

# Section 4

## Profile of Merged Group



# Section 4 – Profile of Merged Group

This section contains a summary of the operations of, and financial information about, the Merged Group as it will exist if the Scheme is implemented, and has been prepared by Programmed and Integrated.

## 4.1 Key Benefits and Rationale for the Merger

Integrated and Programmed expect a number of strategic and financial benefits to arise from combining their respective operations. These benefits include the following:

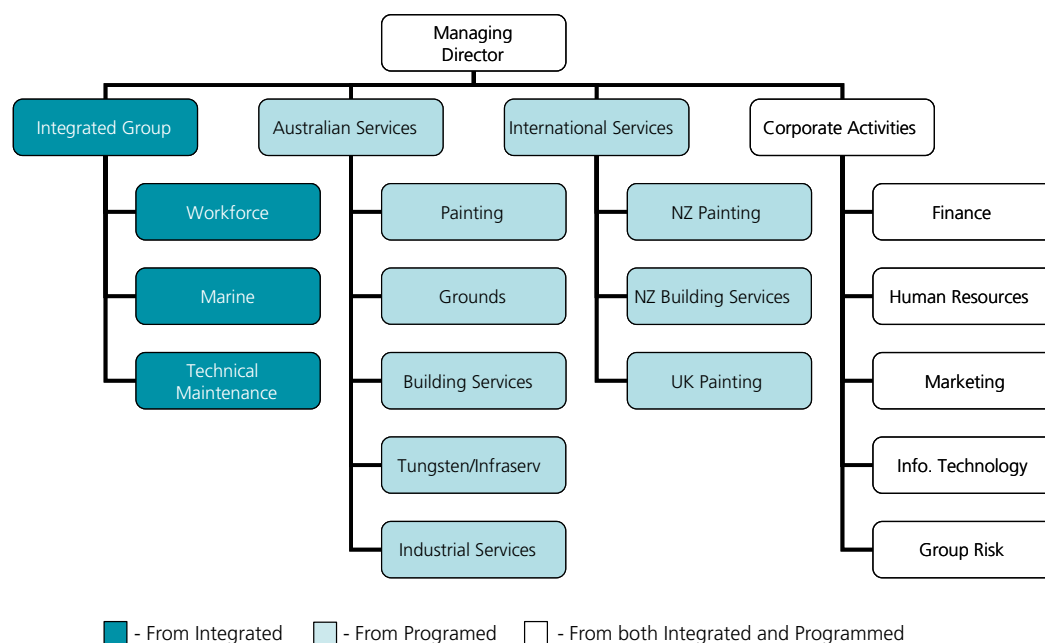
- Faster penetration of Integrated's Workforce business into new geographic markets and industry sectors such as building and infrastructure maintenance, using Programmed's infrastructure and expertise.
- The ability to leverage existing customer relationships of Programmed and Integrated to provide Programmed's services to Integrated customers and vice versa.
- Further development of technical maintenance services in the oil and gas and marine markets.
- The increased scale and capacity of the internal support functions provides the potential to improve the quality of service, lower unit costs and enable a greater investment in related information technology.
- Potential operational cost savings arising from the elimination of duplicated functions.
- Enhanced financial strength and scale which will mean that Programmed and Integrated are better placed to pursue growth, seek further acquisitions and participate in industry consolidation.
- The ability for Programmed to meet more quickly and flexibly its customers' demands through its ready access to Integrated's large workforce pool.
- Greater earnings diversity through exposure to different earnings streams and a new customer base.
- The creation of a much larger listed company, which may increase investor interest in, and the liquidity of, the Merged Group's shares.
- Greater opportunities for employees, leading to improved retention and attraction of high quality candidates.

More detail on each of these benefits can be found on pages 8 to 10 (inclusive) of this Scheme Booklet.

