

SERVICEPOINT LIMITED

(ACN 010 597 672)

ANNOUNCEMENT

ACQUISITION OF THE ALLIED TECHNOLOGIES GROUP

Following satisfactory completion of a due diligence exercise, the directors of Servicepoint Limited ("Servicepoint" or "the Company") wish to announce that the Company has entered into a conditional agreement ("the merger agreement") to acquire the entire issued share capital of Allied Group Pty Limited ("Allied"), including its two wholly-owned subsidiaries, Allied Technologies Group Pty Limited and Allied Investments (ACT) Pty Limited (together "the Allied Technologies Group").

Completion of the merger transaction is subject to certain conditions being met, including:

- Servicepoint shareholders approving the transaction by not later than 30 April 2004;
- Confirmation from relevant customers and suppliers of both Servicepoint and the Allied Technologies Group that none of the material contracts of either party will be liable to termination as a result of the transaction;
- Servicepoint shareholders approving a change in name of the Company from Servicepoint Limited to Allied Technologies Group Limited;
- The satisfactory negotiation of appropriate post-merger banking arrangements for both Servicepoint and the Allied Technologies Group, including the discharge of any personal guarantees provided by current Allied shareholders; and
- The obtaining of any regulatory or other approvals required by not later than 30 April 2004.

PROPOSED CHANGES TO THE BOARD OF DIRECTORS

Subject to completion of the transaction, Allied will be entitled to nominate two representatives to the board of directors of Servicepoint. This will include the appointment of Mr Ray Doak, Allied's Managing Director and Chief Executive Officer, as the Managing Director and Chief Executive Officer of the Company.

In conjunction with these appointments, Mr Bill Warren will stand down as a director and Mr Andrew Berriman will resign his post as Servicepoint's Chief Executive Officer. Mr Berriman will however remain on as a director of the Company.

Mr Michael Addison will retain his position as a director of the Company.

CONSIDERATION FOR THE ACQUISITION

Under the terms of the merger agreement, consideration for the acquisition of Allied will be satisfied by the issue of 71,025,067 new fully paid Servicepoint shares to the Allied shareholders ("the Consideration Shares").

With Servicepoint's entire issued share capital currently comprising 30,438,814 fully paid shares, the Consideration Shares will comprise approximately 70% of the enlarged share capital of the Company, without taking into account any new shares to be issued under the terms of the proposed Share Placement referred to later in this announcement.

As a condition of the transaction, the Company will make application for a listing of the Consideration Shares on the ASX within 5 business days of their allotment and issue.

PROPOSED SHARE PLACEMENT

As an integral part of the proposed transaction, and conditional on shareholder approval, Servicepoint will allot and issue, for cash, new shares in Servicepoint up to an aggregate value of \$1,000,000 under the terms of a share placement ("the Share Placement").

It is proposed that shares placed under the terms of the Share Placement will be offered by way of a prospectus, on a non-entitlement basis, in accordance with the following priority:

1. Employees of Servicepoint and the Allied Technologies Group;
2. Existing Servicepoint shareholders;
3. Parties who, in the directors sole opinion, may assist in the development of the Allied Technologies Group business;
4. Applicants through the manager to the Share Placement; and
5. General public.

ALLIED TECHNOLOGIES GROUP TURNOVER, PROFITABILITY & BUDGET PROJECTION

Financial year ended 30 June	2002 (audited)	2003 (audited)	2004 Budget Projection
Turnover	\$20,274,298	\$22,728,111	\$29,395,029
EBITDA	\$579,994	\$734,309	\$2,042,983
Profit before taxation	\$76,606	\$281,545	\$1,508,873

Figures for the first four months of the current financial year indicate that Allied is on track to meet its budget projection targets.

As at 30 June 2003, Allied reported consolidated net tangible assets of \$2,441,899.

PRO FORMA STATEMENT OF FINANCIAL POSITION

The appendix to this announcement sets out a pro forma consolidated statement of financial position for the Company, based on audited consolidated accounts for Allied as at 30 June 2003 and unaudited consolidated accounts for Servicepoint as at 30 September 2003.

