

24 August 2017

FFT and MaxSec - a proposed merger to create a global security solutions capability.

- **Future Fibre Technologies to acquire all shares in MaxSec Group Limited**
- **MaxSec Shareholders will be offered one FFT Share for every four MSP Shares**
- **Clear market, business and synergistic benefits from the proposed merger**

Future Fibre Technologies Limited (FFT) (ASX: FFT), a global leader in fibre optic perimeter intrusion detection systems, has announced it intends to make an off-market takeover bid (**Offer**) for all of the shares it does not hold in ASX listed security company MaxSec Group Limited (MaxSec) (ASX: MSP) (**Proposed Acquisition**). FFT currently holds 65,000,000 Maxsec Shares (or approximately 13.7%) The board of Maxsec has indicated it currently intends to recommend the Offer, in the absence of a superior proposal.

The Proposed Acquisition seeks to take advantage of clear synergies between FFT's perimeter security solutions and MaxSec's access control and international valuables logistics offering. Yesterday, FFT announced a strategic investment in MaxSec and its intent to explore further investment opportunities in the leading security business.

Under the terms of the Offer, MaxSec Shareholders will be offered one FFT Share for every four MSP Shares.

Importantly, as an all scrip bid MaxSec Shareholders will continue to participate in the future of the merged group.

Maxsec believes that the opportunity to integrate FFT's perimeter security systems with Maxsec's access control solutions (BQT Solutions) and international valuables logistics services (AvaGlobal) offers the potential to deliver increased sales through a combined product and services offering, an extended geographical reach and cross selling opportunities to both existing and new customers – delivering increased and diversified revenues to the new group.

In addition to a complementary client base, common and extensive network partnerships and a similar go-to-market strategy, multiple merger benefits have been identified, including the ability to achieve cost synergies in corporate, compliance and administration costs.



Commenting on the announcement, FFT Chairman Terry Winters said, *"Bringing FFT and MaxSec together will create increased sales growth opportunities for the combined group as common customer requirements deliver both parties access to a larger share of the total security market through a greater suite of solutions. This proposed merger with MaxSec is in line with FFT's strategic growth plan, and we believe it offers compelling value for all shareholders."*

Maxsec CEO Geoff Cleaves added, *"The proposed merger of MaxSec with FFT is expected to transform two global leaders in the security industry into a significant force, offering diverse technologies and services, more effective selling synergies, operating efficiencies and greater geographic reach."*

The takeover bid has the unanimous support of the voting MaxSec Directors who will recommend it to MaxSec Shareholders in the absence of a superior offer. Both the FFT and MaxSec Boards adopted appropriate measures to ensure no conflict of interest in the offer process for joint company directors Chris Fergus and Rob Broomfield.

The Offer will be subject to certain normal conditions (outlined in Annexure A), including a 90 percent minimum acceptance condition.

FFT and MaxSec have entered into a bid implementation agreement which provides the framework for proposing and implementing the Offer. The agreement contains exclusivity obligations which apply until the end of the offer period unless the agreement is terminated before that time. These obligations are subject to appropriate carve outs reflecting the statutory and fiduciary duties of the MaxSec Board. Reciprocal break fee arrangements are also included in the bid implementation agreement. Further details of these arrangements, together with other key details of the bid implementation agreement, are provided in Annexure B to this announcement.

FFT will finalise and mail out its Bidder's Statement and MaxSec will finalise and mail out its Target's Statement as soon as practicable. Holders of MaxSec Shares should carefully consider those documents before deciding whether to accept the Offer.

- ENDS -



About FFT

FFT is a leading developer and manufacturer of fibre optic intrusion detection security systems. Deployed by some of the most security conscious industrial, military and government organisations in the world, FFT's advanced security systems:

- detect and locate **perimeter** intrusions;
- identify third-party interference on oil and gas **pipelines**; and
- protect sensitive **data network** communications cables.

With hundreds of installations in more than 60 countries, FFT has established a solid reputation for delivering highly intelligent, reliable, and award winning intrusion detection solutions. www.fftsecurity.com

About MaxSec

MaxSec Group Limited, through its divisions BQT Solutions and Ava Global, is a leading designer, developer and global provider of quality, reliable and secure smart card and reader systems, biometric scanners, locking devices and a growing global provider of international valubales logistics services. MaxSec Group companies are represented globally on six continents. www.maxsec.com

Annexure A

Conditions for Offer

The Offer and any contracts resulting from acceptance of the Offer are subject to fulfilment of the following conditions:

