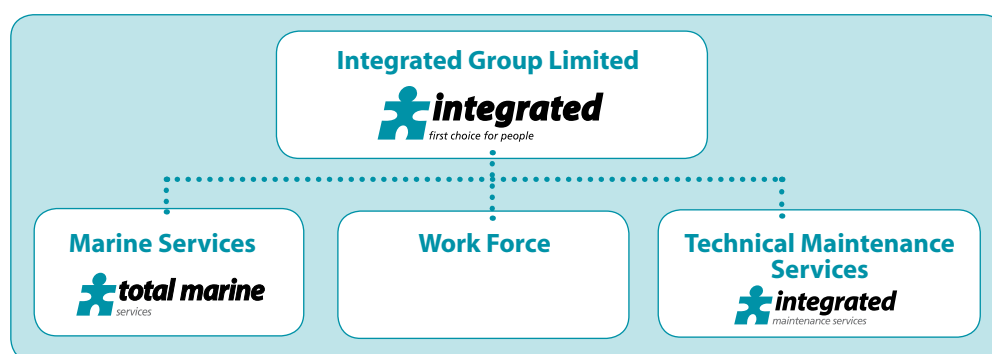
Integrated's business is focused on:

- a commitment to achieving zero injuries;
- staff who enjoy coming to work each day;
- a workforce that gets paid correctly and is provided with ongoing opportunities;
- customers who are highly satisfied and treated with respect;
- above average returns for Integrated Shareholders;
- an operation that can serve small local customers and large national customers alike;
- a focus on long term contracts, partnerships and alliances as its preferred method of engagement; and
- value adding acquisitions that add new locations or industries to Integrated's business.

2.2 Structure of Integrated Group

Integrated operates through three divisions:

- Workforce, which provides recruitment and labour hire services to the industrial, manufacturing and resources markets;
- Marine (trading as Total Marine Services in Australia and Wendell Group in New Zealand), which provides a full range of vessel management, manning and catering services; and
- Maintenance, which provides managed labour, supervision and technical maintenance services.



2.3 Integrated Board and management structure

a) Neil Hamilton, LL.B – Chairman - independent non-executive director. Age 54

Neil Hamilton is an independent, non-executive director and has been a director and Chairman for seven years since his appointment in August 1999. Mr Hamilton has substantial experience in a number of industries including insurance and resources. Mr Hamilton is Chairman of the Board and Chairman of the Remuneration Committee. Mr Hamilton is currently Chairman of IRESS Market Technology Ltd, a director of Insurance Australia Group Ltd and Chairman of the AFL Players Association Advisory Board. He is also a former director of each of Landcorp, Western Power Corporation, D’Orsogna Ltd, Chieftain Securities Ltd and Sons of Gwalia Ltd.

b) Jonathan Whittle – non-executive director. Age 52

Jonathan Whittle has been a director of the company for fourteen years. He has been a non-executive director since February 2006. Previously, he was Managing Director of Integrated from the time of the Company’s formation in November 1992 until 11 February 2006 when he retired from his executive role. He accepted the Board’s invitation to remain on the Board as a non-executive director. Mr Whittle has extensive experience in the recruitment industry, having worked in, and then managed, the West Australian operations of a multinational recruitment agency prior to establishing Integrated Workforce (the predecessor to Integrated). Mr Whittle is a member of the Remuneration Committee. He is also a director of Olea Australis Ltd and a former director of HBF.