## 4.2 Overview of the Merged Group

If the Scheme is implemented, Programmed will remain the entity listed on ASX, and will be the ultimate holding company for the companies within the Programmed Group and the Integrated Group which together would form the Merged Group. Integrated, along with the other Integrated Group companies, will become wholly owned subsidiaries of Programmed.

The Merged Group will comprise three main operating divisions: Australian Services, International Services and Integrated Group. These operating divisions and their respective subdivisions are highlighted in the diagram below.



The Merged Group will be headquartered in Mount Waverley, Victoria, with a total workforce (comprising staff and field workers) across Australia, New Zealand and the United Kingdom of more than 9,500.

### 4.3 Board of Directors

The Board of Programmed will comprise its current members, with current Programmed Chairman, Geoff Tomlinson, remaining as Chairman and current Programmed Managing Director, Max Findlay, continuing in the role as Managing Director. In addition, Neil Hamilton and Jon Whittle will join the Board of Programmed if the Scheme becomes Effective. Further details regarding the current Board members of Programmed are set out in section 3.5(a).

### 4.4 Capital Structure and ownership

As at the date of this Scheme Booklet, Programmed has 71,195,705 ordinary shares on issue.

Should the Scheme become Effective, Programmed will issue up to a maximum of approximately 18.8 million additional Programmed Shares to Scheme Shareholders. The circumstances under which the maximum number of additional Programmed Shares would be issued to Scheme Shareholders are described in section 3.7.

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If the maximum number of additional New Programmed Shares are issued, the total number of Programmed Shares on issue will be approximately 90 million, and the overall fully diluted interest of Integrated Shareholders in Programmed immediately following Implementation of the Scheme will be approximately 20.9%.

As at 9 March 2007, there were four persons who, based on substantial shareholding notices filed with Programmed and ASX, were substantial shareholders of Programmed (within the meaning of the Corporations Act), the largest of which had voting power of 9.21%. All four of these persons will be substantial shareholders (within the meaning of the Corporations Act) in the Merged Group immediately after the issue of New Programmed Shares to Scheme Shareholders. No person who is registered as a shareholder of Integrated as at 9 March 2007 will become a substantial shareholder in the Merged Group immediately after the issue of New Programmed Shares to Scheme Shareholders.

## 4.5 Programmed's Post-Merger Intentions for the Merged Group

### a) Overview

This section 4.5 sets out Programmed's intentions, assuming the Scheme is implemented, on the basis of the facts and information concerning Integrated, its business and the general business environment which are known to Programmed and existing circumstances affecting the Integrated businesses, in relation to:

- the continuation of the business of Integrated;
- changes to the business of Integrated and any redeployment of the fixed assets of Integrated;
- the future employment of the present employees of Integrated;
- the composition of the Integrated Board once it becomes a wholly owned subsidiary of Programmed; and
- the removal of Integrated from the official list of ASX.

Final decisions will only be reached by Programmed, following implementation of the Scheme, after gaining increased knowledge through exposure to the Integrated businesses and material information and circumstances at the relevant time. Accordingly, the statements set out in this section 4.5 are statements of current intention only, which may change as new information becomes available or circumstances change.

### b) Conduct of business

If the Scheme is implemented and subject to the matters set out below, Programmed intends that the business of Integrated will be continued substantially in the same manner as it is presently being conducted. However, Programmed intends to leverage existing customer relationships and infrastructure to expand Integrated's business regionally and across New Zealand and the United Kingdom more quickly than Integrated could do on its own.

### c) Integrated's management, employees and elimination of duplication

Programmed's current intention is that the Integrated management team will become part of the Programmed management structure post-Merger. Current Integrated Chief Executive Officer, Chris Sutherland, will lead the Integrated Group division, reporting directly to Programmed's Managing Director, Max Findlay.

Programmed does not intend to make any significant changes to Integrated's management or operational activities. To the extent that activities and functions, including certain corporate functions and the provision of specialist technical or professional services (such as finance and accounting, human resources, technology and communications) presently carried out by Integrated will be duplicated within the Merged Group, such duplication will be eliminated where it is economically efficient to do so.

