

11 November 2014

The Manager
ASX Market Announcements
ASX Limited

Release of Crowe Horwath Scheme Booklet

Further to the announcement to the ASX on 6 October 2014, Crowe Horwath Australasia Ltd (ASX: CRH) ("**Crowe Horwath**" or "**the Company**") advises that the Supreme Court of Victoria has today made orders convening a meeting of Crowe Horwath shareholders on 15 December 2014 to consider and vote on the Scheme of Arrangement ("**Scheme**") under which Findex Australia Pty Ltd ("**Findex**") proposes to acquire 100% of the issued shares in Crowe Horwath. The Scheme Booklet in relation to the Scheme accompanies this release and has been registered with the Australian Securities and Investments Commission.

If the Scheme is approved and implemented Crowe Horwath shareholders will be entitled to receive \$0.50 for each Crowe Horwath share they hold as at the Scheme Record Date, less the cash amount of any special dividend which may be paid by Crowe Horwath in respect of those shares ("**Scheme Consideration**").

Subject to the Scheme being approved by the requisite majorities of Crowe Horwath shareholders, the Crowe Horwath Directors currently intend to determine a fully franked special dividend of between 4.0 cents and 5.7 cents per Crowe Horwath share, unless they consider that the Australian Taxation Office is unlikely to grant a favourable class ruling or bank approval has not been received to use Crowe Horwath's existing debt facility to fund the special dividend. The final amount of the special dividend will also depend on the Company's level of retained earnings.

The Crowe Horwath Directors consider that the Scheme is in the best interests of Crowe Horwath shareholders and unanimously recommend that Crowe Horwath shareholders vote in favour of the Scheme, in the absence of a superior proposal.

The Crowe Horwath Directors intend to cause any Crowe Horwath shares in which they have a relevant interest to be voted in favour of the Scheme, in the absence of a superior proposal.

The Independent Expert, Grant Samuel, has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of the Crowe Horwath shareholders, in the absence of a superior proposal.

Printed copies of the Scheme Booklet, including the Independent Expert's Report, will be dispatched to Crowe Horwath shareholders in coming days and shareholders are encouraged to read the document in its entirety.

Scheme Meeting

The Scheme requires the approval of Crowe Horwath shareholders and will be considered at the Scheme Meeting to be held at 10.00am on Monday 15 December 2014 at the RACV City Club, Level 2, 501 Bourke Street, Melbourne, Victoria.

A notice of meeting is enclosed at Annexure E of the Scheme Booklet.

All Crowe Horwath shareholders are encouraged to vote either by attending the Scheme Meeting in person, or by lodging a direct or proxy vote by no later than 10.00am on Saturday 13 December 2014. Details of how to lodge a direct or proxy vote are included in the Scheme Booklet.

Shareholder Information Line

Crowe Horwath shareholders who have questions about the Scheme, or the Scheme Booklet, can call the Crowe Horwath Shareholder Information Line on 1300 721 468 (within Australia) or on +61 3 9415 4294 (outside Australia) Monday to Friday between 9.00am and 5.00pm (AEDST).

Indicative Key Dates

- 15 December 2014: Scheme Meeting of Crowe Horwath shareholders
- 15 December 2014: Special dividend determined (if the Crowe Horwath Directors decide to determine a special dividend)
- 18 December 2014: Second Court hearing
- 22 December 2014: Dividend record date (if a special dividend is determined)
- 29 December 2014: Dividend payment date (if a special dividend is determined)
- 30 December 2014: Scheme record date for determining entitlement to Scheme Consideration
- 6 January 2015: Implementation date and dispatch of Scheme Consideration

B Paterson
Company Secretary

Media enquires

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Crowe Horwath Australasia Ltd
ACN 006 650 693
Scheme Booklet

A recommended scheme of arrangement in relation to the proposed acquisition of all your Crowe Horwath Shares by Findex for \$0.50 per Crowe Horwath Share (less the amount of any Special Dividend).

Crowe Horwath Directors unanimously recommend that you **VOTE IN FAVOUR** of the resolution to implement the Scheme in the absence of a Superior Proposal.

The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Crowe Horwath Shareholders, in the absence of a Superior Proposal.

This is an important document and requires your immediate attention. You should read it in its entirety before deciding whether or not to vote in favour of the resolution to implement the Scheme. If you are in any doubt as to how to deal with this Scheme Booklet, you should consult your broker, financial advisor or other professional advisor immediately. If you have recently sold all of your Crowe Horwath Shares, please ignore this Scheme Booklet.

If you have any questions in relation to this Scheme Booklet or the Scheme, you should call the Crowe Horwath Information Line on 1300 721 468 (within Australia) or +61 3 9415 4294 (from outside Australia) Monday to Friday between 9.00am and 5.00pm (AEDST).

You can vote on the Scheme by doing one of the following:

- by attending the Scheme Meeting in person;
- by appointing a proxy or attorney to attend and vote at the Scheme Meeting on your behalf;
- by lodging a valid Voting Form setting out your direct vote; or
- in the case of a corporation which is a Crowe Horwath Shareholder, by appointing an authorised corporate representative to attend and vote on its behalf.

Financial Advisor to Crowe Horwath



Legal Advisor to Crowe Horwath

THOMSON GEER
LAWYERS

Important Notices

Purpose of this document

This Scheme Booklet includes the explanatory statement for the Scheme required by section 412(1) of the Corporations Act. This Scheme Booklet provides Crowe Horwath Shareholders with information about the proposed acquisition of Crowe Horwath by Findex. If you have sold all of your Crowe Horwath Shares, please ignore this Scheme Booklet.

Defined terms and interpretation

Capitalised terms and certain abbreviations used in this Scheme Booklet are defined in the Glossary. The documents reproduced in some of the annexures to this Scheme Booklet each have their own defined terms which are sometimes different from those in the Glossary. Any diagrams, charts, maps, graphs and tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale. Figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, their actual calculations may differ from the calculations set out in this Scheme Booklet.

Investment decisions

This Scheme Booklet is intended for all Crowe Horwath Shareholders collectively and does not take into account the investment objectives, financial situation or particular needs of each Crowe Horwath Shareholder or any other particular person. This Scheme Booklet should not be relied upon as the sole basis for any investment decision in relation to the Scheme or your Crowe Horwath Shares. Before making any investment decision in relation to the Scheme or your Crowe Horwath Shares, including any decision to vote for or against the Scheme, you should consider whether that decision is appropriate in light of your particular investment needs, objectives and financial circumstances. If you are in any doubt about what you should do, you should seek independent financial, legal, taxation or other professional advice before making any investment decision.

Responsibility for information

The information concerning Crowe Horwath and the intentions, views and opinions of Crowe Horwath and its Directors contained in this Scheme Booklet have been prepared by Crowe Horwath and its Directors and is the sole responsibility of Crowe Horwath. Crowe Horwath has been solely responsible for preparing the information contained in this Scheme Booklet, except that:

- Findex has been solely responsible for preparing the Findex Information. Crowe Horwath and its Related Bodies Corporate, directors, officers, employees and advisors to the maximum extent permitted by law expressly disclaim all liability and take no responsibility for the accuracy and completeness of the Findex Information;
- Thomson Geer has prepared the Tax Letter in relation to the Scheme and takes responsibility for that letter. Crowe Horwath and Findex and their respective Related Bodies Corporate, directors, officers, employees and advisors to the maximum extent permitted by law expressly disclaim all liability and take no responsibility for the accuracy or completeness of the information contained in that report. The Tax Letter is set out in Section 9; and
- Grant Samuel & Associates Pty Limited has prepared the Independent Expert's Report in relation to the Scheme and is responsible for that report. Crowe Horwath and Findex and their respective Related Bodies Corporate, directors, officers, employees and advisors to the maximum extent permitted by law expressly disclaim all liability and take no responsibility for the accuracy or completeness of that report, except that Crowe Horwath is responsible for the information given by it to the Independent Expert. The Independent Expert's Report is set out in Annexure A.

ASIC and ASX

A copy of this Scheme Booklet has been provided to ASIC for the purpose of section 411(2) of the Corporations Act and registered by ASIC for the purpose of section 412(6) of the Corporations Act. ASIC has examined a copy of this Scheme Booklet. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the Second Court Date to approve the Scheme. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been lodged with ASX. Neither ASX nor any of its officers take any responsibility for the contents of this Scheme Booklet.

Important Notice associated with Court Order under Section 411(1) of the Corporations Act 2001

The fact that under section 411(1) of the Corporations Act 2001 the Court has ordered that a meeting be convened and has approved the explanatory statement required to accompany the notices of the meeting does not mean that the Court:

- has formed any view as to the merits of the proposed scheme or as to how members should vote (on this matter members must reach their own decision); or
- has prepared, or is responsible for, the content of the explanatory statement.

Forward looking statements

This Scheme Booklet contains various forward looking statements. Statements other than statements of historical fact may be forward looking statements. Crowe Horwath Shareholders should note that such statements are subject to inherent risks and uncertainties as they may be affected by a variety of known and unknown risks, assumptions, variables and other factors, many of which are beyond the control of Crowe Horwath. Actual results, values, performance or achievement may differ materially from results, values, performance or achievement expressed or implied in any forward looking statement. None of Crowe Horwath, Index, their respective Related Bodies Corporate, directors, officers, employees or advisors, nor any person named in this Scheme Booklet with their consent or any person involved in the preparation of this Scheme Booklet makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any results, values, performance or achievement expressed or implied in any forward looking statement, except to the extent required by law. Crowe Horwath Shareholders should not place undue reliance on any such statement. The forward looking statements in this Scheme Booklet only reflect views held as at the Last Practicable Date.