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c) Trevor Clohessy, CA – independent non-executive director. Age 55

Trevor Clohessy has been an independent non-executive director for seven years since his appointment in August 1999. He is a former partner and co-founder of the accounting firm formerly known as Norgard Clohessy. Mr Clohessy is Chairman of the Audit Committee and a member of the Remuneration Committee. Mr Clohessy is also currently a director of Olea Australis Ltd, and a former director of each of Xanadu Wines Ltd and Ausron Ltd.

d) Valerie Davies, FAICD – independent non-executive director. Age 55

Valerie Davies has been an independent non-executive director for seven years since her appointment in August 1999. Ms Davies is Principal of One.2.One Communications Pty Ltd and has extensive experience in the communications and human resources industries. She is a past recipient of the Telstra “WA Business Women of the Year” Award. Ms Davies is a member of the Audit Committee and Remuneration Committee. Ms Davies is also currently a director of Iluka Resources Limited, HBF Health Funds Inc, HealthGuard Ltd and Tourism Australia, and a former director of TAB (WA), Gold Corporation, Relationships Australia, ScreenWest, Fremantle Hospital & Health Service and the Asia Research Centre at Murdoch University.

e) Michael Gurry, B.Sc., DipAICD, FAICD, FAIM, SA Fin. – independent non-executive director. Age 60

Michael Gurry was appointed a non-executive director on 15 September 2006. Mr Gurry was formerly Chief Executive Officer of HBF, a major Western Australian health and general insurance company. He also has substantial experience in information systems and management consulting having previously held senior management roles at DMR and IBM. Mr Gurry is a Member of the Remuneration Committee. He is also a former Director of AHIA and HealthGuard Ltd and a former director of AeM Consulting Pty Ltd. Mr Gurry is currently the Chairman of United Way (WA).

f) Christopher Sutherland, B. Eng (Hons), FIE (Aust) – Managing Director. Age 43

Christopher Sutherland was appointed Chief Executive Officer of Integrated on 1 February 2006 and Managing Director on 1 May 2006. Mr Sutherland has substantial management, operational and leadership experience in a number of senior executive roles involving operations in Australia, Asia and Europe. Prior to his appointment as CEO of Integrated, Mr Sutherland was Executive Director, Asset Services, at Worley Parsons Limited. Before Worley Parsons, he held senior management positions with the Clough Group including CEO, Clough Services and General Manager, Group Strategy. Apart from his core strengths in engineering, maintenance, general management and strategic development, Mr Sutherland has experience and expertise in acquisitions, alliances and joint ventures, asset and project management, and provision of services to the offshore oil and gas industry. Mr Sutherland holds a Bachelor of Engineering (Civil) from the University of Western Australia and has completed Harvard Business School's Advanced Management Program.

g) Stephen Leach, CA - Company Secretary and Chief Financial Officer. Age 38

The company secretary is Mr Stephen Leach, who was appointed to the positions of Chief Financial Officer and Company Secretary in October 2005 after having joined Integrated as Financial Controller in September 2004. Before joining Integrated, Mr Leach held management positions with Macmahon Holdings Limited in Australia and with listed multinationals in Southern Africa and the United Kingdom. Mr Leach holds a Bachelor of Commerce from Rhodes University, South Africa.

2.4 Integrated's recent performance and future plans

a) Income Statements for Financial Year 2006 and 2005

The table below shows the consolidated income statement for Integrated for the financial years ended 30 June 2006 and 30 June 2005.

Over this period:

- revenue increased 15.1% to \$445.6 million; and
- profit from continuing operations (Workforce, Marine and Maintenance) increased 42.1% to \$12.9 million. However, due to losses in the training division, which was sold in April 2006, net profit decreased 60.1% to \$3.0 million.

	2006 \$'000	2005 \$'000
Revenue from continuing operations	445,614	387,307
Other Income	915	-
Temporary employee expenses	(365,291)	(316,218)
Salaried employee expenses	(32,025)	(27,323)
Vessel charter hire	(790)	(894)
Vessel operating costs	(1,968)	(1,865)
Depreciation and amortisation expense	(3,237)	(4,163)
Occupancy expenses	(2,442)	(1,755)
Finance costs	(3,122)	(1,904)
Impairment of property, plant and equipment	168	(1,707)
Other expenses	<u>(22,276)</u>	<u>(17,927)</u>
Profit before income tax	15,546	13,551
Income tax expense	<u>(2,651)</u>	<u>(4,477)</u>
Profit from continuing operations	12,895	9,074
Loss from discontinued operations	<u>(9,745)</u>	<u>(1,257)</u>
Profit for the year	3,150	7,817
Profit attributable to minority interests	<u>(133)</u>	<u>(253)</u>
Profit attributable to members of Integrated Group Limited	3,017	7,564
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company		
Basic (cents per share)	18.1	12.5
Diluted (cents per share)	18.1	12.5
Earnings per share for profit attributable to the ordinary equity holders of the company		
Basic (cents per share)	4.3	10.7
Diluted (cents per share)	4.3	10.7

