



Easton Investments Limited
ACN 111 695 357

Notice of Extraordinary General Meeting and Explanatory Statement

Extraordinary General Meeting to be held at the offices of Colin Biggers & Paisley at Level 42, 2 Park Street Sydney NSW on Friday 4 August 2017 at 11:00 am (Sydney time).

This Notice of Extraordinary General Meeting and the accompanying Explanatory Statement should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

Notice of Extraordinary General Meeting

Notice is given that the extraordinary general meeting (**EGM**) of Easton Investments Limited (**Easton** or the **Company**) will be held at the offices of Colin Biggers & Paisley at Level 42, 2 Park Street Sydney NSW on 4 August 2017 at 11:00 am (Sydney time).

Information on the proposal to which the following Resolution relates is contained in the Explanatory Statement which accompanies and forms part of this Notice of Extraordinary General Meeting (**Notice**). Terms defined in Section 4 of the Explanatory Statement (Glossary of Terms) have the same meaning when used in this Notice and the accompanying Explanatory Statement.

Resolution — issue of Easton Shares as part consideration for the Acquisition

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

That, subject to Completion occurring under the Share Sale and Purchase Deed, for the purposes of Rule 7.1 of the ASX Listing Rules and for all other purposes, Shareholders approve and authorise the Directors to issue and allot to the New Shareholders the following maximum number of Easton Shares on Completion:

	New Shareholders	Number of Easton Shares issued Pursuant to the Acquisition
	The Major Shareholders:	
1.	▪ Grahame David Evans and related entities	999,910
2.	▪ Gregory Robert Holman and related entities	1,183,519
3.	▪ Robert John McGregor and related entities	1,018,366
4.	▪ David Edward Johnstone and related entities	66,611
	The Minority Shareholders (up to 45 in number)	Up to 3,183,230
	Total Maximum No. of Easton Shares Issued	6,451,636 (after rounding)

The Chairman of the EGM intends to vote undirected proxies held by him in favour of the Resolution. Please refer to the proxy form accompanying this Notice for more information.

Dated: 28 June 2017

By order of the board

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Mark Licciardo
Company Secretary

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint one proxy or, if the member is entitled to cast two or more votes at the meeting, two proxies to attend and vote on behalf and instead of the member.
2. Where two proxies are appointed, a Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. Where the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes.
3. A proxy need not be a member.
4. Proxy vote if appointment specifies way to vote –

Section 250BB of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular Resolution and, if it does:

- (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way;
 - (b) if the proxy has two or more appointments that specify different ways to vote on the Resolution, the proxy must not vote on a show of hands;
 - (c) if the proxy is the chair person of the meeting at which the Resolution is voted on, the proxy must vote on a poll, and must vote that way (i.e. as directed); and
 - (d) if the proxy is not the chair person of the meeting, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote in the way directed.
5. Transfer of non-chair proxy to chair person of the meeting in certain circumstances –

Section 250BC of the Corporations Act provides that, if:

- (a) an appointment of a proxy specifies the way the proxy is to vote on a particular Resolution at a meeting of the Company's members;
- (b) the appointed proxy is not the chair person of the meeting;
- (c) at the meeting, a poll is demanded on the Resolution; and
- (d) either of the following applies:
 - (1) the proxy is not recorded as attending the meeting; or

- (2) the proxy does not vote on the Resolution,

the chair person of the meeting is taken, before voting on the Resolution closes, to have been appointed as the proxy for the purposes of voting on the Resolution at that meeting.

6. A proxy form accompanies this Notice. To be valid it must be received together with the power of attorney or other authority (if any) under which the form is signed, or a certified copy of that power or authority, not less than 48 hours before the time for holding the meeting, namely by 11.00am (Sydney time) on 2 August 2017:

- (a) at Link Market Services Limited:

- (1) hand delivery to 1A Homebush Bay Drive, Rhodes, NSW, 2138 or Level 12, 680 George Street, Sydney, NSW, 2000;
- (2) post to C/-Link Market Services Limited, Locked Bag A14, Sydney South NSW, 1235 Australia; or
- (3) facsimile on +61 2 9287 0309

- (b) at the offices of the Company by:

- (1) hand delivery or post to Easton Investments, Level 2, 115 Pitt Street, Sydney, NSW, 2000; or
- (2) facsimile on +61 2 9221 6305. A proxy form accompanies this notice.