Privacy

Crowe Horwath may collect personal information in the process of implementing the Scheme. Such information may include the name, contact details and shareholdings of Crowe Horwath Shareholders and the name of persons appointed by those persons to act as a proxy, attorney or corporate representative at the Scheme Meeting. The primary purpose of the collection of personal information is to assist Crowe Horwath to conduct the Scheme Meeting and implement the Scheme. Personal information of the type described above may be disclosed to the Crowe Horwath Share Registry, print and mail service providers and authorised securities brokers. Crowe Horwath Shareholders have certain rights to access personal information that has been collected. Crowe Horwath Shareholders should contact the Crowe Horwath Share Registry in the first instance, if they wish to access their personal information. Crowe Horwath Shareholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of these matters.

Not an offer

This Scheme Booklet does not constitute or contain an offer to Crowe Horwath Shareholders, or a solicitation of an offer from Crowe Horwath Shareholders, in any jurisdiction.

Foreign jurisdictions

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside Australia who come into possession of this Scheme Booklet should seek advice on and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Scheme Booklet has been prepared in accordance with Australian law and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with laws and regulations outside Australia.

It is important that Crowe Horwath Shareholders who are not Australian resident taxpayers or who are liable for tax outside Australia seek specific taxation advice in relation to the Australian and overseas tax consequences of the Scheme.

Date

This Scheme Booklet is dated 11 November 2014.

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Annexure A – Independent Expert's Report

Annexure B – Scheme Implementation Agreement

Annexure C – Scheme of Arrangement

Annexure D – Deed Poll

Annexure E – Notice of Meeting

Corporate Directory

Key Dates

Event	Date
Date of this Scheme Booklet	Tuesday 11 November 2014
Latest time and date for receipt of Voting Forms (together with any authority under which a proxy is appointed) by the Crowe Horwath Share Registry for the Scheme Meeting	10.00am on Saturday 13 December 2014
Time and date for determining eligibility to vote at the Scheme Meeting	10.00am on Saturday 13 December 2014
Scheme Meeting of Crowe Horwath Shareholders	10.00am on Monday 15 December 2014, at the RACV City Club, Level 2, 501 Bourke Street, Melbourne, Victoria, Australia.
If the Scheme is approved by Crowe Horwath Shareholders:	
Special Dividend determined (if the Crowe Horwath Board decides to determine a Special Dividend)	Monday, 15 December 2014
Second Court Date for approval of the Scheme	Thursday 18 December 2014
Outcome of Second Court Hearing announced to ASX	Thursday 18 December 2014
Scheme Effective Date	Thursday 18 December 2014
Suspension of Crowe Horwath Shares from trading	Close of trading on Thursday 18 December 2014
Dividend Record Date (if a Special Dividend is determined)	Monday 22 December 2014
ATO ex-dividend date	Tuesday 23 December 2014
Dividend Payment Date (if a Special Dividend is determined)	Monday 29 December 2014
Scheme Record Date for determining entitlements to Scheme Consideration	5.00pm on Tuesday 30 December 2014
Scheme Implementation Date	Tuesday 6 January 2015
Dispatch of Scheme Consideration to Scheme Participants	Tuesday 6 January 2015

A reference to time in the timetable above is a reference to Australian eastern daylight savings time.

All dates in the timetable above are indicative only and may change. Changes may be announced by Crowe Horwath to ASX.

Letter from the Chairman



Crowe Horwath Australasia Ltd

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www.crowehorwath.com.au

11 November 2014

Dear Crowe Horwath Shareholder,

I am pleased to enclose the details of Findex's proposal to acquire your Crowe Horwath Shares.

As you may be aware, on 6 October 2014 Crowe Horwath announced that it had entered into a Scheme Implementation Agreement with Findex under which it is proposed that Findex will acquire all of the Crowe Horwath Shares by way of a scheme of arrangement.

If the Scheme is approved and implemented, you will be entitled to receive:

- \$0.50 for each Crowe Horwath Share you hold as at 5.00pm on the Scheme Record Date, which is expected to be 30 December 2014; less
- the cash amount of any Special Dividend paid by Crowe Horwath in respect of Crowe Horwath Shares on the Dividend Payment Date.

Rationale for the Scheme

The Scheme Consideration (taking into account the amount of any Special Dividend) represents a significant premium. In particular, it represents:

- a 29.9% premium to the closing price of Crowe Horwath Shares of \$0.385 on 3 October 2014, being the last full ASX trading day before the Announcement;
- a 28.4% premium to the 1 month VWAP of Crowe Horwath Shares of \$0.389 to 3 October 2014;
- a 33.2% premium to the 2 month VWAP of Crowe Horwath Shares of \$0.375 to 3 October 2014;
- a 31.5% premium to the 3 month VWAP of Crowe Horwath Shares of \$0.380 to 3 October 2014;
- a 53.8% premium to the closing price of Crowe Horwath Shares of \$0.325 on 19 March 2014, being the last full ASX trading day before the Anchorage Announcement; and
- a historical price to earnings multiple of 24.8x FY14 Underlying NPAT of \$5.5 million.

In addition, the Scheme Consideration provides you with timing and value certainty. This opportunity may not be available if the Scheme does not proceed.

In particular, Crowe Horwath's profitability has declined significantly since FY08. Following the appointment of a new Managing Director in November 2013, Crowe Horwath has focused on stabilising and strengthening the business and has introduced initiatives to address this decline in



earnings. However, despite these initiatives, the continuing profitability of the business is subject to business uncertainties and risks beyond the control of Crowe Horwath and its management.

These continuing business risks are also described in detail in Sections 7.5(f) and 7.8 of this Scheme Booklet and in the Independent Expert's Report at Annexure A.

Directors' Recommendation

Your Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal. Subject to that same qualification, your Directors who hold Crowe Horwath Shares intend to vote in favour of the Scheme in respect of their Crowe Horwath Shares.

In reaching this conclusion, your Directors considered:

- that the historical price to earnings multiple implied by the Scheme Consideration compares favourably with the historical price to earnings multiples realised in change of control transactions for listed Australian companies in the business services and financial advisory sector since June 2011;
- the premium the Scheme Consideration represents to the closing price on 3 October 2014 of \$0.385, being the last full ASX trading day prior to the Announcement;
- the absence of any Superior Proposal since the Announcement; and
- the certainty of the Scheme Consideration relative to the risk that is inherent in any business in continuing to operate in pursuit of growth and higher returns.

Reasons to vote in favour of the Scheme are set out at Section 5.1. There are also reasons why you may choose to vote against the Scheme which are set out at Section 5.2.

Since the Announcement, no Superior Proposal has emerged. Should any third party proposal be received, Crowe Horwath's Directors will consider the merits of any such proposal and advise you accordingly.

Opinion of the Independent Expert

The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Crowe Horwath Shareholders, in the absence of a Superior Proposal. The Independent Expert has estimated the full underlying value of Crowe Horwath to be in the range of \$118.5 to \$148.5 million which corresponds to a value of 43 to 54 cents per share. The Scheme Consideration is within this range. Details relating to the Independent Expert's conclusions are set out in the Independent Expert's Report, a copy of which is included in Annexure A.

Scheme Meeting

The Scheme requires the approval at the Scheme Meeting by the Requisite Majorities as set out below, and the approval of the Court. The Requisite Majorities for approval at the Scheme Meeting are:

- by more than 50% of Crowe Horwath Shareholders present and voting at the Scheme Meeting in person or by proxy, attorney or corporate representative; and
- at least 75% of the total number of votes cast on the Resolution at the Scheme Meeting by Crowe Horwath Shareholders.

The Scheme Meeting will commence at 10.00am on Monday 15 December 2014, at the RACV City Club, Level 2, 501 Bourke Street, Melbourne, Victoria, Australia.



If you are unable to attend the Scheme Meeting on this day, I encourage you to vote by appointing a proxy, attorney or authorised corporate representative to attend and vote at the Scheme Meeting on your behalf or by lodging a direct vote.

To be effective, an appointment of a proxy or a direct vote (together with any authority under which the appointment is signed) must be received by Crowe Horwath by no later than 10.00am (AEDST) on 13 December 2014:

- at the Crowe Horwath Share Registry (details provided at Section 6);
- at Crowe Horwath's registered office (details provided at Section 6);
- electronically by visiting www.investorvote.com.au and following the instructions provided (note a proxy cannot be appointed online if they are appointed under Power of Attorney or similar authority); or
- electronically for Intermediary Online subscribers (custodians), by visiting www.intermediaryonline.com and submitting voting intentions.

Your vote is important in determining whether or not the Scheme proceeds. If the Scheme is not approved at the Scheme Meeting by the Requisite Majorities, the Scheme will not be implemented and you will not receive the Scheme Consideration or any Special Dividend. In those circumstances and assuming all other things remain unchanged, the Crowe Horwath Share price will likely fall, potentially to a level around where Crowe Horwath Shares traded in the time prior to the Anchorage Announcement.