Source:
Integrated FY06 Annual Report

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b) Balance Sheet

The table below presents the consolidated balance sheet of Integrated as at 31 December 2006.

	2006 \$'000
Current Assets	
Cash and cash equivalents	1,801
Trade and other receivables	70,954
Inventories	385
Total Current Assets	<u>73,140</u>
Non-current Assets	
Available-for-sale financial assets	1,000
Property, plant and equipment	10,610
Deferred tax assets	4,504
Intangible assets	30,740
Total Non-current Assets	<u>46,854</u>
Total Assets	<u>119,994</u>
Current Liabilities	
Trade and other payables	37,047
Borrowings	24,127
Current tax liabilities	1,638
Provisions	1,222
Total Current Liabilities	<u>64,034</u>
Non-current Liabilities	
Borrowings	3,706
Deferred tax liabilities	2,127
Provisions	3,395
Total Non-current Liabilities	<u>9,228</u>
Total Liabilities	<u>73,262</u>
Net Assets	46,732
Equity	
Contributed equity	36,989
Reserves	591
Retained profits	9,152
Total Equity	<u>46,732</u>

Source:
Integrated 31 December 2006 Interim Report

c) Half Year Results

On 27 February 2007, Integrated announced its results for the half year ended 31 December 2006 (**1H07**) reporting a significant turnaround in the business, as highlighted in the table below. Unless otherwise specified, comparisons in this section are against Integrated's results for the half year ended 31 December 2005 (**1H06**) which have been normalised by removing losses associated with discontinued training operations and net impacts of vessel disposals. The 1H07 results include a three and a half month contribution from the Wendell Offshore Group which was acquired in early September 2006.

Revenue increased 5% to \$232 million from \$221 million in 1H06. EBITDA increased 16.3% to \$11.8 million from \$10.2 million in 1H06 and NPAT increased 16.7% to \$6.5 million from \$5.5 million in 1H06.

The table below shows Integrated's result for 1H07 compared to 1H06 on an actual and normalised basis. The column headed "Change" shows the variation between the results for 1H07 and the normalised 1H06 result.

Financials Half Year Comparative	1H06		1H06 – Norm'd		1H07		% Change
	\$'000	% Margin	\$'000	% Margin	\$'000	% Margin	
Revenues	221,710		221,480		232,484		5.0%
EBITDA	10,690	4.8%	10,169	4.6%	11,828	5.1%	16.3%
Depreciation	(1,985)		(1,037)		(1,233)		
Amortisation	(26)		(26)		(221)		
EBIT	8,679	3.9%	9,106	4.1%	10,374	4.5%	13.9%
Interest (net)	(1,521)		(1,189)		(892)		
NPBT	7,158	3.2%	7,917	3.6%	9,482	4.1%	19.8%
Tax	(1,621)		(2,382)		(3,021)		
NPAT – Operations	5,537	2.5%	5,535	2.5%	6,461	2.8%	16.7%
Amortisation of Performance Rights	0		0		(212)		
Discontinued Operations	(5,981)		0		0		
Outside Equity Interests	(169)		(169)		0		
NPAT – Available to Shareholders	(613)	(0.3%)	5,366	2.4%	6,249	2.7%	16.5%
Operating Cash Flow	(5,274)				4,905		
EPS	(0.9)				8.9		

Notes:

1. The financial performance of Integrated for 1H06 has been normalised by removing the losses associated with the discontinued training business (\$5.981 million) and the net impact of the sale of all offshore vessels to Mermaid Marine Australia Ltd and the purchase of its manning business (\$0.002 million).