It is possible that this may result in the positions of some Integrated and/or Programmed employees in the corporate and administrative areas becoming redundant. Any employee who is made redundant will receive, on redundancy, payments and other benefits in accordance with their contractual and other legal entitlements. Employment decisions will, however, be made in the context of the expected continuing growth of the Merged Group.

#### **d) Synergies, integration and timing**

In addition to the strategic benefits created by the Merger, Programmed believes that net annual pre-tax cost savings of approximately \$2.5 to \$3 million should result from the Merger within two years of the Merger becoming Effective. The key potential cost savings identified to date include:

- Corporate Centre Costs – reduction of costs associated with eliminating duplicate corporate functions and potential executive management functions, eg, director's fees, ASX listing fees, annual reporting costs, audit fees, share registry fees and other accounting and tax related advisory fees;
- Treasury and Risk Functions – reduction in insurance premiums and brokerage costs, treasury transaction costs and payroll and compliance processing costs;
- Information Technology Costs – savings may be generated through operating a single information technology platform and reducing the number of third party network and help desk service providers;
- Building / Lease Costs – Integrated and Programmed will seek to optimise the use of office space to ensure any surplus space is either sold or sub-let at commercial rents; and
- Communication Costs – savings may be generated through increased purchasing power.

Programmed and Integrated have jointly established a dedicated integration team, which also includes independent consultants, to review the opportunities for synergies in the above areas. A comprehensive integration plan is being formulated to ensure the proper integration of the Integrated Group into the Programmed Group. This comprehensive plan will be finalised and actioned if the Scheme becomes Effective.

The realisation and timing of the above synergies are subject to certain risks which are further discussed in section 5 (Risk factors).

#### **e) Integrated Board**

If the Scheme becomes Effective, Integrated will become a wholly owned subsidiary of Programmed and Programmed will procure that the Integrated Board is reconstituted so that it comprises persons nominated by Programmed. It is proposed that, shortly after the Scheme becomes Effective, the Integrated Board will comprise the same directors as the Programmed Board (as set out in section 3.5(a)).

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## f) ASX

If the Scheme becomes Effective, an application will be made to remove Integrated from the official list of ASX.

## g) Business, assets and employees

Other than as set out in this section 4.5 and elsewhere in this Scheme Booklet, it is the present intention of Programmed:

- to continue the business of Integrated;
- not to make any major changes to the business of Integrated;
- not to redeploy any of the major fixed assets of Integrated; and
- to maintain the employment of Integrated's existing employees.

## 4.6 Pro-Forma Financial Information

### a) Introduction

This section 4.6 sets out the following pro-forma financial information of the Merged Group:

- a pro-forma income statement of the Merged Group for the 12 months ending 31 March 2007; and
- a pro-forma balance sheet of the Merged Group as at 31 December 2006,

in each case prepared on the basis and assumptions set out below.

The unaudited pro-forma Merged Group financial information presented in this section 4.6 is for illustrative purposes only. It is provided as a guide to assist Integrated Shareholders in considering the effect of the implementation of the Scheme on Programmed. The pro-forma balance sheet of the Merged Group assumes, amongst other things, that Programmed had acquired all of the Integrated Shares under the Scheme as at 31 December 2006. The pro-forma income statement of the Merged Group for the year ending 31 March 2007 assumes, amongst other things, that Programmed had acquired all of the Integrated Shares under the Scheme as at 1 April 2006. Further details of the applicable assumptions are set out in section 4.6(d).

It should be noted that the pro-forma income statement of the Merged Group set out in the table in section 4.6(c) does not purport to reflect the likely reported earnings of the Merged Group for the year ending 31 March 2007 or for any other period.