The statement assumes that the Company has successfully completed the Allied acquisition and has placed shares to an aggregate value of \$1,000,000, before expenses, under the terms of the Share Placement.

THE ALLIED TECHNOLOGIES GROUP BUSINESS

The Allied Technologies Group is a privately owned Australian professional services technology group that specialises in the design, integration, installation and maintenance of communications networks. Based in Canberra, and with regional offices in Sydney, Newcastle, Brisbane and Townsville, the Allied Technologies Group employs a total of some 150 people.

Whilst currently focussed on network infrastructures primarily for the delivery and management of data and voice communication solutions, Allied has more recently entered the communication network facilities management business. To this end, the group, as part of the Telstra team, currently maintains and manages the Department of Defence physical voice network, which encompasses some 530 national points of presence from over 30 dedicated in-situ locations around Australia. Allied has also for the past 5 years maintained the voice network for the Department of Foreign Affairs located in Canberra.

The Allied Technologies Group is arranged under four principal operating divisions:

Professional services

Professional services, which include the offer of solutions framed around communications network audit, design & optimisation, WAN optimisation, WLAN consultation and design, convergence – VoIP, security risk assessment and post in service support.

Infrastructure services

Infrastructure services, focussing on the design and implementation of communication networking components of WAN and LAN environments, which include project management, network integration and structured cabling solutions.

Managed service solutions

Managed service solutions including help desk services.

Facilities management

Facilities management, which includes fault management, moves, adds and changes, configuration management and accounting, performance and security management.

The group works closely with the Department of Defence, the Defence Panel of Systems Integrators and other large companies, offering total systems integration services to government agencies and private enterprise.

Allied is positioned in Australia as follows:

- medium to large scale communication projects in various industry sectors;
- fixed base operations established within Government Agencies providing a stable proportion of revenue (defence and education installations);
- in-house physical infrastructure network design capabilities;
- alliances and relationships with key providers of technology and developers (Cisco, Nortel Networks, Enterasys, 3com, IBM, Krone, Lucent Technologies, Siemon, ModTap, Panduit, AMP and 3M Volition); and
- ability to work within strategic partnerships and alliances (Aspect Computing, Telstra, Cable & Wireless OPTUS, IBM GSA and CSC Australia) as required.

Allied has recognised forecast demand in business and, to that end, has increased its human resource capabilities so as to strongly position the group in the marketplace. Along with this strategy of resource alignment, Allied continues to focus on profitable growth through its broad range of activities and search for service diversification.

Projects undertaken by the group have been based in a variety of locations from rural Government defence bases through to CBD corporate network installations. Allied operates across a number of industry markets and Government Agencies:

Industry Markets	Government Agencies
<ul style="list-style-type: none"> ▪ Security surveillance ▪ Education ▪ Telecommunications ▪ Broadband services ▪ Voice - telephony ▪ Radio (Microwave) Bearer Systems ▪ University and TAFE colleges ▪ ECommerce and Internet services 	<ul style="list-style-type: none"> ▪ Department of Defence ▪ CSIRO ▪ Australian Electoral Commission ▪ Department of Veterans' Affairs ▪ Department of Foreign Affairs and Trade ▪ Department of Finance and Administration ▪ Centrelink ▪ Australian Taxation Office

The Allied Technologies Group is well positioned to take advantage of the significant opportunities that exist in the Australian communications industry. These opportunities include:

- a number of significant business opportunities in the communications sector known to management and currently being pursued;
- the growth demand projected in fibre optic design, installation and certification;
- the ability to tender for and participate in large multi-location network communication projects nationally;
- the trend towards large multi-user complex networks;
- increasing acceptance of new generation optical communications;
- large upgrades of Government Agency networks which are pending;
- significant opportunities in the project management and facilitates management communication sector;
- the competitive advantage gained through the experience of the management team;
- convergence of data, voice and video services over common transmission technologies;
- wider penetration into the secure communications arena with appropriate security accredited personnel; and
- management of large and complex converged communication networks, evolving around enterprise management solutions.