Workforce

Workforce revenue increased 9.3% to \$171 million from \$157 million in 1H06 and EBITDA increased 0.8% to \$8.1 million from \$8.0 million in 1H06. The 1H07 EBITDA margin of 4.7% was down from 5.1% in 1H06. Actions have been taken to improve this slight margin decline including:

- introducing stronger protocols around price negotiations;
- moving away from competitive tendering for lower margin national supply contracts; and
- a focus on reduction in overheads.

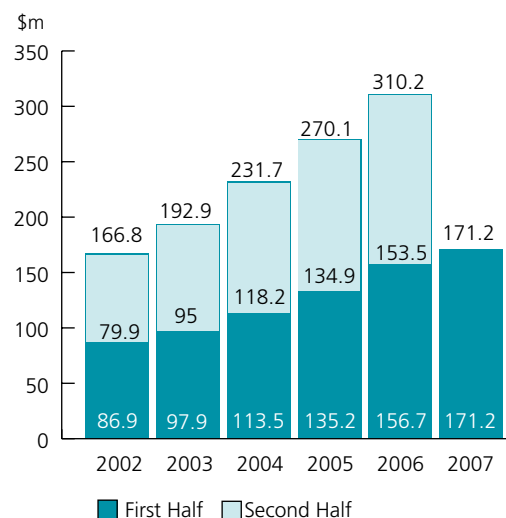
During 1H07, new branches were opened in Geraldton, Port Hedland, Port Augusta, Hemmant and Ringwood with further new openings planned in the half year ending 30 June 2007 (**2H07**).

The outlook remains strong in WA and QLD with conditions steady or improving in other states.

The table below compares the 1H07 result of the Workforce division with the result in 1H06 on a normalised basis.

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Revenue



Earnings

Half Year Comparative Workforce	1H06N \$'000	1H07 \$'000	% Change
Revenues	156,708	171,248	9.3%
EBITDA	7,996	8,063	0.8%
EBITDA Margin %	5.1%	4.7%	(0.4%)
Depreciation	(330)	(453)	
Amortisation	0	0	
EBIT	7,666	7,610	(0.7%)
EBIT Margin %	4.9%	4.4%	(0.4%)

Marine

Marine revenue increased 6.4% to \$55 million from \$51 million in 1H06.

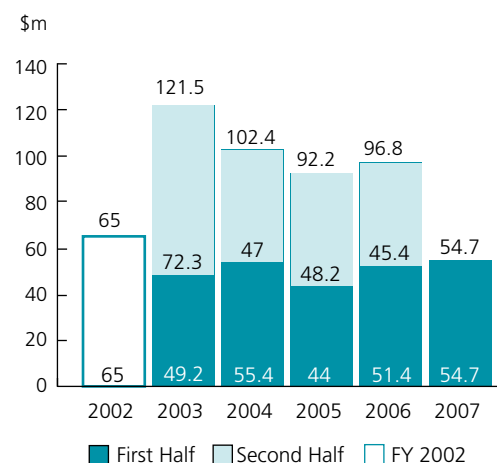
The sale of the offshore fleet to Mermaid Marine Australia Limited in April 2006 for \$23 million and the Alliance Agreement under which Integrated has secured a seven year contract to provide manning services for the Mermaid fleet, underpins Integrated's position as a clear market leader in vessel management and manning services in the region. Fresh leadership and a clear plan around providing vessel management and manning services to all owners and operators, without the complications arising from owning a fleet which competes with the customer, has strategically positioned the Marine business to maximise future growth.

Marine EBITDA increased 31% to \$5.3 million from \$4.0 million in 1H06. The Mermaid Marine Alliance is performing strongly buoyed by Mermaid's ongoing success. A number of new vessel owners have entered, and continue to enter, the market creating new opportunities and drill rig numbers globally are increasing rapidly with oil prices remaining at the US\$50+ / barrel levels.