It should be further noted that no forecast information in relation to the financial performance of the Merged Group post acquisition is being provided, as Integrated and Programmed are not able to provide any such forecast information which is sufficiently meaningful and reliable to include in this Scheme Booklet. In this regard, the Merged Group's performance in any period will reflect a number of factors that cannot, at this stage, be predicted with a high level of confidence and are outside its control. Section 5 sets out risks relevant to the performance of the Merged Group's business.

## b) Differing Financial Year Ends and Forecast Financial Performance

Programmed's financial year end is 31 March whereas Integrated's financial year end is 30 June. In compiling the pro-forma income statement of the Merged Group to cover the same 12 month period to 31 March 2007, Programmed has used its forecast income statement for the year ending 31 March 2007, while Integrated has compiled a pro-forma forecast income statement for the financial year ending 31 March 2007 by aggregating:

- one quarter of the normalised audited financial performance of Integrated for the year ended 30 June 2006; and
- three quarters of the forecast financial performance of Integrated for the year ending 30 June 2007 (included within this forecast for the year ending 30 June 2007 are the actual results for the seven month period 1 July 2006 to 31 January 2007, and a five month forecast (**Integrated Forecast**) for the period 1 February 2007 to 30 June 2007).

Details of the assumptions and adjustments made by Integrated in normalising the audited financial performance of Integrated for the year ended 30 June 2006 and preparing the Integrated Forecast are set out below in section 4.6(d)(ii).

Programmed's forecast income statement for the year ending 31 March 2007 has been compiled by aggregating:

- the actual unaudited financial performance of Programmed for the ten month period 1 April 2006 to 31 January 2007; and
- the forecast financial performance of Programmed for the two month period 1 February 2007 to 31 March 2007 (**Programmed Two Month Forecast**).

Details of the assumptions made by Programmed in preparing the Programmed Two Month Forecast are set out below in section 4.6(d)(iii).

## c) Merged Group Pro-Forma Income Statement

This section sets out the pro-forma income statement of the Merged Group for the year ending 31 March 2007. As mentioned above, the Merged Group pro-forma income statement is compiled from an aggregation of the:

- pro-forma forecast income statement for Integrated for the financial year ending 31 March 2007; and
- forecast income statement for Programmed for the financial year ending 31 March 2007,

each of which have been compiled in the manner described above in section 4.6(b), having regard to relevant assumptions and adjustments required to present the Merged Group on an aggregated basis, details of which are set out below.

The pro-forma income statement of the Merged Group presented in this Scheme Booklet is unaudited and has been provided for illustrative purposes, and in summary form, only. The income statements for Integrated and Programmed in the table below do not record the actual financial performance of each entity for the year ending 31 March 2007. Further, the pro-forma income statement of the Merged Group summarised in this section does not purport to reflect the likely reported earnings of the Merged Group for the year ending 31 March 2007 or for any other period because, amongst other things, the profits of Integrated will only accrue to the Merged Group from the date of the acquisition of the Integrated Shares by Programmed.

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The pro-forma income statement of the Merged Group does not contain all of the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act and it does not include the notes to and forming part of the financial statements of Integrated and Programmed.

## Pro-forma Income Statement of the Merged Group

	Pro-forma Forecast Income Statement of Integrated	Forecast Income Statement of Programmed	Adjustments	Pro-forma Income Statement of Merged Group
	\$m	\$m	\$m	\$m
Revenue	470.7	330.7	-	801.4
<b>EBITDA</b>	<b>24.0</b>	<b>50.2</b>	-	<b>74.2</b>
Depreciation & Amortisation	(3.2)	(11.7)	-	(14.9)
<b>EBIT</b>	<b>20.8</b>	<b>38.5</b>	-	<b>59.3</b>
Net Interest Expense	(2.0)	(5.9)	-	(7.9)
Additional Interest Expense	-	-	(7.1)	(7.1)
<b>Profit from ordinary activities before income tax expense</b>	<b>18.8</b>	<b>32.6</b>	<b>(7.1)</b>	<b>44.3</b>
Income tax expense	(5.9)	(10.3)	2.3	(14.0)
<b>Net Profit after tax</b>	<b>12.9</b>	<b>22.3</b>	<b>(4.9)</b>	<b>30.3</b>
Shares on issue	70.5	71.2	18.8	90.0
Fully diluted EPS (\$)	0.18	0.31	-	0.34

Note:  
Totals may not add due to the effects of rounding.