RATIONALE FOR THE PROPOSED MERGER

Servicepoint's directors believe that the reasons for the proposed merger are soundly based. These are summarised below:

- (a) In the circular to Servicepoint shareholders dated 19 June 2003 and in the more recent Concise Annual Report of the Company for the year ended 30 June 2003, the directors stated that, in their opinion, the Company needed a greater critical mass to commercially justify a stock exchange listing in the medium to long term.

With Allied's budgeted annual turnover of approximately \$29 million and with net tangible assets at 30 June 2003 of over \$2.4 million, the directors are of the opinion that, if successful, the proposed merger will give the Company sufficient scale to commercially justify its ASX listing going forward.

- (b) In the abovementioned circular and Concise Annual Report it was clearly articulated that the Servicepoint directors were committed to building shareholder value through the acquisition of stable businesses with strong, ongoing cash flows from medium to long term government and corporate contracts.

Over the last five financial years, Allied has grown its revenues at an effective compound rate of over 17% per annum. Growth has been maintained predominately within Federal and State Government departments and through strong partnerships and strategic alliances.

- (c) As an integral part of their strategic plan, the directors have firmly positioned Servicepoint as a "Next Generation Communications Company". In keeping with their intention to expand on their current specialisation in the provision of visual communications and collaborative solutions to corporate and government businesses in the Asia Pacific Region, the proposed merger will enable the combined group to provide a complete range of voice, data and video communication services to existing and potential new clients.

In addition, the merger will enhance mutual and complementary business relationships, will strengthen management, and will facilitate certain savings in operating costs and technology development expenditure.

Furthermore, with operating bases in Canberra, Sydney, Newcastle, Brisbane and Townsville, the Allied Technologies Group will offer the Company a broader geographic footprint over which to market and sell its products and services.

- (d) Servicepoint currently has a limited ability to fund internal growth and acquisition opportunities.

The merged group is expected to have significantly stronger cashflows and, in turn, better access to debt funding and equity raising capability in the capital markets.

- (e) The merged group is expected to be immediately profitable and, whilst there is no guarantee, the expected increase in profitability may lead to the Company's share price improving over time.

KEY FEATURES OF THE PROPOSED MERGER

(a) *Strong and diversified business base with business synergies*

A key feature of the proposed merger is to create a relatively large, profitable and diversified information and communications technology company with an extended ability to deliver a broad range of voice, data, video and web services and network infrastructure solutions. Once combined, the merged group will have a strong and geographically expanded business base and will be positioned to exploit numerous marketing and management synergies.

(b) *Cost savings*

It is envisaged that the proposed merger will bring a number of cost savings to the merged group as a direct consequence of the rationalisation and sharing of resources and economies of scale. These benefits will be derived principally in the areas of technology deployment, premises rentals, group management and administration, telecommunications and sales.

(c) *Potential taxation benefits*

There is a possibility that the transaction could yield relatively significant tax benefits. In its 2003 audited accounts, Servicepoint reported a potential future income tax benefit of over \$1.6 million in respect of tax losses not brought to account as at 30 June 2003. Added to this, the directors of Allied maintain that the Allied Technologies Group has in excess of \$3 million in unused dividend franking credits as at 30 June 2003.

Whilst still subject to clarification with the Company's advisers, the combination of these two taxation items could have a relatively significant beneficial effect for the Company and its shareholders going forward.

FUTURE PROSPECTS FOR THE COMPANY

The effect of the Allied acquisition on Servicepoint will be significant. Besides having a major impact on the turnover and profitability of the Company, should the merger transaction proceed, the current Allied shareholders will, in aggregate, acquire a controlling equity interest in the Company.

The incoming Allied management has indicated that, whilst they intend to continue to develop the growth of the combined businesses organically, the merged group will also continue to actively pursue further merger and acquisition opportunities with a view to reaching a critical turnover mass in the order of \$100 million in the soonest possible time. To this end, a number of acquisition targets have already been identified.

MEETING OF SHAREHOLDERS

In order to approve the proposed transaction a meeting of Servicepoint shareholders will be convened.

To this end a shareholders circular giving further information on the Allied Technologies Group, as well as setting out the terms of the proposed transaction and the necessary resolutions required to give effect to the transaction, will be posted to Servicepoint shareholders in accordance with the proposed timetable set out below.