Special Dividend

Subject to the Scheme being approved by the Requisite Majorities, Crowe Horwath currently intends to determine a fully franked Special Dividend of between 4 cents and 5.7 cents per Crowe Horwath Share. Provided there are sufficient retained earnings at the Crowe Horwath parent entity level at the time the Special Dividend is determined, Crowe Horwath intends for the Special Dividend to be for the full amount of 5.7 cents per Crowe Horwath Share. However, the final amount of the Special Dividend (as between 4 cents and 5.7 cents per share) will depend on the Crowe Horwath parent entity's level of retained earnings.

Crowe Horwath intends to determine the above Special Dividend unless it considers that:

- the Australian Taxation Office is unlikely to grant a favourable Class Ruling (and, as at the Last Practicable Date, Crowe Horwath has no reason to believe that a favourable Class Ruling will not be granted); or
- Crowe Horwath's financier is unlikely to allow a drawdown under Crowe Horwath's debt facility for the purpose of funding the Special Dividend (and, as at the Last Practicable Date, Crowe Horwath expects that its financier will allow the drawdown).

If a Special Dividend is determined, it is expected that the Special Dividend will be determined on 15 December 2014 (after the Scheme Meeting), have a record date of 22 December 2014 and a payment date of 29 December 2014.

Further Information

Further information in relation to the Scheme is contained in this Scheme Booklet, including reasons for your Directors' recommendation to vote in favour of the Scheme. I encourage you to read this Scheme Booklet in full before making your decision and voting at the Scheme Meeting.



If you have any questions in relation to any part of the Scheme, please call the Crowe Horwath Information Line on 1300 721 468 (within Australia) or +61 3 9415 4294 (from overseas) on Business Days between 9.00am and 5.00pm (AEDST).

Yours sincerely,

A handwritten signature in black ink, appearing to read "Richard Grellman", with a long, sweeping horizontal flourish extending to the right.

Richard Grellman AM
Chairman
Crowe Horwath Australasia Ltd

1 Summary of key reasons to vote on the Scheme

You should read this Scheme Booklet in full before deciding how to vote.

Section 5 contains a more detailed assessment of the matters which your Directors consider are important in relation to your decision whether or not to vote in favour of the Scheme.

Key reasons to vote in favour of the Scheme
Your Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal.
The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Crowe Horwath Shareholders, in the absence of a Superior Proposal.
<p>The Scheme Consideration (taking into account the amount of any Special Dividend):</p> <ul style="list-style-type: none"> • represents a significant premium for your Crowe Horwath Shares; • provides you with the opportunity to realise value for all of your Crowe Horwath Shares that may not otherwise be possible; and • provides you with the timing and value certainty of cash and removes the risks and uncertainties inherent in the continuing operation of any business in continuing to operate in pursuit of growth and higher returns.
<p>If the Scheme becomes Effective, Crowe Horwath Shareholders may also be entitled to receive the Special Dividend of up to 5.7 cents per Crowe Horwath Share. To the extent a Special Dividend is paid, Crowe Horwath Shareholders may be entitled (depending on their taxation position) to obtain taxation benefits as a result of the franking credits attaching to any Special Dividend.</p> <p>If a Special Dividend is paid, the Scheme Consideration of \$0.50 per Crowe Horwath Share will be reduced by the cash amount of the Special Dividend. However, all Crowe Horwath Shareholders who hold Crowe Horwath Shares both at the Scheme Record Date and the Dividend Record Date will receive a total cash amount of \$0.50 per Crowe Horwath Share.</p>
Since the announcement that Findex and Crowe Horwath had entered into the Scheme Implementation Agreement, no Superior Proposal has emerged.
If the Scheme is not implemented and there is no Superior Proposal, the Crowe Horwath Share price will likely fall.

In addition, your Directors note that no brokerage or stamp duty is payable by you on the transfer of your Crowe Horwath Shares under the Scheme.

Although the Scheme is recommended by your Directors in the absence of a Superior Proposal, and the Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Crowe Horwath Shareholders, in the absence of a Superior Proposal, there may be factors which may lead you to vote against the Scheme, including those set out below:

Key reasons why you may choose to vote against the Scheme
You may be of the opinion that the Scheme Consideration of \$0.50 per Crowe Horwath Share (assuming no Special Dividend is determined) does not adequately reflect Crowe Horwath's value.

Key reasons why you may choose to vote against the Scheme
You may disagree with the recommendation of your Directors and the conclusion of the Independent Expert.
You may consider that there is the potential for a Superior Proposal to be made in the foreseeable future.
You will not be able to participate in any potential upside that may result from being a Crowe Horwath Shareholder.
You will not be entitled to potential future dividend income from Crowe Horwath.
You may wish to maintain your current investment profile, including exposure to the Australian business services and financial advisory sector via Crowe Horwath Shares.
The tax consequences of the Scheme for you may not be suitable to your financial position.

2 What are your options and what should you do?

The Scheme is an all or nothing proposal to Crowe Horwath Shareholders. If all of the conditions and approvals for the Scheme are satisfied or waived (as applicable):

- the Scheme will bind all persons registered as Crowe Horwath Shareholders as at the Scheme Record Date, including those who do not vote on the Scheme and those who vote against it; and
- Crowe Horwath will become wholly owned and controlled by Findex.

Conversely, if any of the conditions and approvals for the Scheme are not satisfied or waived (as applicable), Crowe Horwath Shareholders will retain all of their Crowe Horwath Shares and Crowe Horwath will remain listed on the ASX.

Crowe Horwath Shareholders have the following options:

Vote in favour of the Scheme	<p>This is the course of action unanimously recommended by your Directors, in the absence of a Superior Proposal</p> <p>To follow your Directors' unanimous recommendation, you should vote in favour of the Scheme at the Scheme Meeting on 15 December 2014. For details on how to vote on the Scheme, please refer to Section 6 and the Notice of Meeting at Annexure E.</p>
Vote against the Scheme	<p>If, despite your Directors' unanimous recommendation, you do not support the Scheme, you may vote against the Scheme at the Scheme Meeting on 15 December 2014.</p>
Sell your Crowe Horwath Shares on market	<p>The existence of the Scheme does not preclude you from selling some or all of your Crowe Horwath Shares on market for cash, if you wish, provided you do so before the close of trading on ASX on the Effective Date (expected to be 18 December 2014).</p> <p>If you are considering selling some or all of your Crowe Horwath Shares you should consider and compare the trading price of Crowe Horwath Shares to the Scheme Consideration.</p> <p>If you sell some or all of your Crowe Horwath Shares on market on or before the Effective Date:</p> <ul style="list-style-type: none"> • you may receive payment (which may vary from the Scheme Consideration) for the sale of your Crowe Horwath Shares sooner than you would receive the Scheme Consideration under the Scheme; • you may incur a brokerage charge; and • you may be liable for CGT on the disposal of your Crowe Horwath Shares (as you may also be under the Scheme).
Do nothing	<p>Crowe Horwath Shareholders who elect to not vote at the Scheme Meeting or not sell their Crowe Horwath Shares will:</p> <ul style="list-style-type: none"> • if the Scheme is implemented, have their Crowe Horwath Shares compulsorily transferred to Findex under the Scheme and will receive the Scheme Consideration; or • if the Scheme is not implemented, retain their Crowe Horwath Shares.

3 Frequently asked questions

Question	Answer	More Information
What is the Scheme?	<p>The Scheme is a scheme of arrangement between Crowe Horwath and Scheme Participants.</p> <p>If the Scheme becomes Effective, Findex will acquire all of the Crowe Horwath Shares on issue for \$0.50 per share (less the amount of any Special Dividend), and Crowe Horwath will become a wholly owned subsidiary of Findex.</p>	Section 4 contains a summary of the Scheme and a copy of the Scheme is contained in Annexure C.
What will I be entitled to receive if the Scheme becomes Effective?	If the Scheme becomes Effective, Crowe Horwath Shareholders will be entitled to receive the Scheme Consideration in cash on the Implementation Date for each Crowe Horwath Share held by them on the Scheme Record Date (plus any Special Dividend).	Section 4 provides further information in relation to the Scheme Consideration.
Who is entitled to receive Scheme Consideration?	Crowe Horwath Shareholders who hold Crowe Horwath Shares at the Scheme Record Date are entitled to receive the Scheme Consideration in respect of those shares.	See Sections 4.5, 4.6 and 4.11.
What is the Special Dividend?	The Special Dividend is a dividend that may be determined by Crowe Horwath if the Scheme is approved by the Requisite Majorities and a favourable Class Ruling from the Australian Taxation Office is expected. The Special Dividend is likely to be fully franked with a record date of 22 December 2014.	See Section 4.6.
Who is entitled to receive a Special Dividend if the Crowe Horwath Board exercises its discretion to determine and pay a Special Dividend?	All Crowe Horwath Shareholders who hold Crowe Horwath Shares as at the Dividend Record Date (expected to be 22 December 2014) will be entitled to the Special Dividend if determined and paid.	See Section 4.6.
Why should you vote in favour of the Resolution at the Scheme Meeting?	<p>Reasons why you should vote in favour of the Scheme include:</p> <ul style="list-style-type: none"> • your Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal; • the Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Crowe Horwath Shareholders, in the absence of a Superior Proposal; • the Scheme Consideration represents a significant premium for your Crowe Horwath Shares and compares favourably with the historical price to earnings multiples realised in 	See Section 5.1 for further information