7. Regulation 7.11.37 determination: A determination has been made by the Directors under regulation 7.11.37 of the *Corporations Regulations 2001 (Cth)* that those persons who are registered as the holders of shares in the Company as at 7:00 pm (Sydney time) on 2 August 2017 will be taken to be the holders of shares for the purposes of determining voting entitlements at the meeting.

Voting Exclusion Statement

The Company will disregard any votes cast on the Resolution by:

- a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities in the Company, if the Resolution is passed; and
- an associate of those persons.

However, the Company need not disregard a vote cast on the Resolution if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Explanatory Statement

1. General information

This Explanatory Statement is an important document and should be read carefully. It comprises part of, and should be read in conjunction with, the Notice that accompanies this Explanatory Statement and was sent to members of the Company relating to the EGM that is to be held on 4 August 2017.

If you have any questions regarding the matters set out in this Explanatory Statement (or elsewhere in the Notice of EGM), please contact the Company, or your stockbroker or other professional adviser.

2. Background to the Acquisition, the subject of the Resolution

On 26 June 2017, Directors announced that the Company and its related entities had entered into a Share Sale and Purchase Deed to acquire a 51% equity interest in GPS IP Group Holdings Limited (**GPS**) from the Major Shareholders of GPS.

At the same time, Directors announced that the Company would be making a formal offer to the Minority Shareholders of GPS to acquire all of the remaining shares in GPS on similar terms and conditions as those applying to the Major Shareholders. This offer will remain open for acceptance up and until 28 July 2017 unless otherwise extended by the Company. As a result, the number of Easton Shares to be issued to the Minority Shareholders is currently unknown, but will not be more than 3,183,230 Easton Shares and is expected to be known at the time of the EGM.

Depending on the level of acceptances by the Minority Shareholders, the maximum consideration payable for GPS will be \$20.0 million, of which 50% will be satisfied in cash and 50% in Easton Shares issued at a price of \$1.55 and will be subject to voluntary escrow restrictions following Completion. Completion is subject to a number of conditions precedent, including the approval of the Resolution by Shareholders.

The balance of funds required for Completion is to be sourced from Bank borrowings, together with surplus cash held by the Company over and above its working capital requirements.

Subject to Shareholder approval for the Resolution being obtained, the maximum number of the Easton Shares that will be issued to the New Shareholders (after allowing for rounding) will be 6,451,636.

	New Shareholders	Number of Easton Shares Issued Pursuant to the Acquisition (No.)	Percentage of Easton Shares held post-Completion (%)	Cash paid as part-consideration for the Acquisition (\$)
	The Major Shareholders:			
1.	▪ Grahame David Evans and related entities	999,910	2.87%	\$1,549,861
2.	▪ Gregory Holman and related entities	1,183,519	3.40%	\$1,834,454
3.	▪ Robert John McGregor and related entities	1,018,366	2.92%	\$1,578,466
4.	▪ David Johnstone and related entities	66,611	0.19%	\$103,246
	The Minority Shareholders (up to 45 in number)	Up to 3,183,230	Up to 9.13%	Up to \$4,933,997
	Total	Up to 6,451,636	Up to 18.51%	Up to \$10,000,024

The Easton Shares represent up to 18.51% of the Company's post-Completion issued capital and will be subject to voluntary escrow arrangements for between 12 months and 24 months following Completion.

Further details in relation to GPS and the Acquisition are set out in sections 3.3 and 3.4 respectively of this Explanatory Statement.

3. Resolution – Details

3.1 Rule 7.1 of the ASX Listing Rules

Rule 7.1 of the ASX Listing Rules provides that a company must not, subject to specific exceptions (none of which are relevant here), issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The maximum number of Easton Shares to be issued to the New Shareholders as part of the consideration for their shares in the Acquisition of GPS will result in the Company issuing more than 15% of the Company's equity securities in the relevant 12 month period. Accordingly, Shareholder approval under Rule 7.1 of the ASX Listing Rules is required.

Specifically, Shareholders are being asked to approve the issue of the Easton Shares under Rule 7.1 of the ASX Listing Rules by passing the Resolution.

3.2 Rule 7.3 of the ASX Listing Rules

Rule 7.3 of the ASX Listing Rules requires that the following information be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Rule 7.1 of the ASX Listing Rules:

- A maximum number of 6,451,636 Easton Shares will be issued and allotted to the New Shareholders.
- The Easton Shares will be issued within 2 months of the date of the EGM (or such later date to the extent permitted by any waiver that may be granted by ASX). Subject to the approval of the Resolution and Completion occurring, the Easton Shares are to be issued on Completion, which is expected to occur within the relevant 2 month period.
- The allotment of the Easton Shares is expected to occur on Completion.
- The issue price of the Easton Shares will be \$1.55 per share.
- The Easton Shares will rank *pari passu* in all respect with the Company's existing Shares and will be subject to the same terms as the Company's existing Shares.
- A voting exclusion statement is included in the Notice.