### d) Basis of preparation of the Relevant Forecast Financial Information

The Integrated Forecast and the Programmed Two Month Forecast have been prepared on the basis of the best estimate assumptions of Integrated and Programmed respectively in light of facts known when the respective forecast financial information was prepared. Additionally, in the case of Integrated, compilation of Integrated's pro-forma income statement for the financial year ending 31 March 2007 has involved normalisation of Integrated's audited financial performance for the year ended 30 June 2006.

All financial information relating to Programmed has been provided by, and is the sole responsibility of, Programmed. All financial information relating to Integrated has been provided by, and is the sole responsibility of, Integrated. Integrated and Programmed have taken due care in preparing and reviewing their respective forecast financial information. However, they can give no assurance or guarantee that their respective forecasts will be achieved, as forecasts, by their very nature, are subject to uncertainties and contingencies, many of which are outside the control of Integrated and Programmed and which may, amongst other things, result in the assumptions on which the forecasts are based being inaccurate. Additionally, the pro-forma Merged Group income statement relies, in part, on the unaudited financial performance of Integrated and Programmed, and the normalised financial performance of Integrated. Accordingly, no representation or warranty as to the accuracy of the Integrated Forecast or the Programmed Two Month Forecast or the pro-forma Merged Group income statement is expressed or implied by this Scheme Booklet.

Integrated Shareholders are advised to carefully consider the risk factors in section 5 of this Scheme Booklet, the best estimate assumptions and normalisations used in preparing Integrated's pro-forma forecast income statement for the financial year ending 31 March 2007 and the best estimate assumptions used in preparing Programmed's forecast income statement for the year ending 31 March 2007 when considering the likely future financial performance of the Merged Group.

Integrated Shareholders should also refer to the important notice regarding forward looking statements contained inside the front cover of this Scheme Booklet.

**i) General assumptions underlying the Integrated Forecast and the Programmed Two Month Forecast**

Integrated and Programmed have each made the following key general assumptions in relation to the forecast period which applies in respect of the Integrated Forecast and the Programmed Two Month Forecast, respectively.

- No impact on earnings of any acquisition (in particular Integrated's proposed acquisitions referred to in section 2.4(d)), disposal or restructuring of the business of Integrated or Programmed which may occur during the forecast period.
- No significant change in the legislative regimes or regulatory environments (including taxation) in the jurisdictions in which Integrated or Programmed or their respective key customers or suppliers operate which will materially affect the forecasts, other than as contemplated in this Scheme Booklet.
- No changes in accounting standards or other mandatory professional reporting requirements or the Corporations Act that would have a material effect on Integrated's or Programmed's financial performance, cash flows or financial position, other than as contemplated in this Scheme Booklet.
- No material change in competitive activity in the markets in which either Integrated or Programmed operates.
- No material changes in industrial, political or economic conditions with respect to the industries within which Integrated or Programmed operate or in the Australian, New Zealand and United Kingdom economies generally.
- Retention of key personnel of each business.
- Total cost of salaries and wages for each of Integrated and Programmed is based on their respective estimated employee numbers and current salary and wage rates (including on-costs) applicable to such employees.

**ii) Specific assumptions underlying the Integrated Forecast**

In preparing the Integrated Forecast, Integrated has made the following specific assumptions in relation to the forecast period:

- Labour hire demand and margins for each of Workforce, Marine and Technical Maintenance are, on average, consistent with current trends.
- Safety performance and associated workers compensation costs are consistent with current performance.
- The average effective tax rate for the forecast period is assumed to be 31.5%.