Question	Answer	More Information
	<p>change of control transactions for listed Australian companies in the business services and financial advisory sector since June 2011;</p> <ul style="list-style-type: none"> the Scheme Consideration provides certainty of cash and the opportunity to realise value for your Crowe Horwath Shares that may not otherwise be possible; you may be entitled to taxation benefits as a result of the franking credits attached to any Special Dividend paid; since the Announcement, no Superior Proposal has emerged; if the Scheme is not approved and there is no Superior Proposal, the Crowe Horwath Share price will likely fall; if the Scheme does not proceed, and no Superior Proposal emerges, Crowe Horwath Shareholders will continue to be subject to the specific risks associated with Crowe Horwath's business and other general risks; and no brokerage or stamp duty is payable on transfer of your Crowe Horwath Shares under the Scheme. 	
<p>Why might you consider voting against the Resolution at the Scheme Meeting?</p>	<p>Reasons why you may consider voting against the Scheme include:</p> <ul style="list-style-type: none"> you may disagree with the recommendation of your Directors and the conclusion of the Independent Expert; you may consider that there is the potential for a Superior Proposal to be made in the foreseeable future; you may consider that there may be a potential upside that may result from being a Crowe Horwath Shareholder in the future, which you would not be able to participate in if you were no longer a Crowe Horwath Shareholder; you may wish to be entitled to potential future dividend income from Crowe Horwath; you may wish to maintain your current investment profile, including exposure to the Australian business services and financial advisory sector, via Crowe Horwath Shares; and the tax consequences of the Scheme for you may not be suitable to your financial position. 	<p>See Section 5.2 for further information</p>

Question	Answer	More Information
When will I receive the Scheme Consideration?	<p>The Scheme Consideration will be sent to Scheme Participants on the Implementation Date (expected to be 6 January 2015). Scheme Participants who have validly registered Australian bank account details (with an ADI (as defined in the <i>Banking Act 1959</i> (Cth))) with the Crowe Horwath Share Registry (by 7.00pm (AEDST) on the Scheme Record Date) will have their Scheme Consideration sent directly to that bank account. Scheme Participants who have not registered Australian bank account details with Crowe Horwath Share Registry (by 7.00pm (AEDST) on the Scheme Record Date) will have their Scheme Consideration sent by cheque in Australian dollars to the address shown on the Share Register.</p>	<p>See clause 4.2 of the Scheme contained in Annexure C for further details.</p>
What is the Crowe Horwath Shareholder approval threshold?	<p>In order to become Effective, the Scheme must be agreed to by:</p> <ul style="list-style-type: none"> • a majority in number (more than 50%) of Crowe Horwath Shareholders present and voting at the Scheme Meeting on 15 December 2014; and • at least 75% of the total number of votes cast on the Resolution at the Scheme Meeting by Crowe Horwath Shareholders present and voting at the Scheme Meeting on 15 December 2014. <p>Even if the Scheme is agreed to by Crowe Horwath Shareholders at the Scheme Meeting on 15 December 2014, the Scheme is still subject to the approval of the Court (as well as other conditions precedent outlined in Section 4.7(a)).</p>	<p>Section 6.2 and the Notice of Scheme Meeting contained in Annexure E sets out further information on the Scheme approval requirements.</p>
Are there any conditions to the Scheme?	<p>There are a number of conditions precedent that will need to be satisfied or waived (as applicable) before the Scheme can become Effective.</p> <p>In summary, as at the Last Practicable Date, the outstanding conditions precedent include:</p> <ul style="list-style-type: none"> • approval by the Court; • approval by the Crowe Horwath Shareholders by the Requisite Majorities; • no Prescribed Occurrences occurring; • no Material Adverse Event occurring; and • no regulatory restraints. <p>A list of conditions precedent to the Scheme is set out in Section 4.7(a).</p>	<p>Section 4.7(a) contains further information on the conditions precedent to the Scheme.</p>

Question	Answer	More Information
When will the Scheme Meeting be held?	The Scheme Meeting will be held at 10.00am on 15 December 2014 at the RACV City Club, Level 2, 501 Bourke Street, Melbourne, Victoria, Australia.	The Notice of Scheme Meeting contained in Annexure E sets out further information on the Scheme Meeting.
Am I entitled to vote at the Scheme Meeting?	If you are registered as a Crowe Horwath Shareholder on the Register at 10.00am on 13 December 2014, you will be entitled to attend and vote at the Scheme Meeting to be held on 15 December 2014.	The Notice of Scheme Meeting contained in Annexure E sets out further information on your entitlement to vote.
How can I vote at the Scheme Meeting?	<p>You can vote on the Resolution at the upcoming Scheme Meeting on 15 December 2014 in person, by attending the Scheme Meeting at 10.00am.</p> <p>Alternatively, you can vote by:</p> <ul style="list-style-type: none"> • appointing a proxy, attorney or authorised corporate representative to attend and vote at the Scheme Meeting on your behalf; or • lodging a valid Voting Form setting out your direct vote. <p>To be effective, an appointment of a proxy or a direct vote must be received by Crowe Horwath no later than 10.00am on 13 December 2014:</p> <ul style="list-style-type: none"> • by mailing the enclosed Voting Form to either: (i) Computershare Investor Services Pty Limited, GPO Box 242, Melbourne VIC 3001, Australia; or (ii) Crowe Horwath Australasia Ltd, GPO Box 1913, Melbourne VIC 3001, Australia; • by hand delivering the enclosed Voting Form to either: (i) Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford, VIC 3067 Australia; or (ii) Crowe Horwath Australasia Ltd, Level 17, 181 William Street, Melbourne, VIC 3000 Australia; • by faxing the enclosed Voting Form to the Crowe Horwath Share Registry on 1800 783 447 (within Australia) or + 61 3 9473 2555 (outside Australia), or to Crowe Horwath on + 61 3 9522 0899; or • electronically by visiting www.investorvote.com.au or www.intermediaryonline.com (for subscribers). <p>A proxy cannot be appointed electronically if appointed under a power of attorney or similar authority.</p>	The Notice of Scheme Meeting contained in Annexure E sets out further detail on how to vote at the Scheme Meeting.

Question	Answer	More Information
When will the results of the Scheme Meeting be known?	<p>The results of the Scheme Meeting to be held on 15 December 2014 are expected to be available shortly after the conclusion of the Scheme Meeting and will be announced to ASX (www.asx.com.au) once available.</p> <p>Even if the Scheme is agreed to by the requisite majorities, the Scheme is still subject to the approval of the Court.</p>	
What happens to my Crowe Horwath Shares if I do not vote, or if I vote against the Scheme?	<p>If you do not vote, or vote against the Scheme, and the Scheme becomes Effective, any Scheme Shares held by you on the Scheme Record Date (expected to be 30 December 2014) will be transferred to Findex and you will be sent the Scheme Consideration, notwithstanding that you may not have voted or voted against the Scheme.</p>	<p>Section 2 contains further information on the voting options of Crowe Horwath Shareholders.</p>
What happens if a Competing Proposal is received?	<p>If a Competing Proposal is received, your Directors will carefully consider the proposal.</p>	
Will I have to pay brokerage or stamp duty?	<p>No brokerage or stamp duty is payable on the transfer of your Crowe Horwath Shares under the Scheme.</p>	<p>See Section 4.8 for further information.</p>
Can I sell my Crowe Horwath Shares now?	<p>You can sell your Crowe Horwath Shares on market at any time before the close of trading on ASX on the Effective Date at the then prevailing market price which may vary from the Scheme Consideration (and taking into account any Special Dividend the Board may determine).</p> <p>Crowe Horwath intends to apply to ASX for Crowe Horwath Shares to be suspended from official quotation on ASX from close of trading on the Effective Date (expected to be 18 December 2014). You will not be able to sell your Crowe Horwath Shares on market after this time.</p>	<p>See Section 4.8 for further information.</p>
If the Scheme becomes Effective, how will my Crowe Horwath Shares be transferred?	<p>If the Scheme becomes Effective, Crowe Horwath will automatically have authority to transfer your Crowe Horwath Shares on your behalf, and the Scheme Consideration will then be paid to you. However, you should be aware that under the Scheme, you are deemed to have warranted that (in summary):</p> <ul style="list-style-type: none"> all your Scheme Shares which are transferred to Findex under the Scheme are fully paid and free from all encumbrances on the date of transfer; and you have full power and capacity to transfer your Scheme Shares to Findex. 	<p>See Annexure C for further information.</p>

Question	Answer	More Information
What are the taxation implications of the Scheme	<p>The taxation implications of the Scheme will depend on your personal facts and circumstances.</p> <p>Section 9 contains the Tax Letter which provides an overview of the Australian taxation consequences for Scheme Participants.</p> <p>You should seek professional taxation advice with respect to your individual tax situation.</p>	Please refer to Section 9.
When will the Scheme become Effective?	Subject to satisfaction or waiver (as applicable) of the conditions precedent, the Scheme will become Effective on the Effective Date (expected to be 18 December 2014) and will be implemented on the Implementation Date (expected to be 6 January 2015).	Section 4.11 contains further information on when the Scheme will become Effective.
Where can I get further information?	<p>For further information, you can call the Crowe Horwath Information Line on 1300 721 468 (within Australia) or +61 3 9415 4294 (for callers outside Australia) Monday to Friday between 9.00am to 5.00pm (AEDST).</p> <p>If you are in doubt about anything in this Scheme Booklet, please contact your financial, legal, taxation or other professional advisor.</p>	

4 Details of the transaction

4.1 The Scheme

On 6 October 2014, Crowe Horwath announced that it had entered into a Scheme Implementation Agreement with Findex under which it is proposed that Findex will acquire all of the Crowe Horwath Shares by way of a scheme of arrangement, subject to the approval of Crowe Horwath Shareholders and certain other conditions, including approval of the Court (detailed at Section 4.7 below).