The Directors recommend that Shareholders vote in favour of the Resolution.

3.3 About GPS

GPS is an unlisted public company. It was established in 2012 as a specialist financial services AFSL licensee, providing financial services solutions for financial planning businesses and accounting firms. It presently operates out of 3 offices in Sydney (head office), Brisbane and Noosa and its activities cover financial planning, risk insurance, credit assistance, superannuation and wealth management.

As licensee, GPS manages financial planners operating as accredited Authorised Representatives under its AFSL, as well as accountants operating as Limited Authorised Representatives. Under these arrangements, GPS provides client engagement services, training, licensing, investment advice, and support services. This includes best practice tools and resources for referral partners, financial advisers and accountants.

These AFSL and associated services are similar to the support services provided by Merit Wealth, a wholly owned subsidiary of Easton, to financial planners and accountants. As a result, the opportunities to integrate certain operations and achieve cost and revenue synergies post-Completion are expected to be significant.

Turnover for GPS in 2016/17 is expected to exceed \$33 million. After allowing for normalisation adjustments, but particularly agreed cost savings, the Normalised EBITA run-rate is expected to increase to approximately \$2.5 million in 2017/18. Additional cost synergies are expected to be achieved during 2017/18, increasing the earnings rate to \$3.0 million in the following financial year.

GPS has grown strongly in the last 5 years and the current operating position is summarised, as follows:

- 82 practices
- 123 Authorised Representatives (Advisers)
- 182 Limited Authorised Representatives (Accountants)
- Funds under advice in excess of \$1.7 billion, with around \$600 million on GPS's core investment platform, CARE
- Premiums under management of around \$36 million
- Client relationships (through licensees) with over 4,000 SMSF's.

GPS was awarded the IFA Dealer Group of the Year in 2015 and a finalist in 2016. A key component of GPS's success has been its strong engagement process with Advisers, Accountants and their clients, supported by proprietary technology and disciplined systems, procedures and practices.

Combined, GPS and Merit Wealth will together have over 150 Authorised Representatives and more than 400 Limited Authorised Accountants. Group funds under advice will be around \$3.4 billion, with annual risk premiums of \$48 million. Licensed practices and aligned businesses will have client relationships with more than 6,000 SMSFs.

Easton is proposing to acquire 100% of GPS, although the exact interest acquired will depend on the level of acceptances received from the Minority Shareholders. Subject to the conditions precedent being satisfied, the Company will, as a minimum, acquire a controlling interest in GPS.

3.4 The Acquisition

The Acquisition involves:

- (a) The purchase of 51% of GPS from the Major Shareholders pursuant to the Share Sale and Purchase Deed which was executed by the parties on 26 June 2017; and
- (b) An offer to the Minority Shareholders to purchase their remaining shares in GPS on similar terms and conditions as those applying to the Major Shareholders.

Depending on the level of acceptances received from the Minority Shareholders, the maximum consideration payable for the Acquisition will be \$20.0 million. Completion is subject to a number of conditions precedent being satisfied, including Shareholders approving the Resolution to issue Easton Shares.

The consideration is to be satisfied by 50% cash and 50% Easton Shares, which shares will be issued at a price of \$1.55 and will be subject to voluntary escrow restrictions following Completion, as follows:

- 50% of the Shares issued pursuant to the Acquisition will be escrowed for a period of 12 months; and
- 50% of the Shares issued pursuant to the Acquisition will be escrowed for a period of 24 months.

The cash component of the consideration will be sourced from Bank borrowings and existing surplus cash held by the Company over and above its working capital requirements.

On Completion of the Transaction, Mr Grahame Evans, the Managing Director of GPS, will be invited to join the Board of the Company as an executive director and will assume responsibility for the performance and growth of the Company's Wealth Management operations. Mr Evans is a highly experienced and respected executive in the wealth management sector who brings with him a strong and successful management team.