The financial performance of Integrated for the year ended 30 June 2006 has been normalised by removing the losses associated with the discontinued training business (\$9.745 million) and the net impact of the sale of all offshore vessels to Mermaid Marine and the purchase of its manning business and miscellaneous training business disposal costs (\$0.751 million).

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### iii) Specific assumptions underlying the Programmed Forecast Income Statement

In preparing the Programmed Two Month Forecast, Programmed has made the following specific assumptions in relation to the forecast period:

- The Australian property maintenance division is projecting strong revenue and earnings growth led by the painting business;
- The Industrial Services business continues to be impacted by drought conditions leading to lower utilisation of equipment;
- The results of the New Zealand business have been adversely impacted by poor weather over the ten months to 31 January 2007 as well as movements in the NZD exchange rate. February and March 2007 have forecast lower volumes than the previous few months, which is consistent with February and March of previous years; and
- Given the distinct seasonality of the United Kingdom operations, the vast majority of earnings are made in the first half of the year. As such, forecasts for the full year to 31 March 2007 do not increase significantly from the first half results.

Additionally, the average effective tax rate for the year ended 31 March 2007 is assumed to be 31.6% based on the expected taxable incomes and rates in Australia, New Zealand and the United Kingdom.

For the purpose of translating Programmed's non-Australian earnings for the period 1 April 2006 to 31 March 2007 into Programmed's reporting currency (Australian dollars), the following assumptions have been used:

- The average NZD/AUD exchange rate for the year ended 31 March 2007 being equal to A\$0.862; and
- The average GBP/AUD exchange rate for the year ended 31 March 2007 being equal to A\$2.439.

### iv) Key assumptions underlying the Merged Group Pro-forma Income Statement

In preparing the Merged Group pro-forma income statement for the year ending 31 March 2007, Integrated and Programmed have made the following key assumptions:

- No revenue synergies from the Merger.
- No adjustment has been made to bring the accounting policies of Integrated into conformity with those of Programmed.
- No significant amendment to, or termination of, any material agreement or arrangement relating to the Merged Group's business. It is assumed that the parties to those agreements and arrangements will continue to comply with the terms of those agreements and arrangements.
- No cost synergies from the Merger.
- Interest on the debt borrowed to fund the acquisition of Integrated (including associated transaction expenses of \$6 million) is charged at a rate of 7.40% per annum.
- The tax rate assumed for the pro-forma adjusting items in relation to the Merger is 31.6%.

- No allocation of the purchase price has been made to identifiable intangible assets of Integrated on acquisition. To the extent that any new identifiable intangible assets of Integrated with finite useful lives are identified, these will need to be amortised over their useful lives which will adversely impact the future earnings of the Merged Group.
- No change to the estimated useful lives for assets acquired as a result of the Merger.
- No impairment charges under AASB 136 Impairment of Assets.
- The Merged Group's significant accounting policies remain consistent with those disclosed in Integrated's and Programmed's Annual Report for financial year 2006.
- No change in the Merged Group's funding or capital structure, other than changes flowing directly from the Merger as set out in this Scheme Booklet.

#### **e) Pro-Forma Balance Sheet**

This section sets out the pro-forma balance sheet of the Merged Group as at 31 December 2006.

The pro-forma balance sheet is compiled from an aggregation of the:

- audit reviewed half year balance sheet of Programmed as at 30 September 2006; and
- audit reviewed half year balance sheet of Integrated as at 31 December 2006,

having regard to relevant adjustments required to present the Merged Group on an aggregated basis, details of which are set out below.

The pro-forma balance sheet of the Merged Group presented in this Scheme Booklet is unaudited, has been provided for illustrative purposes, and is in summary form, only. It is not intended to reflect the actual financial position of the Merged Group as at a particular point in time. It does not contain all of the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act and it does not include the notes to and forming part of the financial statements of Integrated and Programmed.