4.2 What Crowe Horwath Shareholders will receive

If the Scheme proceeds, Crowe Horwath Shareholders will receive:

- \$0.50 for each Crowe Horwath Share held at 5.00pm on the Scheme Record Date; less
- the cash amount of any Special Dividend paid by Crowe Horwath in respect of Crowe Horwath Shares on the Dividend Payment Date.

If the Scheme is implemented, all of your Crowe Horwath Shares will be transferred to Findex under the Scheme, and Crowe Horwath will become a wholly owned subsidiary of Findex. Crowe Horwath will then be de-listed from ASX.

4.3 If the Scheme does not proceed

If the Scheme is not approved by the Requisite Majorities, Crowe Horwath Shareholders will continue to hold their Crowe Horwath Shares and will not receive the Scheme Consideration or any Special Dividend.

In the absence of any Competing Proposal, Crowe Horwath will continue to operate as a stand-alone listed entity. Crowe Horwath Shareholders will continue to participate in the benefits of, and be exposed to the risks associated with an investment in Crowe Horwath. Further details about Crowe Horwath are set out at Section 7 below.

4.4 Scheme Meeting

On 11 November 2014, the Court ordered that the Scheme Meeting be convened in accordance with the Notice of Meeting. The Scheme Meeting will be held at 10.00 am on 15 December 2014 at the RACV City Club, Level 2, 501 Bourke Street, Melbourne, Victoria, Australia.

Further details on how to vote are provided in Section 6 and in the Notice of Meeting included as Annexure E.

4.5 Payment of Scheme Consideration

Crowe Horwath Shareholders who hold Crowe Horwath Shares at the Scheme Record Date will be entitled to receive the Scheme Consideration in respect of those shares.

The Scheme Consideration will be paid/dispatched on the Implementation Date (currently scheduled to be 6 January 2015). Details of the process are provided at Section 4.11.

4.6 Special Dividend

Subject to the Scheme being approved by the Requisite Majorities, Crowe Horwath currently intends to determine a fully franked Special Dividend of between 4 cents and 5.7 cents per Crowe Horwath Share. Provided there are sufficient retained earnings at the Crowe Horwath parent entity level at the time the Special Dividend is determined, Crowe Horwath intends for the Special Dividend to be for the full amount of 5.7 cents per Crowe Horwath Share. However, the final amount of the Special Dividend (as between 4 cents and 5.7 cents per share) will depend on the Crowe Horwath parent entity's level of retained earnings.

Crowe Horwath intends to determine the above Special Dividend unless it considers that:

- the Australian Taxation Office is unlikely to grant a favourable Class Ruling (and, as at the Last Practicable Date, Crowe Horwath has no reason to believe that a favourable Class Ruling will not be granted); or
- Crowe Horwath's financier is unlikely to allow a drawdown under Crowe Horwath's debt facility for the purpose of funding the Special Dividend (and, as at the Last Practicable Date, Crowe Horwath expects that its financier will allow the drawdown).

If a Special Dividend is determined, it is expected that the Special Dividend will be determined on 15 December 2014 (after the Scheme Meeting), have a record date of 22 December 2014 and a payment date of 29 December 2014. If a Special Dividend is paid, the Scheme Consideration payable to Crowe Horwath Shareholders will be reduced by the amount of the Special Dividend.

A Crowe Horwath Shareholder will be entitled to receive the Special Dividend in respect of a Crowe Horwath Share if they are registered as a shareholder on the Dividend Record Date.

By way of example, if a Special Dividend of \$0.05 per share was determined and paid:

- a Crowe Horwath Shareholder who holds a Crowe Horwath Share at both the Dividend Record Date and the Scheme Record Date will receive a total of \$0.50 in respect of the share (\$0.05 as a Special Dividend, and \$0.45 as Scheme Consideration);
- a Crowe Horwath Shareholder who holds a Crowe Horwath Share at the Dividend Record Date, but not the Scheme Record Date will receive \$0.05 as a Special Dividend, but no Scheme Consideration; and
- a Crowe Horwath Shareholder who holds a Crowe Horwath Share at the Scheme Record Date, but not the Dividend Record Date will receive \$0.45 as Scheme Consideration but will not receive the Special Dividend.

Crowe Horwath will update the market if it determines to pay a Special Dividend. However, there is no guarantee that any Special Dividend will be paid or as to the amount of the dividend (except that the amount will not exceed 5.7 cents per share).

4.7 **Overview of Scheme Implementation Agreement**

Crowe Horwath and Findex entered into the Scheme Implementation Agreement on 3 October 2014. The Scheme Implementation Agreement sets out each party's rights and obligations in connection with the implementation of the Scheme. This Section 4.7 outlines certain key terms of the Scheme Implementation Agreement.

The full terms of the Scheme Implementation Agreement (excluding annexures) are contained in Annexure B.

(a) **Conditions precedent**

Implementation of the Scheme is subject to a number of conditions precedent.

Findex has received confirmation from the Foreign Investment Review Board, on an unconditional basis, that there are no objections to the Scheme in terms of Australia's foreign investment policy. Accordingly, the condition precedent in clause 3.1(a)(ii) of the Scheme Implementation Agreement has been satisfied.

The outstanding conditions precedent that must be satisfied or waived in order for the Scheme to proceed are:

- (i) **(Crowe Horwath Shareholder approval)** the Scheme is approved by Crowe Horwath Shareholders by the Requisite Majorities;

- (ii) **(Court approval)** the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;
- (iii) **(Independent Expert)** the Independent Expert does not change its conclusion that the Scheme is in the best interests of Crowe Horwath Shareholders or withdraw the Independent Expert's Report;
- (iv) **(ASIC and ASX approvals)** ASIC and the ASX have issued or provided (and not withdrawn, revoked or varied) such consents, waivers, relief, modifications and/or approvals or have done such other acts which are necessary or reasonably desirable to implement the Scheme;
- (v) **(Other governmental agency approvals)** all other approvals of a governmental agency (other than those in (iv) above) which are necessary or reasonably desirable to implement any material aspect of the Scheme are obtained and those approvals are given;
- (vi) **(No governmental agency challenge)** no governmental agency has commenced, or is threatening to commence, any action, lawsuit, or other legal proceeding seeking to obtain, pursuant to any law, a judgment, order, decree, temporary restraining order, preliminary or permanent injunction, restraint or prohibition, that would prohibit, materially restrict, make illegal or restrain the implementation of the Scheme, and no such judgment, order, decree, temporary restraining order, preliminary or permanent injunction, restraint or prohibition is in effect;
- (vii) **(No Material Adverse Events)** no Material Adverse Event occurs;
- (viii) **(No Prescribed Occurrences)** no Prescribed Occurrence occurs;
- (ix) **(Representations and warranties)** the representations or warranties of Crowe Horwath and Findex set out in the Scheme Implementation Agreement are true and correct in all material respects; and
- (x) **(No termination)** the Scheme Implementation Agreement has not been terminated in accordance with clause 13 of that agreement.

As at the Last Practicable Date, neither Crowe Horwath nor Findex is aware of any reason why any of these conditions precedent will not be satisfied by the required date and time.

Full details of the conditions precedent to the Scheme Implementation Agreement are set out in clause 3.1 of the Scheme Implementation Agreement (contained in Annexure B).

(b) **Recommendation of the Directors**

Pursuant to the Scheme Implementation Agreement, each Director has advised that he or she will not change, withdraw or modify their recommendation to vote in favour of the Scheme before the Scheme Meeting, in the absence of a Superior Proposal and subject to certain exceptions.

Further details are set out in clause 6 of the Scheme Implementation Agreement.

(c) **Exclusivity arrangements**

The Scheme Implementation Agreement contains exclusivity arrangements. A summary of these arrangements is set out below:

- (i) **(No existing discussions)** as at the date of the Scheme Implementation Agreement, Crowe Horwath represented and warranted to Findex that other

than the discussion with Findex in respect of the Scheme, it was not in negotiations or discussions in respect of any Competing Proposal.