- 1 **(Minimum acceptance)** Before the end of the Offer Period, the Bidder has a Relevant Interest in at least 90% (by number) of Target Shares.
- 2 **(Regulatory Approvals)** Before the end of the Offer Period, the Regulatory Approvals are:
 - (a) granted, given, made or obtained unconditionally, or on the basis of conditions that impose only non-material requirements incidental to the approval or consent;
 - (b) remain in full force and effect; and
 - (c) do not become subject to any notice, indication or intention to revoke, suspend, restrict, modify or renew them.
- 3 **(No regulatory action)** Between the Announcement Date and the end of the Offer Period:
 - (a) no preliminary or final decision, order or direction is made or issued by any Regulatory Authority;
 - (b) no action, proceeding or investigation is announced, commenced or threatened by any Regulatory Authority; and
 - (c) no application is made to any Regulatory Authority (other than by the Bidder or any Associate of the Bidder),

which is likely to or purports or threatens to restrain, prohibit, impede or otherwise adversely affect the making of the Offer, the acquisition of the Target Shares by the Bidder, the rights of the Bidder in respect of the Target and the Target Shares or the continued operation of the businesses of the Target or its Subsidiaries (other than any action or decision by or application to ASIC or the Takeovers Panel in exercise of the powers or discretions conferred by the Corporations Act).

- 4 **(No Prescribed Occurrences)** Between the Announcement Date and the end of the Offer Period, there is no occurrence of a Prescribed Occurrence.

5 **(No Material Adverse Change)** Between the Announcement Date and the end of the Offer Period, there is no occurrence of a Material Adverse Change.

6 **(Target Options)** Before the end of the Offer Period all of the Target Options are exercised, cancelled or transferred to the Bidder or are the subject of agreements or arrangements entered into between the Bidder and the relevant holder of the Target Options that will cause the Target Options to be cancelled or transferred to the Bidder.

7 **(Third party consents)** All other approvals of a third party which the Bidder determines are necessary to undertake and successfully complete the Takeover Bid are obtained.

Annexure B

Key provisions of bid implementation agreement

Agreement to progress Proposal

The parties agree to progress the Proposal in good faith on the terms of the bid implementation agreement.

Conditions precedent to performance of bid implementation agreement

Except for continuing clauses, the obligations of the Bidder under the bid implementation agreement are not binding until determination of the treatment of the Target Options and the arrangements to be entered into between the Bidder and the relevant holder of the Target Options that will cause the Target Options to be cancelled or transferred to the Bidder.

Exclusivity

During the Exclusivity Period, the Target must ensure that no member of the Target Group nor any of their directors, officers, employees, agents, contractors or advisers directly or indirectly:

- (a) participate in any negotiations or discussions;
- (b) give or make available any information (including by way of giving information and access to perform due diligence); or
- (c) communicate any intention to do any of the things described above,

in respect of any Competing Proposal, including in response to any unsolicited approach, expression of interest, offer or proposal by any person that may lead to a Competing Proposal.

During the Exclusivity Period, the Target must ensure that no member of the Target Group nor any of their directors, officers, employees, agents, contractors or advisers directly or indirectly:

- (a) solicits, invites, facilitates, encourages or initiates any enquiries, negotiations or discussions; or

- (b) communicates any intention to do any of these things,

with a view to obtaining any approach, expression of interest, offer or proposal from any person for a Competing Proposal.

These restrictions do not prevent a person from doing something with respect to a possible Competing Proposal if, in the opinion of the Target Board decided in good faith and based on the written opinion of the Target's legal advisers, that action or omission is or may reasonably be expected to:

- (a) involve a breach of the fiduciary duties owed by any director of the Target; or
- (b) be otherwise be unlawful.

During the Exclusivity Period, the Target must notify the Bidder promptly if it becomes aware of any:

- (a) negotiations or discussions;
- (b) approach or attempt to initiate any negotiations or discussions; or
- (c) intention to make an approach or attempt to initiate any negotiations or discussions,

in respect of any approach, expression of interest, offer or proposal of a kind referred to above made to the Target, and give to the Bidder notice of the identity of the person and details of that approach, expression of interest or offer or proposal.

Break fee

Subject to the qualifications below, if:

- (a) at any time during the Offer Period, any director of the Target:
 - (i) makes any public statement to the effect that he or she does not support (or no longer supports) the Takeover Bid; or
 - (ii) (without limiting paragraph (a)(i) above) fails to recommend that Target Shareholders accept the Offer or, having done so, publicly withdraws or varies his or her favourable recommendation of the Offer (or any part of it);
- (b) at any time during the Offer Period:

(i) any director of the Target publicly recommends, promotes or otherwise endorses a Competing Proposal; or

(ii) a Superior Proposal is announced or is open for acceptance;

(c) after the date of this document and during the Offer Period any person other than the Bidder (or its Associates) acquires a Relevant Interest in more than 20% of the Target Shares; or

(d) the Target breaches a term of this document and that breach results in a valid termination of this document by the Bidder,

then the Target must pay to the Bidder the Break Fee.