The acquisition of Wendell Offshore Group in early September 2006 has expanded Integrated's marine capability to New Zealand and is expected to make a strong contribution in 2H07.

The table below compares the 1H07 result of the Marine Division with the result in 1H06 on a normalised basis.

Revenue



Earnings

Half Year Comparative Marine	1H06N \$'000	1H07 \$'000	% Change
Revenues	51,383	54,691	6.4%
EBITDA	4,018	5,271	31.2%
EBITDA Margin %	7.8%	9.6%	1.8%
Depreciation	(355)	(458)	
Amortisation	24	(121)	
EBIT	3,687	4,692	27.2%
EBIT Margin %	7.2%	8.6%	1.4%

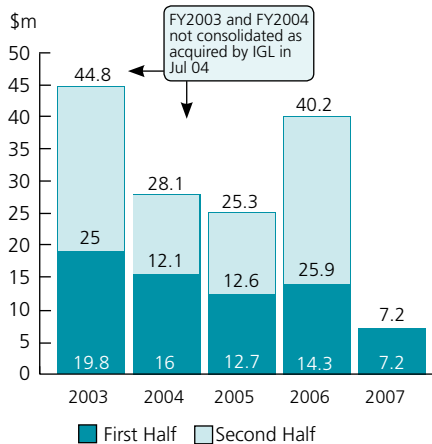
Technical Maintenance

Maintenance revenue decreased 49.7% to \$7.2 million from \$14.3 million in 1H06. EBITDA, however, increased 68.5% to \$1.1 million from \$0.7 million in 1H06.

At present the Maintenance business lacks scale, and performance will vary between reporting periods as projects of various types, risks and margins are completed and new projects are secured.

The table below compares the 1H07 result of the Maintenance Division with the result in 1H06 on a normalised basis.

Revenue



Earnings

Half Year Comparative Marine	1H06N \$'000	1H07 \$'000	% Change
Revenues	14,291	7,191	(49.7%)
EBITDA	652	1,098	68.5%
EBITDA Margin %	4.6%	15.3%	10.7%
Depreciation	(48)	(25)	
Amortisation	0	0	
EBIT	604	1,073	77.8%
EBIT Margin %	4.2%	14.9%	10.7%

Corporate costs

Unallocated corporate costs were \$2.6 million (1.3% of revenue) up from \$2.5 million in 1H06. In prior years corporate costs and shared service costs were not allocated between business divisions. However, for the purposes of the 1H07 result, shared service costs have been allocated. Accordingly, the 1H06 normalised results also include allocation of 1H06 shared service costs to enable a comparison of unallocated corporate costs.

d) Future Plans

The above results reflect the improved operating performance of the business resulting from the early benefits of significant restructuring over the past twelve months during which Integrated:

- sold its training division which was incurring losses and did not serve Integrated's main industrial customers;
- sold its offshore fleet of vessels to Mermaid Marine Australia Limited and secured a seven year contract to provide manning services for the entire Mermaid fleet; and
- simplified its organisation structure and sharpened its focus.

Integrated has established a clear vision "to be the preferred supplier of recruitment, labour hire and managed labour services".

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Integrated has a simple long term plan to grow its business organically and by acquisition as follows:

Workforce

- Expand further into regional locations in Australia, particularly those exposed to the mining and oil / gas activity.
- Expand further into New Zealand.

Marine

- Expand further overseas to begin development of an international marine manning / services business.
- Expand Integrated's marine activity to all forms of offshore labour.

Technical Maintenance

- Establish a significant technical maintenance business for the following strategic reasons:
 - i) The support functions of human resources, industrial relations, health and safety, payroll, insurance and workers compensation are common and complementary to both Workforce and Maintenance.
 - ii) Builds scale in the support function to lower unit costs and enable significant investment in related IT systems.
 - iii) Increasing scale and quality in business processes and strong IT systems are significant barriers to entry in both Workforce and Maintenance.
 - iv) Creates a new growth business for Integrated Shareholders.
- Expand into the oil / gas and mining industries and leverage off Integrated's marine capability for offshore oil and gas services.