- (ii) **(No shop)** during the Exclusivity Period, Crowe Horwath must ensure that neither it nor any of its Representatives directly or indirectly solicit, invite, encourage or initiate any enquiries, negotiations or discussion with a view to obtaining any expression of interest, offer or proposal from a third party in relation to a Competing Proposal.
- (iii) **(No talk)** During the Exclusivity Period, Crowe Horwath must ensure that neither it nor its Representatives:
 - (A) respond to any enquiries or proposals; or
 - (B) participate in negotiations or discussion,

with any third party in relation to a Competing Proposal (even if that person's Competing Proposal was not directly or indirectly solicited, invited, encouraged or initiated by Crowe Horwath or any of its Representatives, or the person has publicly announced the Competing Proposal) unless the Crowe Horwath Board determines, acting in good faith and having received written legal and financial advice from Crowe Horwath's legal and financial advisors, that such enquiry or proposal constitutes a Superior Proposal or could reasonably be expected to result in a Superior Proposal being made having regard to steps that Crowe Horwath proposes to take and other relevant circumstances, and that failing to respond to such Competing Proposal would reasonably likely constitute a breach of the Crowe Horwath Board's fiduciary or statutory duties.
- (iv) **(Notice of unsolicited approach)** During the Exclusivity Period, Crowe Horwath must promptly inform Findex if it:
 - (A) receives any approach with respect to any Competing Proposal, in which case Crowe Horwath must disclose to Findex the material conditions or terms of the Competing Proposal;
 - (B) receives any request for information relating to Crowe Horwath, its Related Bodies Corporate or their businesses, which Crowe Horwath has reasonable grounds to suspect may relate to a current or future Competing Proposal; and
 - (C) provides any information relating to Crowe Horwath, its Related Bodies Corporate or their businesses, in connection with or for the purposes of a current or future Competing Proposal.
- (v) **(Findex's right of last offer)** Crowe Horwath must:
 - (A) not enter into a binding implementation agreement which relates to a Competing Proposal (or any other agreement in relation to a Competing Proposal which provides for the payment of a break fee (or similar payment) to a third party); and
 - (B) ensure that each member of the Crowe Horwath Board does not change its recommendation or voting intention in relation to the Scheme as a consequence of receiving a Competing Proposal,

unless:

 - (C) Crowe Horwath has complied with its obligations under clause 10.5 (the clause regarding exclusivity arrangements) of the Scheme Implementation Agreement;

- (D) Crowe Horwath has determined that the Competing Proposal would be a Superior Proposal and has notified Findex of this determination; and
- (E) Crowe Horwath has provided Findex with 3 clear Business Days to submit a written proposal to revise the Scheme. If Findex submits a written proposal to revise the Scheme in this period, Crowe Horwath must ensure that the Crowe Horwath Board considers in good faith, and receives advice from Crowe Horwath's external legal and financial advisors in relation to, whether the proposed revisions would make the Scheme at least as favourable to Crowe Horwath Shareholders as the Competing Proposal. If it would, the parties must each use reasonable endeavours to, as soon as practicable, agree the necessary amendments to the Scheme Implementation Agreement, and take all other necessary steps, to give effect to the change to the Scheme subject to any Superior Proposal.
- (vi) **(No due diligence)** During the Exclusivity Period, Crowe Horwath and its Representatives must not provide any assistance to any third party to enable that third party to conduct due diligence on Crowe Horwath, unless Crowe Horwath receives a Competing Proposal even if that person's Competing Proposal was not directly or indirectly solicited, invited, encouraged or initiated by Crowe Horwath, its Representatives, or the person has publicly announced the Competing Proposal, the Crowe Horwath Board determines, acting in good faith and having received written legal and financial advice from Crowe Horwath's legal and financial advisors, and that failing to respond to such Competing Proposal would reasonably likely constitute a breach of the Crowe Horwath Board's fiduciary or statutory duties.

Full details of the exclusivity arrangements are set out in clause 10 of the Scheme Implementation Agreement (contained in Annexure B).

(d) **Termination**

Either Crowe Horwath or Findex may terminate the Scheme Implementation Agreement by giving notice in writing to the other party, in any of the following circumstances:

- (i) if a condition precedent set out in clause 3.1 of the Scheme Implementation Agreement solely or jointly for the terminating party's benefit will not be waived and cannot be satisfied by the time required;
- (ii) if the non-terminating party is in material breach of the Scheme Implementation Agreement (including a material breach of a representation or warranty given by that party as described in (f) below), provided that: (i) the terminating party has given notice to the non-terminating party setting out the relevant circumstances and stating an intention to terminate the Scheme Implementation Agreement; and (ii) the relevant circumstances have continued to exist for 10 Business Days (or any shorter period ending at 5.00pm on the last Business Day before the Second Court Date);
- (iii) if such termination is mutually agreed upon by the other party;
- (iv) if the Crowe Horwath Board adversely changes, withdraws or modifies its recommendation of the Scheme or withdraws its statement that it considers the Scheme to be in the best interests of Crowe Horwath Shareholders or its recommendation that Crowe Horwath Shareholders approve the Scheme, or if the Crowe Horwath Board publicly recommends, promotes or otherwise endorses a Superior Proposal; or
- (v) if the Scheme has not become Effective by the End Date (see Section 4.7(g)).

Full details are set out in clause 13 of the Scheme Implementation Agreement (contained at Annexure B).

(e) **Break fees**

If the Scheme is not implemented, Crowe Horwath may be required to pay Findex a break fee of \$1.3 million in the following circumstances:

- (i) Crowe Horwath is in material breach of the Scheme Implementation Agreement and Findex validly terminates the agreement;
- (ii) any member of the Crowe Horwath Board adversely changes, withdraws or modifies his or her recommendation of the Scheme and Findex validly terminates the Scheme Implementation Agreement (except where the Independent Expert changes its conclusion that the Scheme is in the best interests of Crowe Horwath Shareholders other than because of the existence of a Superior Proposal);
- (iii) any member of the Crowe Horwath Board recommends, promotes or otherwise endorses to Crowe Horwath Shareholders a Competing Proposal and Findex validly terminates the Scheme Implementation Agreement (except where the Independent Expert changes its conclusion that the Scheme is in the best interests of Crowe Horwath Shareholders other than because of the existence of a Superior Proposal); or
- (iv) Findex validly terminates the Scheme Implementation Agreement as a consequence of the “no Prescribed Occurrence” Condition Precedent not being satisfied or waived, (except where the Independent Expert changes its conclusion that the Scheme is in the best interests of Crowe Horwath Shareholders other than because of the existence of a Superior Proposal).

If the Scheme is not implemented, Findex may be required to pay Crowe Horwath a break fee of \$1.3 million if it is in material breach of the Scheme Implementation Agreement and Crowe Horwath validly terminates the agreement.

Full details are set out in clause 12 of the Scheme Implementation Agreement (contained at Annexure B).

(f) **Representations and warranties**

Each of Crowe Horwath and Findex has given representations and warranties to each other. Full details of these representations and warranties are set out in clause 8 of the Scheme Implementation Agreement (contained in Annexure B)

In addition, under clause 6.5 of the Scheme of Arrangement (contained in Annexure C), each Scheme Participant is deemed to have warranted to Findex that all of its Crowe Horwath Shares will, at the time of the transfer to Findex pursuant to the Scheme, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their Crowe Horwath Shares to Findex. Full details of the representations and warranties under the Scheme of Arrangement are contained in Annexure C.

(g) **End Date**

Crowe Horwath and Findex have committed to implement the Scheme by the End Date, being the date that is 6 months after the date of the Scheme Implementation Agreement. The End Date may be extended where Findex and Crowe Horwath agree in writing.

4.8 **No brokerage or stamp duty**

No brokerage or stamp duty will be payable by you on the Scheme Consideration you receive under the Scheme.

4.9 **Australian tax implications**

The transfer of your Crowe Horwath Shares to Findex under the Scheme will have tax consequences. You should seek your own professional advice regarding the individual tax consequences applicable to you. A general summary of the tax implications for Australian residents is set out in Section 9.

4.10 **Deed Poll**

On 6 November 2014, Findex executed the Deed Poll under which it agreed, subject to the Scheme becoming Effective, that it would deposit the Scheme Consideration multiplied by the number of Scheme Shares into an interest bearing account at least 1 Business Day before the Implementation Date in accordance with the terms of the Scheme. Further details in relation to the payment of the Scheme Consideration are set out in Section 4.5. A copy of the Deed Poll is set out in Annexure D.

4.11 **Implementation of the Scheme**

If the Scheme is approved by the Requisite Majorities and all other conditions precedent set out at clause 3.1 of the Scheme Implementation Agreement are satisfied or waived, the steps below will be taken (pursuant to the Scheme and the Deed Poll) to implement the Scheme.

(a) **Court approval of the Scheme**

Crowe Horwath will apply to the Court for orders approving the Scheme at the Second Court Hearing. The Court has broad discretion whether or not to approve the Scheme under section 411(4)(b) of the Corporations Act.

The Second Court Hearing is expected to be on 18 December 2014. Any change to this date will be announced to ASX. Further details regarding the Second Court Hearing will be advertised in The Australian newspaper.

Any Crowe Horwath Shareholder, or with the Court's permission, any other interested person may appear at the Second Court Hearing in person or through counsel to support or oppose the approval by the Court of the Scheme or make representations to the Court in relation to the Scheme.

(b) **Lodgement of Court orders**

If the Court makes orders approving the Scheme, Crowe Horwath will lodge a copy with ASIC under section 411(10) of the Corporations Act. As soon as the copies of the Court orders approving the Scheme are lodged with ASIC, the Scheme will become Effective. This is required to occur as soon as practicable after the Court order is made (expected to be 18 December 2014).

If the Scheme becomes Effective, Crowe Horwath and Findex will be bound to implement the Scheme in accordance with the terms of the Scheme and the Deed Poll.

Pursuant to the Scheme, Crowe Horwath will:

- (i) apply for suspension of trading of Crowe Horwath Shares on the ASX with effect from close of trading on the Effective Date; and
- (ii) apply for termination of official quotation of the Crowe Horwath Shares on ASX and the removal of Crowe Horwath from the official list of ASX.