DIRECTORS' RECOMMENDATIONS AND VOTING UNDERTAKING

Servicepoint's directors have unanimously approved a proposal to put the resolutions required to give effect to the merger transaction to Servicepoint shareholders.

Each Servicepoint director believes that the merger transaction is in the best interests of the Company and has indicated that they intend to recommend shareholders to vote in favour of each of the resolutions required to give effect to the proposed transaction and related matters at the forthcoming general meeting of the Company.

The directors have each undertaken to vote in favour of the resolutions required to give effect to the merger transaction in respect of their entire shareholdings in the Company, representing a total of 20,753,735 shares or approximately 68.2% of the outstanding Company shares in issue.

ASX LISTING RULE 11.1

In view of the fact that the Company proposes to make a significant change to the scale of its activities, it is required under ASX Listing Rule 11.1.2 to obtain shareholder approval for these changes. The ASX has advised the Company that, in view of the significance of the proposed changes, under the terms of ASX Listing Rule 11.1.3 the Company is also required to comply with Chapters 1 and 2 of the ASX Listing Rules.

Under the terms of Guidance Note 12 to the ASX Listing Rules, following shareholder approval of the proposal, trading in the Company's securities will be suspended until such time as the requirements of Chapters 1 and 2 have been met.

Set out below is a proposed timetable in relation to the above matters.

INDICATIVE TIMETABLE

Event	Proposed date
Posting of shareholders' circular including notice of meeting and explanatory statement	22 January 2004
General meeting of shareholders	23 February 2004
Suspension of company from trading	23 February 2004
Re-admission to Official List of ASX	16 March 2003
Re-quotation of shares on ASX	16 March 2004

The above dates are indicative only and the Company reserves the right to vary such dates by either shortening or extending the dates, subject to the Corporations Act, and the ASX Listing Rules.

17 DECEMBER 2003

For further information contact:

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ANNEXURE TO ANNOUNCEMENT

The pro forma consolidated statement of financial position for the Company set out below is based on audited consolidated accounts for Allied as at 30 June 2003 and unaudited consolidated accounts for Servicepoint as at 30 September 2003, and assumes that the Company has successfully completed the Allied acquisition and has placed shares to an aggregate value of \$1,000,000, before expenses, under the terms of the Share Placement.

Statement of pro forma consolidated financial position of the merged group

	Consolidated		
	Allied Group Pty Ltd as at 30/6/2003 (audited) \$	Servicepoint Ltd as at 30/9/2003 (unaudited) \$	Merged group pro forma consolidated \$
Current assets			
Cash	411,704	291,377	1,603,081
Receivables	6,349,831	409,950	6,759,781
Inventories	378,591	324,154	702,745
Other	128,330	63,133	191,463
Total current assets	7,268,456	1,088,614	9,257,070
Non-current assets			
Investments	105,395	193,164	298,559
Property, plant and equipment	1,219,961	267,806	1,487,767
Intangibles	25,000	0	25,000
Goodwill on acquisition	0	0	4,635,607
Total non-current assets	1,350,356	460,970	6,446,933
Total assets	8,618,812	1,549,584	15,704,003
Current liabilities			
Payables	4,439,598	352,017	4,791,615
Provisions	410,975	83,547	494,522
Interest bearing liabilities	0	603,171	603,171
Other	701,779	278,922	980,701
Total current liabilities	5,552,352	1,317,657	6,870,009
Non-current liabilities			
Interest bearing liabilities	505,850	150,000	655,850
Provisions	93,710	0	93,710
Total non-current liabilities	599,560	150,000	749,560
Total liabilities	6,151,913	1,467,657	7,619,570
Net assets	2,466,899	81,927	8,084,434
Equity			
Contributed equity	950	9,308,930	17,411,437
Retained profits/(accumulated losses)	2,443,233	(9,227,003)	(9,327,003)
Total parent entity interest in equity	2,444,183	81,927	8,084,434
Total outside equity interest	22,717	0	0
Total equity	2,466,899	81,927	8,084,434

Notes: The statement allows for expenses of \$100,000 in connection with the Share Placement and takes into account the recent elimination of all outside equity interests in the Allied Technologies Group.