Subject to the below, the Bidder undertakes to pay the Target the Break Fee if the Takeover Bid has not occurred on or before the End Date as a direct result of the failure by the Bidder to perform or satisfy any of its material obligations under the bid implementation agreement (being an obligation the performance or satisfaction of which is necessary for the implementation of the Takeover Bid).

The Break Fee is not payable if:

(a) before an event referred to in any one of those clauses occurs, the bid implementation agreement has already been validly terminated; or

(b) the Offer is made and three Business Days after the end of the Offer Period all Conditions have been satisfied or waived by the Bidder, despite the occurrence of any event described above (as applicable),

and the requirements under the bid implementation agreement in respect of the Break Fee do not impose any obligation on the parties if the performance of that obligation would:

(a) involve a breach of a statutory, fiduciary or other duty of a director of either party;

(b) otherwise be unlawful; or

(c) constitute unacceptable circumstances (as declared by the Takeovers Panel or a court).

The maximum aggregate amount recoverable under the bid implementation agreement by either party is the Break Fee.

Definitions

ACCC	means the Australian Competition and Consumer Commission.
Agreed Announcement	means the announcement about the Proposal agreed to in writing by the parties.
Announcement Date	means the date on which the Agreed Announcement is made.
ASIC	means the Australian Securities and Investments Commission.
ASX	means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).
Associate	<p>in the context of a body corporate includes:</p> <ul style="list-style-type: none">(a) a director, secretary and shareholder of the body corporate;(b) a body corporate that is a Related Body Corporate;(c) a director, secretary and shareholder of that Related Body Corporate;(d) the trustee of any trust under which the persons described in clauses (a), (b) and (c) or any of them, may benefit;(e) any person who is a related party for the purposes of section 228 Corporations Act; and(f) in the particular matter to which the associate reference relates, any person or persons with whom the body corporate:<ul style="list-style-type: none">(i) is acting or proposes to act in concert; or(ii) is or proposes to become associated, <p>whether formally or informally.</p>
Bidder	Future Fibre Technologies Limited ACN 064 089 318.
Break Fee	means an amount equal to 1% of the market capitalisation of the Target on the date of this document.
Business Day	means a business day as defined in the Listing Rules.

Competing Proposal	<p>means a transaction which, if completed, would mean a person other than the Bidder (and its Associate) would:</p> <ul style="list-style-type: none">(a) acquire a Relevant Interest in 20% or more of the Target's securities;(b) acquire Control of the Target;(c) acquire all or a substantial part of the Target's business, assets or undertaking;(d) otherwise acquire or merge with the Target; or(e) enter into any agreement, arrangement or understanding requiring the party to abandon, or otherwise fail to proceed with, the Proposal, or otherwise having that effect.
Conditions	means the conditions to the Offer set out in Annexure A.
Consideration	<p>means the greater of:</p> <ul style="list-style-type: none">(a) 2 New Bidder Shares for every 9 Target Shares; and(b) the minimum ratio of New Bidder Shares to Target Shares permitted by section 621 Corporations Act and any applicable ASIC Instrument.
Consolidated Group	has the same meaning as in the <i>Income Tax Assessment Act 1997</i> (Cth).
Control	has the meaning given in section 50AA of the Corporations Act.
Corporations Act	means <i>Corporations Act 2001</i> (Cth).
Encumbrance	<p>means any one or more of the following:</p> <ul style="list-style-type: none">(f) any interest, right or power that in substance secures payment or performance of any obligation, for example a mortgage, charge or security interest under the <i>Personal Property Securities Act 2009</i> (Cth);(g) any preferential or adverse interest of any kind;(h) a right to buy or use assets, for example a hire purchase agreement, option, licence, lease or agreement to purchase;(i) a right to set-off or right to withhold payment of a deposit or other money;

(j) an easement, restrictive covenant, caveat or similar restriction over property;

(k) an agreement to create any of the items referred to in paragraphs (a) to (e) above or to allow any of those items to exist; or

(l) a notice under section 255 Tax Act (1936), subdivision 260-A in schedule 1 Taxation Administration Act 1953 (Cth) or any similar legislation.

End Date means the earlier of:

(a) the day this document is validly terminated;

(b) the day the Bidder and its Associates obtain a Relevant Interest in 90% of the Target Shares; and

(c) five Business Days after the end of the Offer Period.