(c) **Payment of Scheme Consideration**

If the Scheme becomes Effective, Crowe Horwath will pay the Scheme Consideration to Scheme Participants as follows:

- (i) if notified by the Crowe Horwath Shareholder on or before the Scheme Record Date – by depositing into an Australian bank account with an ADI (as defined in the *Banking Act 1959* (Cth)) the Scheme Consideration payable to that Crowe Horwath Shareholder;
- (ii) if permitted under the terms of an agreement between the Scheme Participant and Crowe Horwath – by applying the Scheme Consideration payable to a Crowe Horwath Shareholder towards repayment of any loan amount owing to Crowe Horwath by that Crowe Horwath Shareholder; or
- (iii) in all other cases – by the dispatch of a cheque to the Crowe Horwath Shareholder by pre-paid post to that Crowe Horwath Shareholder's address (as recorded in the Register as at the Scheme Record Date) for the Scheme Consideration payable to that Crowe Horwath Shareholder, such cheque being drawn in the name of the Crowe Horwath Shareholder (or in the case of joint Crowe Horwath Shareholders, to the joint holder's name that appears first in the Register on the Scheme Record Date).

5 Key considerations relevant to your vote

5.1 Key reasons to vote in favour of the Resolution at the Scheme Meeting

The following is a discussion of the key reasons to vote in favour of the Scheme. This Section 5.1 should be read in conjunction with Section 5.2 which sets out the key reasons why you may consider voting against the Scheme, and Section 5.3 which sets out other considerations.

Your Directors consider the key reasons to vote in favour of the Scheme are as follows:

(a) **Your Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal**

In the absence of a Superior Proposal, your Directors:

- unanimously recommend that you vote in favour of the Scheme; and
- if they hold Crowe Horwath Shares, intend to vote their Crowe Horwath Shares in favour of the Scheme.

In coming to their conclusion, your Directors considered:

- that the historical price to earnings multiple implied by the Scheme Consideration compares favourably with the historical price to earnings multiples realised in change of control transactions for listed Australian companies in the business services and financial advisory sector since June 2011;
- the premium the Scheme Consideration represents to the closing price on 3 October 2014 of \$0.385, being the last full ASX trading day prior to the Announcement;
- the absence of any Superior Proposal; and
- the certainty of the Scheme Consideration relative to the risk inherent in any business in continuing to operate in pursuit of growth and higher returns.

(b) **The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Crowe Horwath Shareholders, in the absence of a Superior Proposal**

The Independent Expert has completed an independent assessment of the Scheme. The Independent Expert has assessed the full underlying value of Crowe Horwath to be in the range of \$118.5 to \$148.5 million which corresponds to 43 to 54 cents per share. The Scheme Consideration is within this range.

Accordingly, the Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Crowe Horwath Shareholders, in the absence of a Superior Proposal.

A copy of the Independent Expert's Report is included in Annexure A of this document. Your Directors recommend you read the Independent Expert's Report before attending and voting at the Scheme Meeting, or completing your personalised Voting Form if you are unable to attend the Scheme Meeting in person.

(c) **The Scheme Consideration represents a significant premium for your Crowe Horwath Shares**

Crowe Horwath Shareholders will receive \$0.50 in Scheme Consideration assuming no Special Dividend is paid.

This (taking into account the amount of any Special Dividend) is a significant premium representing:

- a 29.9% premium to the closing price of Crowe Horwath Shares of \$0.385 on 3 October 2014, being the last full ASX trading day before the Announcement;
- a 28.4% premium to the 1 month VWAP of Crowe Horwath Shares of \$0.389 to 3 October 2014;
- a 33.2% premium to the 2 month VWAP of Crowe Horwath Shares of \$0.375 to 3 October 2014;
- a 31.5% premium to the 3 month VWAP of Crowe Horwath Shares of \$0.380 to 3 October 2014;
- a 53.8% premium to the closing price of Crowe Horwath Shares of \$0.325 on 19 March 2014, being the last full ASX trading day before the Anchorage Announcement; and
- a historical price to earnings multiple of 24.8x FY14 Underlying NPAT of \$5.5 million.

(d) **The Scheme Consideration provides certainty of cash and the opportunity to realise value for your Crowe Horwath Shares that may not otherwise be possible**

The offer from Findex is a 100% cash offer. If implemented, the Scheme Consideration of \$0.50 per Crowe Horwath Share (less the amount of any Special Dividend) provides Crowe Horwath Shareholders with a high degree of certainty of value and timing and is an opportunity for Crowe Horwath Shareholders to realise value for their Crowe Horwath Shares held at the Scheme Record Date that may not otherwise be possible.

The Scheme Consideration is to be paid to Scheme Participants on the Implementation Date (expected to be 6 January 2015).

While your Directors continue to believe in Crowe Horwath's long-term, standalone strategic direction, the Scheme Consideration provides Crowe Horwath Shareholders with a significant premium and compares favourably with the historical price to earnings multiples realised in change of control transactions for listed Australian companies in the business services and financial advisory sector since June 2011.

While there may be potential future value upside beyond the Scheme Consideration of \$0.50 per Crowe Horwath Share (less the amount of any Special Dividend), it is reasonable to conclude that the achievement of that value is uncertain due to business and other risks that Crowe Horwath experiences in the ordinary course. An assessment of the risks associated with the Crowe Horwath business and the impact those risks could have on Crowe Horwath's growth prospects is set out in Section 7.8 and in the Independent Expert's Report at Annexure A.

In particular, Crowe Horwath's profitability has declined since FY08. This trend of declining profitability is detailed at Section 7.5(a). Following the appointment of a new Managing Director in November 2013, Crowe Horwath has focused on stabilising and strengthening the business and has introduced initiatives to address this decline in earnings.

However, despite these initiatives, the continuing profitability of the business is subject to continuing business uncertainties and risks beyond the control of Crowe Horwath and its management.

Further, continuing ownership uncertainty since SFG Australia Limited's approach announced on 26 October 2012 is likely to adversely affect the business.

The Scheme represents an opportunity for all Crowe Horwath Shareholders on the Scheme Record Date to realise value for their investment in Crowe Horwath Shares for cash, at a clearly identifiable time, and at a premium to the trading price on 3 October 2014, being the last full ASX trading day prior to the Announcement.

(e) **You may be entitled to taxation benefits as a result of the franking credits attached to any Special Dividend**

The Crowe Horwath Board may determine and pay a Special Dividend. To the extent that a Special Dividend is determined and paid, Crowe Horwath Shareholders may be entitled to receive (depending on their taxation position) taxation benefits as a result of the franking credits attaching to any Special Dividend.

If a Special Dividend is paid, the Scheme Consideration payable under the Scheme will be reduced by the cash amount of the Special Dividend. However, Crowe Horwath Shareholders who hold Crowe Horwath Shares both at the Dividend Record Date and the Scheme Record Date will receive the cash amount of \$0.50 per Crowe Horwath Share (which would consist of the consideration payable by Findex under the Scheme and the amount of the Special Dividend).

Subject to the Scheme being approved by the Requisite Majorities, Crowe Horwath currently intends to determine a fully franked Special Dividend of between 4 cents and 5.7 cents per Crowe Horwath Share. Provided there are sufficient retained earnings at the Crowe Horwath parent entity level at the time the Special Dividend is determined, Crowe Horwath intends for the Special Dividend to be for the full amount of 5.7 cents per Crowe Horwath Share. However, the final amount of the Special Dividend (as between 4 cents and 5.7 cents per share) will depend on the Crowe Horwath parent entity's level of retained earnings.

Crowe Horwath intends to determine the above Special Dividend unless it considers that:

- the Australian Taxation Office is unlikely to grant a favourable Class Ruling (and, as at the Last Practicable Date, Crowe Horwath has no reason to believe that a favourable Class Ruling will not be granted); or
- Crowe Horwath's financier is unlikely to allow a drawdown under Crowe Horwath's debt facility for the purpose of funding the Special Dividend (and, as at the Last Practicable Date, Crowe Horwath expects that its financier will allow the drawdown).

If a Special Dividend is determined, it is expected that the Special Dividend will be determined on 15 December 2014 (after the Scheme Meeting), have a record date of 22 December 2014 and a payment date of 29 December 2014. The Australian taxation implications of the Special Dividend for Crowe Horwath Shareholders are discussed in Section 9. However, Crowe Horwath Shareholders should obtain personal professional advice in relation to the taxation consequences of the Scheme and potential Special Dividend for their individual circumstances.

(f) **Since the Announcement, no Superior Proposal has emerged**

Since the Announcement on 6 October 2014, and as at the Last Practicable Date, no Superior Proposal has emerged and your Directors are not aware of any Superior Proposal that is likely to emerge.

(g) **If the Scheme is not approved and there is no Superior Proposal, the Crowe Horwath Share price will likely fall**

It is difficult to predict the effect on the Crowe Horwath Share price if the Scheme is not approved. However, your Directors consider that, if the Scheme is not approved and assuming all other things remain unchanged, the Crowe Horwath Share price will

likely fall, potentially to a level around where Crowe Horwath Shares traded in the time prior to the Anchorage Announcement which is significantly less than the Scheme Consideration of \$0.50 (less the amount of any Special Dividend).