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## Pro-forma Balance Sheet of the Merged Group

	Audit Reviewed Balance Sheet of Integrated 31 December 2006	Audit Reviewed Balance Sheet of Programmed 30 September 2006	Adjustments	Pro-forma Balance Sheet of Merged Group 31 December 2006
	\$m	\$m	\$m	\$m
Cash and cash equivalents	1.8	9.0	-	10.8
Trade & other receivables	71.0	126.7	-	197.6
Inventories	0.4	18.2	-	18.6
Other	-	4.6	-	4.6
<b>Total Current Assets</b>	<b>73.1</b>	<b>158.4</b>	<b>-</b>	<b>231.6</b>
Trade & other receivables	-	93.5	-	93.5
Inventories	-	8.3	-	8.3
Property, plant and equipment	10.6	41.5	-	52.1
Deferred tax assets	4.5	4.9	-	9.4
Goodwill and other intangible assets	30.7	11.5	146.5	188.7
Available-for-sale financial assets	1.0	-	-	1.0
<b>Total Non-Current Assets</b>	<b>46.9</b>	<b>159.7</b>	<b>146.5</b>	<b>353.0</b>
<b>Total Assets</b>	<b>120.0</b>	<b>318.1</b>	<b>146.5</b>	<b>584.6</b>
Trade and other payables	37.0	34.1	-	71.1
Borrowings	24.1	15.0	96.5	135.6
Current tax liabilities	1.6	1.8	-	3.5
Provisions	1.2	9.3	-	10.5
<b>Total Current Liabilities</b>	<b>64.0</b>	<b>60.3</b>	<b>96.5</b>	<b>220.8</b>
Borrowings	3.7	76.6	-	80.3
Deferred tax liabilities	2.1	50.9	-	53.1
Provisions	3.4	2.5	-	5.9
<b>Total Non-Current Liabilities</b>	<b>9.2</b>	<b>130.1</b>	<b>-</b>	<b>139.3</b>
<b>Total Liabilities</b>	<b>73.3</b>	<b>190.3</b>	<b>96.5</b>	<b>360.1</b>
<b>Net Assets</b>	<b>46.7</b>	<b>127.8</b>	<b>50.0</b>	<b>224.5</b>
Issued Capital	37.0	27.3	59.7	124.0
Reserves	0.6	6.6	(0.6)	6.6
Retained Earnings	9.2	93.9	(9.2)	93.9
<b>Total Equity</b>	<b>46.7</b>	<b>127.8</b>	<b>50.0</b>	<b>224.5</b>
<b>Gearing</b>				
Net Debt / (Net Debt plus Equity)	36%	39%		48%

Note:  
Totals may not add due to the effects of rounding.

## **f) Key assumptions underlying the pro-forma Balance Sheet**

In preparing the Merged Group pro-forma balance sheet as at 31 December 2006, Integrated and Programmed have made the following key assumptions:

- i) Programmed borrowing \$90.5 million to fund the cash component of the Scheme Consideration to acquire 72,375,758 Integrated Shares, being the aggregate of the Integrated Shares on issue as at the date of this Scheme Booklet and the additional Integrated Shares to be issued to the Integrated Managing Director (as described in section 7.9(c) of this Scheme Booklet);
- ii) Programmed borrowing approximately \$6 million to fund transaction expenses relating to the Scheme, apart from the cash component referred to in sub-paragraph (i) above;
- iii) Programmed issuing approximately 18.8 million New Programmed Shares, being the maximum number of New Programmed Shares which would be required to be issued in order to acquire all of the Integrated Shares referred to in paragraph (i) above. It is assumed that the New Programmed Shares are issued at \$5.14, being the closing price of Programmed Shares on the last trading day immediately before the Merger was announced to the ASX;
- iv) For the pro-forma financial information, goodwill on consolidation has been determined using the net tangible assets of Integrated as at 31 December 2006. Programmed will conduct an assessment of the fair value of the net assets acquired at the date that the Scheme is implemented. This assessment will separately determine the actual amounts of identifiable intangible assets and the goodwill on consolidation.