The Integrated Board believes that Integrated can achieve the above objectives more quickly and with less risk as a part of the Merged Group than would be the case if these objectives are pursued by Integrated as an independent entity. Sections 4.5 and 7.12 contain certain information relevant to the intentions of the Merged Group.

Integrated is at present engaged in negotiations for the acquisition of two bolt-on complementary businesses consistent with its branch expansion plans for the second half of FY07. Neither acquisition is considered material. If both acquisitions were successfully concluded, purchase costs are expected to be no higher than \$4.6 million and would be funded out of existing working capital.

2.5 Integrated shares

a) Ordinary shares

As at the date of this Scheme Booklet, Integrated has 70,471,758 ordinary shares on issue. If the Scheme becomes Effective, a further 1,904,000 Integrated Shares will be issued to Integrated's Managing Director (as described in section 7.9(c) of this Scheme Booklet) providing a total of 72,375,758 Integrated Shares to be acquired under the terms of the Scheme.

As noted in section 7.9(c) of this Scheme Booklet, additional Integrated Shares to be issued to Integrated's Managing Director will be issued after the date of the Scheme Meeting and, accordingly, Integrated's Managing Director will not be able to vote such shares at the Scheme Meeting.

b) Integrated Share price history

The latest recorded sale price of Integrated Shares on ASX before the public announcement of the proposed Merger at close of trading on 9 February 2007 was \$2.26. The latest recorded sale price of Integrated Shares on ASX before the date on which the Scheme Booklet was lodged for registration with ASIC was \$2.54 on 30 March 2007. During the three month period immediately preceding the date on which the Scheme Booklet was lodged for registration with ASIC, the highest and lowest recorded sale prices of Integrated Shares on ASX were, respectively, \$2.63 on 12 and 26 February 2007 and \$1.87 on 11 and 12 January 2007. Set out below is a graph depicting the share price performance of Integrated Shares from 22 March 2005 until 22 March 2007.



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2.6 Additional information

a) Information disclosed to ASX and documents lodged with ASIC

Integrated is a disclosing entity for the purposes of the Corporations Act and, as such, is subject to periodic reporting and continuous disclosure obligations. In particular, as a listed company, Integrated must comply with ASX Listing Rules which require continuous disclosure of any information Integrated has concerning it that a reasonable person would expect to have a material effect on the price or value of its shares (subject to certain exceptions).

Except as set out in this Scheme Booklet, no information that an Integrated Shareholder or its professional advisers would reasonably require for the purpose of making an informed assessment as to whether to vote in favour of the Scheme has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules.

Announcements made by Integrated are available from ASX or its website www.asx.com.au

In addition, Integrated is required to lodge various documents with ASIC. Copies of such documents may be obtained from an ASIC office.

b) Further information

For further information relating to Integrated, please visit Integrated's website www.intgroup.com.au

In addition, Integrated's half year results to 31 December 2006 (announced on 27 February 2007) are available from ASX or on its website www.asx.com.au and on Integrated's website www.intgroup.com.au

c) Recent Integrated announcements

The following table summarises key announcements made to ASX by Integrated that may have affected share price movements over the period since 24 October 2006 (the date Integrated released its 2006 Annual Report).

Date	ASX announcement
06/03/2007	Euroz Presentation
27/02/2007	First Half FY2007 Results Briefing and Announcement
27/02/2007	Half Yearly Report/Half Year Accounts
12/02/2007	Merger Presentation
12/02/2007	Merger Announcement
24/11/2006	2006 AGM Results
24/11/2006	2006 Integrated Group AGM - CEO Address Slides
24/11/2006	Chairman's Address AGM 2006
07/11/2006	Response to ASX Query