Directors believe the Acquisition to be highly attractive as it:

- represents an excellent strategic fit with the Company's stated intent and direction;
- provides Easton with a significant up-lift in earnings, and contributing to a normalised EBITA per share increase estimated at approximately 50%, after allowing for the anticipated cost synergies referred to above;
- complements existing operations, including Merit Wealth, thereby avoiding duplicated expenditure on support infrastructure and best practice systems, processes and procedures;
- offers strong potential for organic growth;
- opens opportunities for prospective acquisitions in the financial services sector;
- repositions the Company with an expanded capital base and with enhanced scale and prospects; and
- involves a purchase price that is 50% satisfied by the issue of Shares (in the form of the Easton Shares), thereby providing a strong alignment of interests going forward and reflecting confidence in the further growth of GPS in particular and in the future prospects of the Company more generally.

3.5 Strategy and Direction

The Company's strategic intent is to build a significant wealth management and distribution capability in the Australian accounting and financial services sector. The Directors believe that the underlying strategy and related business plans have the potential to create Shareholder value.

Importantly, the Directors strongly believe that scale distribution in the financial services sector has strategic value as the major financial institutions seek to offer their products through accounting and financial planning firms which have prominent positions and strong client relationships in the vital SME and high net worth sectors, as well as the increasingly important SMSF market.

The Acquisition is consistent with the Company's strategic intent and represents an excellent next step in creating an important wealth management and distribution business with significant scale.

It is also aligned with the Directors' objective of creating a company with sustainable earnings, having excellent longer term growth prospects and having high strategic value.

GPS and Merit Wealth in particular are both well placed to continue to grow organically in the Wealth Management sector. At the same time, both businesses offer strong cross-sell referral opportunities to other Easton businesses, as well as the potential to leverage other service lines in the financial services sector.

The Acquisition will provide an important platform to accelerate the Company's growth ambitions, including by giving rise to a strengthened management structure and team.

The outlook for sustained growth over coming years, both organic and by the acquisition, is considered by the Directors to be significant.

If approved by Shareholders, the Acquisition is expected to take effect on or around 10 August 2017.

4. Glossary of terms

In this Notice and Explanatory Statement, the following terms have the following meanings, unless context otherwise requires:

Acquisition	The proposed acquisition by the Company of GPS for cash and Easton Shares.
AFSL	Australian Financial Services License issued by the Australian Securities Commission.
ASX	ASX Limited.
Company or Easton	Easton Investments Limited ACN 111 695 357.
Directors	Directors of the Company and Director refers to just one of them.
Completion	Completion under the Share Sale and Purchase Deed.
Easton Shares	Ordinary shares in the Company that are issued as part-consideration for the Acquisition.
EGM	Extraordinary general meeting.
Explanatory Statement	This statement, which accompanies the Notice.
GPS	GPS IP Group Holdings Limited ACN 165 401 098.

Major Shareholders	Each of the persons named below and their related entities as specified in the Share Sale and Purchase Deed: (a) Grahame David Evans; (b) Gregory Robert Holman; (c) Robert John McGregor; (d) David Edward Johnstone
Minority Shareholders	Each of the shareholders of GPS other than the Major Shareholders.
New Shareholders	Each of the persons to be issued with Easton Shares pursuant to the Acquisition as set out in the Notice.
Notice	The Notice of Extraordinary General Meeting which this Explanatory Statement accompanies.
Resolution	Resolution that the Shareholders are to vote upon as set out in the Notice and Explanatory Statement.
Share Sale and Purchase Deed	The deed of that name dated 26 June 2017 between the Company, one of its wholly owned subsidiaries, GPS and the Major Shareholders for the purposes of the Acquisition.
Shares	Ordinary shares in the Company.
Shareholders	Shareholders of the Company.
SME	Small to medium enterprise.
SMSF	Self-managed super fund.

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easton

Easton Investments Limited
ABN 48 111 695 357

LODGE YOUR VOTE

ONLINE
www.linkmarketservices.com.au

BY MAIL
Easton Investments Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000

ALL ENQUIRIES TO
Telephone: +61 1300 554 474



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PROXY FORM

I/We being a member(s) of Easton Investments Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

STEP 1

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at **11:00am (Sydney time) on Friday, 4 August 2017 at the offices of Colin Biggers & Paisley at Level 42, 2 Park Street Sydney NSW** (the Meeting) and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business set out in the accompanying Notice of Extraordinary General Meeting.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an

Resolution

For Against Abstain*

1 Issue of Easton Shares as part consideration for the Acquisition

STEP 2

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

STEP 3

EAS PRX1701A



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am (Sydney time) on Wednesday, 2 August 2017**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MAIL

Easton Investments Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138
or
Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE EXTRAORDINARY GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**