Australian accounting standards require that the cost of the acquisition is allocated to the tangible assets and liabilities acquired. Any excess of cost over net tangible assets is to be allocated to identifiable intangible assets before any remaining balance is allocated to goodwill on consolidation. The rules for the allocation to identifiable intangibles are more definitive than previous standards. Any identifiable intangibles will be progressively amortised over their estimated useful lives. Goodwill on consolidation will not be amortised, but will be subjected to an annual impairment test.

At the time of preparation of this Scheme booklet, it is not possible to determine any values for identifiable intangibles. The amortisation of identifiable intangibles and the potential for impairment write-downs of goodwill may introduce volatility into the future reported earnings of the Merged Group. Furthermore, to the extent that identifiable intangible assets are recognised, consideration will need to be given to any tax impact on earnings arising from deferred tax balances that may be associated with the identifiable intangibles;

- v) The pro-forma balance sheet takes no account of the trading of Integrated since 31 December 2006 or Programmed since 30 September 2006. Programmed considers that there would be no material adverse change to the ratio of current assets to current liabilities and to the net assets as set out in the Merged Group pro forma balance sheet if the financial transactions for the three months ended 31 December 2006 for Programmed were brought to account; and
- vi) No adjustment has been made to bring the accounting policies of Integrated into conformity with those of Programmed.

All financial information relating to Programmed has been provided by, and is the sole responsibility of, Programmed. All financial information relating to Integrated has been provided by, and is the sole responsibility of, Integrated.

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## 4.7 Dividends and Dividend Policy

Programmed presently has a policy of paying dividends to shareholders which is equivalent to approximately 60% of the net profit after tax for the relevant financial year. For the financial year ended 31 March 2006, Programmed paid a fully franked dividend of 17 cents per share to Programmed Shareholders. This was equivalent to approximately 60% of Programmed's net profit after tax for the financial year ended 31 March 2006.

Programmed's dividend policy from time to time is determined by the Programmed Board based on the amount of operating profit after tax, the need to retain sufficient funds for the prudent development of the Programmed Group and other relevant factors such as any applicable financial covenants under the Programmed Group's banking arrangements (as to which, see section 3.7(e)(ii)). However, no assurance can be given as to the timing and amount of any dividends payable by the Merged Group at any time in the future, as the payment of dividends will be dependent on profitability and the funding requirements of the Merged Group at the relevant time, which in turn may be affected by general economic conditions and specific conditions affecting the Merged Group's operations.

Scheme Shareholders who receive New Programmed Shares prior to the Programmed Record Date will be entitled to receive any final dividend declared by Programmed in respect of the period ending 31 March 2007 (the **Programmed Final Dividend**). If the Programmed Final Dividend is declared but the Programmed Record Date falls before the date of the issue of the New Programmed Shares under the Scheme (so that Scheme Shareholders are not entitled to receive the Programmed Final Dividend), Integrated will pay to Scheme Shareholders the Integrated Final Dividend, being a dividend which is equivalent to the amount that Scheme Shareholders would have received had the New Programmed Shares been issued prior to the Programmed Dividend Record Date (or, should sufficient profits not be available for such a dividend, a dividend of such lesser amount as could be paid in accordance with the Corporations Act).

At the date of this Scheme Booklet, Programmed does not anticipate that the financial covenants referred to in section 3.7(e)(ii), which will apply pursuant to the Loan Facility referred to in that section, will impact Programmed's present dividend policy in respect of any final dividend for the financial year ending 31 March 2007. There is no guarantee that those financial covenants, or other factors referred to above, will not impact the timing and amount of any dividends payable by the Merged Group at any time in the future.