Exclusivity Period means the period from and including the date of this document to the End Date.

Financial Indebtedness means any debt or other monetary liability (whether actual or contingent) in respect of money borrowed or raised or any financial accommodation including under or in respect of any:

(a) bill, bond, debenture, note or similar instrument;

(b) acceptance, endorsement or discounting arrangement;

(c) guarantee;

(d) finance or capital lease;

(e) agreement for the deferral of a purchase price or other payment in relation to the acquisition of any asset or service; or

obligation to deliver goods or provide services paid for in advance by any financier.

Government Agency means:

(a) a government or government department or other body;

(b) a governmental, semi-governmental or judicial person;
or

(c) a person (whether autonomous or not) who is charged

with the administration of a law.

- Insolvency Event** means any of the following events occurring in relation to a party:
- (a) a liquidator, receiver, receiver and manager, administrator, official manager or other controller (as defined in the Corporations Act), trustee or controlling trustee or similar official is appointed over any of the property or undertaking of the party;
 - (b) the party is, or becomes unable to, pay its debts when they are due or is or becomes unable to pay its debts within the meaning of the Corporations Act, or is presumed to be insolvent under the Corporations Act;
 - (c) the party ceases to carry on business; or
 - (d) an application or order is made for the liquidation of the party or a resolution is passed or any steps are taken to liquidate or pass a resolution for the liquidation of the party, otherwise than for the purpose of an amalgamation or reconstruction.
- Listing Rules** means the Listing Rules of ASX and any other rules of ASX which are applicable while the company is admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.
- Material Adverse Change** means:
- (a) any matter, event or circumstance which happens, is announced or becomes known to the Bidder after the date of this document which (individually or when aggregated with all those matters, events or circumstances) has resulted in or is likely to result in either:
 - (i) the value of consolidated net assets of the Target Group being reduced by at least \$750,000 against what they would have been but for the matters, events or circumstances; or
 - (ii) the ongoing consolidated annual net profit after tax, in any financial year after the one ending 30 June 2017, of the Target Group being reduced by at least \$750,000 against what it would have been but for the matters, events or circumstances;

(b) the Bidder becomes aware, prior to the end of the Offer Period, that the Target has breached its continuous disclosure obligations under the Listing Rules and, had a reasonable bidder in similar circumstances to the Bidder known of the information giving rise to such breach prior to the Announcement Date, it would have resulted in that reasonable bidder offering less Consideration under the Takeover Bid,

but does not include:

- (a) any matter, event or circumstance arising from changes in economic or business conditions which impact on the Target and its competitors in a similar manner;
- (b) any change in taxation rates or taxation laws which impact on the Target and its competitors in a similar manner;
- (c) any change in accounting policy required by law; or
- (d) any change occurring directly or indirectly as a result of any matter, event or circumstance required by this document, the Proposal or the transactions contemplated by them.

Material Contract means a contract or commitment:

- (a) requiring total payments in excess of an amount equal to 10% of the Target's revenues for the previous financial year; or
- (b) which is not entered into in the ordinary course of the business of the Bidder or the Target (as applicable),

unless the contract or commitment is demonstrably beneficial to the operations of the Target or Bidder (as applicable) and the relevant party's business.

New Bidder Share means a Bidder Share to be issued under the Proposal.

Offer means each offer to acquire the Target Shares of a Target Shareholder (other than the Bidder) for the Consideration.

Offer Period means the period that the Offer is open for acceptance.

Prescribed Occurrence means:

- (a) **(conversion)** the Target converts all or any of its shares into a larger or smaller number of shares;
- (b) **(reduction of share capital)** the Target resolves to

reduce its share capital in any way;

(c) **(buy-back)** the Target:

(i) enters into a buy-back agreement; or

(ii) resolves to approve the terms of a buy-back agreement under the Corporations Act;

(d) **(distribution)** the Target makes or declares, or announces an intention to make or declare, any distribution (whether by dividend, capital reduction or otherwise and whether in cash or in specie);

(e) **(issuing shares or options)** a member of the Target Group:

(i) issues shares;

(ii) grants an option over its shares; or

(iii) agrees to make an issue of shares or grant an option over its shares,

in each case to a person outside the Target Group;

(f) **(securities or other instruments)** a member of the Target Group:

(i) issues securities or other instruments convertible into shares or debt securities; or

(ii) agrees to issue securities or other instruments convertible into shares or debt securities,

in each case to a person outside the Target Group;

(g) **(constitution)** a member of the Target Group adopts a new constitution or modifies or repeals its constitution or a provision of it;

(h) **(disposals)** a member of the Target Group disposes, or agrees to dispose of, the whole or a substantial part of its business or property;

(i) **(acquisitions, disposals or tenders)** a member of the Target Group:

- (i) acquires or disposes of;
- (ii) agrees to acquire or dispose of; or
- (iii) offers, proposes, announces a bid or tenders for,

any business, asset (excluding stock in the normal course of business), interest in a joint venture, entity or undertaking, the value of which exceeds \$1 million;

(j) **(Encumbrances)** a member of the Target Group creates any Encumbrance over the whole or a substantial part of its business or property (other than in the ordinary course of business and other than a lien which arises by operation of law or legislation securing an obligation not yet due and consistent with past practice);

(k) **(board)** any person is appointed to the Target Board, other than those nominated by the Bidder;

(l) **(employment arrangements)** a member of the Target Group:

- (i) materially increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors or employees; or

- (ii) accelerates the rights of any of its directors or employees to compensation or benefits of any kind,

other than in the ordinary course of business or as a result of contracted arrangements that are consistent with past practice and in effect at the date of this document;

(m) **(termination or retention payment)** a member of the Target Group pays, or agrees to pay any of its directors or employees a termination or retention payment (otherwise than as required by an existing contract which, at the date of this document, is in place and has been disclosed to the Bidder);

(n) **(commitments and settlements)** a member of the Target Group:

- (i) enters into or agrees to enter into any Material Contract;

- (ii) terminates or amends in a material manner any Material Contract;
- (iii) waives any material third party default of a Material Contract; or
- (iv) accepts as a settlement or compromise of a material matter relating to a Material Contract, less than the full compensation due to the Target or a Subsidiary of the Target;
- (o) **(financial arrangements)** a member of the Target Group amends (or agrees to amend) in any material respect any arrangement with its financial advisers in respect of the transactions contemplated by this document;
- (p) **(capital expenditure)** a member of the Target Group undertakes or agrees to undertake capital expenditure in excess of \$250,000 in aggregate;
- (q) **(insolvency)** an Insolvency Event occurs in respect of any member of the Target Group;
- (r) **(financial indebtedness)** excluding trade debtors in the ordinary course of business, a member of the Target Group provides financial accommodation (irrespective of what form of Financial Indebtedness that accommodation takes) in excess of \$250,000;
- (s) **(breach of law)** a member of the Target Group takes or omits to take action which results in a breach of law material to a member of the Target Group;
- (t) **(accounting policy)** a member of the Target Group changes any accounting policy applied by them to report their financial position;
- (u) **(related party)** excluding transactions between the Bidder and Target (if occurring at a point in time that the parties may be considered related parties), a member of the Target Group enters into or resolves to enter into a transaction with any related party of the Target as defined in section 228 Corporations Act; or
- (v) **(tax liability)** the Target or any other member of the Target Group does anything that results in a taxable gain for the Target Group by either causing a Subsidiary to cease being a

member of the Target Group or causing the Target Group to cease being a Consolidated Group,

but a Prescribed Occurrence does not include:

- (a) an issue of Target Shares on exercise of an option that had been granted on or before the date of this document;
- (b) any matter required to be done or brought about by the Target under this document or which is contemplated by the Proposal; or
- (c) any other matter, the undertaking of which the Bidder has approved in writing.

Proposal

means the proposal to make the Takeover Bid.

Regulatory Approvals

means all approvals or consents that are required by law, regulation or regulatory policy, as are necessary to permit:

- (a) the Offer to be lawfully made to and accepted by Target Shareholders; and

the acquisition of the Target Shares by the Bidder.

Regulatory Authority

includes:

- (a) ASX, ASIC, ACCC, the Foreign Investment Review Board and the Australian Taxation Office;
- (b) a Government Agency;
- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (d) any regulatory organisation established under statute.

Related Body Corporate

has the meaning given to that term by section 9 Corporations Act.

Relevant Interest

has the meaning given to that term by section 9 Corporations Act.

Subsidiary

has the meaning given to that term by section 9 Corporations Act.

Superior Proposal

means a Competing Proposal that, in the opinion of the Target Board acting reasonably and taking into account all material aspects of the

Competing Proposal available to it, is:

- (a) reasonably capable of being completed; and
- (b) more favourable to Target Shareholders than the Proposal.

Takeover Bid	means the Offers made under Chapter 6 Corporations Act.
Target	MaxSec Group Limited ACN 000 029 265.
Target Board	means the board of directors of the Target.
Target Group	means the Target and each of its Subsidiaries.
Target Options	means options over unissued Target Shares.
Target Share	means a fully paid ordinary share in the Target.
Target Shareholders	means each registered holder of Target Shares.