In addition, the future trading price of Crowe Horwath Shares will continue to be subject to any market volatility versus the certain value of the cash payment of \$0.50 (less the amount of any Special Dividend), being the Scheme Consideration.

- (h) **If the Scheme does not proceed, and no Superior Proposal emerges, Crowe Horwath Shareholders will continue to be subject to the specific risks associated with Crowe Horwath's business and other general risks**

As noted in 5.1(d), if the Scheme does not proceed, the amount which Crowe Horwath Shareholders will be able to realise for their Crowe Horwath Shares in terms of price and future dividends will necessarily be uncertain and subject to risks including those outlined in Section 7.8.

- (i) **No brokerage or stamp duty is payable on transfer of your Crowe Horwath Shares under the Scheme**

You should not incur any brokerage or stamp duty on the transfer of your Crowe Horwath Shares to Findex pursuant to the Scheme.

5.2 Key reasons to vote against the Scheme

There may be reasons which may lead you to consider voting against the Scheme, including those set out below. This Section 5.2 should be read in conjunction with Section 5.1 which sets out the key reasons why you may consider voting in favour of the Scheme, and Section 5.3 which sets out other considerations.

- (a) **You may disagree with the recommendation of your Directors and the conclusion of the Independent Expert**

You may disagree with the recommendation of your Directors and the conclusion of the Independent Expert.

In particular, you may be of the opinion that the Scheme Consideration of \$0.50 per Crowe Horwath Share (less the amount of any Special Dividend) does not adequately reflect Crowe Horwath's value.

For details regarding Crowe Horwath's financial position you should refer to Section 7.5.

- (b) **You may consider that there is the potential for a Superior Proposal to be made in the foreseeable future**

You may consider that there is a possibility that a Superior Proposal could emerge in the foreseeable future, despite no Superior Proposal having emerged as at the Last Practicable Date and the fact that your Directors are also not presently aware of any Superior Proposal.

You should be aware that the Scheme Implementation Agreement restricts Crowe Horwath from:

- (i) soliciting, inviting, encouraging or initiating any inquiries, negotiations or discussions with a view to obtaining any expression of interest, offer or proposal in relation to a Competing Proposal;
- (ii) responding to enquiries or proposals or participating in negotiations or discussion with any third party relating to a Competing Proposal (unless, in summary, failing to respond to that Competing Proposal would reasonably likely constitute a breach of the Board's fiduciary or statutory duties); or

- (iii) providing assistance to enable a third party to conduct due diligence on Crowe Horwath (unless, in summary, failing to respond to that Competing Proposal would reasonably likely constitute a breach of the Board's fiduciary or statutory duties).

In addition, the Scheme Implementation Agreement requires Crowe Horwath to notify Findex of Competing Proposals and Crowe Horwath cannot enter into an implementation agreement in respect of a Competing Proposal unless it has given Findex the opportunity to submit a revised proposal that would make the Scheme at least as favourable to Crowe Horwath Shareholders as the Competing Proposal.

Please refer to Section 4.7(c) for further details on these restrictions.

(c) **You will not be able to participate in any potential upside that may result from being a Crowe Horwath Shareholder**

If the Scheme is implemented, you will no longer be a Crowe Horwath Shareholder. This will mean that you will not be able to participate in any potential upside that may result from being a Crowe Horwath Shareholder including ability to participate in Crowe Horwath's future financial performance or the future prospects of its ongoing business.

However, as with all investments in securities, there can be no guarantee as to Crowe Horwath's future performance, and some of the continuing business risks are detailed at Section 5.1(d).

If the Scheme is approved and implemented, Crowe Horwath will be removed from the official list of ASX. Following delisting, investors will no longer be able to acquire or trade Crowe Horwath Shares on ASX.

(d) **You will not be entitled to potential future dividend income from Crowe Horwath**

You may be concerned about the loss of potential future dividend income should the Scheme become Effective, although any future dividend payments are not certain and are subject to the performance and investment requirements of Crowe Horwath and the approval of your Directors.

The table below sets out the dividends paid by Crowe Horwath since 2010.

Financial Year	Dividend payment per Crowe Horwath Share	Australian franking percentage of dividend
2010	6.0 cents	100%
2011	7.0 cents	100%
2012	7.0 cents	100%
2013	5.0 cents	100%
2014	0.0 cents	N/A

(e) **You may wish to maintain your current investment profile, including exposure to the Australian business services and financial advisory sector, via Crowe Horwath Shares**

You may wish to maintain your investment in Crowe Horwath in order to have an investment in a publicly listed company with the specific characteristics of Crowe Horwath in terms of industry, operational profile, size and other aspects.

(f) **The tax consequences of the Scheme may not be suitable to your financial position**

If the Scheme is approved and implemented, it will potentially result in taxation consequences (including CGT) for Crowe Horwath Shareholders, which are not optimal for Crowe Horwath Shareholders depending on their individual circumstances.

Please refer to Section 9 which provides an overview of the Australian taxation consequences for Scheme Participants. You should also seek professional taxation advice in respect of your individual tax situation.

5.3 Other considerations

(a) **All or nothing proposal**

The Scheme is an all or nothing proposal to Crowe Horwath Shareholders. If all of the conditions and approvals for the Scheme are satisfied or waived (as applicable):

- (i) the Scheme will bind all persons registered as Crowe Horwath Shareholders as at the Scheme Record Date, including those who do not vote on the Scheme and those who vote against it; and
- (ii) Crowe Horwath will become wholly owned and controlled by Findex.

Conversely, if any of the conditions and approvals for the Scheme are not satisfied or waived (as applicable), Crowe Horwath Shareholders will retain all of their Crowe Horwath Shares and Crowe Horwath will remain listed on the ASX.

(b) **Crowe Horwath employee share plans**

(i) **Exempt Share Plan**

Crowe Horwath currently has in place an exempt employee share plan (**EESP**).

Under the EESP, the Crowe Horwath Board may make an offer to any eligible employee to acquire Crowe Horwath Shares up to a value of \$1,000 or any other number determined from time to time by the Crowe Horwath Board each calendar year.

If the Scheme becomes Effective, Crowe Horwath Shareholders under the EESP will be required to dispose of their Crowe Horwath Shares pursuant to the Scheme in the same manner as other Scheme Participants.

Where a Crowe Horwath Share is held under the EESP, the Scheme Consideration will be paid to the trustee who will in turn disburse such proceeds to the underlying Scheme Participant.

The EESP was suspended with effect from 3 October 2014 pursuant to the Scheme Implementation Agreement.

If you received Crowe Horwath Shares under the EESP, you should consider the tax consequences of the Scheme. Please refer to Section 9 for further detail on taxation implications of the Scheme.

(ii) **Shareholder Loans**

Where a Crowe Horwath Share was purchased via shareholder loan arrangements entered into prior to the date of the Scheme Implementation Agreement, the Scheme Consideration may be applied first towards repayment of any outstanding loan amounts before the surplus amount (if any) is disbursed to the Scheme Participant.

(iii) **Performance Share Plan**

Crowe Horwath currently has in place a performance share plan (**PSP**).

Under the PSP, the Crowe Horwath Board may invite eligible employees to participate and receive an allocation of performance rights which, subject to specific performance criteria, may vest as Crowe Horwath Shares. The performance rights issued to the managing director referred to in Section 10.10 were issued under the PSP.

If the Scheme becomes Effective, Crowe Horwath Shareholders under the PSP will be required to dispose of their Crowe Horwath Shares pursuant to the Scheme in the same manner as other Scheme Participants.

Where a Crowe Horwath Share is held under the PSP, the Scheme Consideration will be paid to the trustee who will in turn disburse such proceeds to the underlying Scheme Participant.

If you received Crowe Horwath Shares under the PSP, you should consider the tax consequences of the Scheme.

(c) **Conditions Precedent**

The Scheme is subject to a number of conditions precedent which are summarised at Section 4.7(a). If any of these conditions precedent are not satisfied or waived (as applicable) the Scheme will not proceed (even if it has been approved by Crowe Horwath Shareholders) and Crowe Horwath Shareholders will not receive the Scheme Consideration as contemplated by the Scheme.

(d) **Transaction costs**

Crowe Horwath has incurred significant costs in developing the proposed transaction (including in negotiations with Findex, retention of advisors, engagement of the Independent Expert and preparation of this Scheme Booklet).

If the Scheme is not approved and implemented and if a Superior Proposal does not emerge and become effective, Crowe Horwath will be required to bear transaction costs of approximately \$1,300,000 (pre-tax).

6 How to Vote

6.1 The Scheme Meeting

The Scheme Meeting of Crowe Horwath Shareholders will be held at 10.00am on Monday 15 December 2014, at the RACV City Club, Level 2, 501 Bourke Street, Melbourne, Victoria, Australia. Notice of the Scheme Meeting is set out in Annexure E.

6.2 Requisite Majorities

For the Scheme to be implemented, the Scheme must be approved at the Scheme Meeting by the Requisite Majorities, being:

- (a) a majority in number (more than 50%) of Crowe Horwath Shareholders present and voting at the Scheme Meeting (in person or by proxy, attorney or corporate representative) unless the Court otherwise orders; and
- (b) at least 75% of the total number of votes cast on the Resolution at the Scheme Meeting by Crowe Horwath Shareholders entitled to vote on the Resolution (in person or by proxy, attorney or corporate representative).

If the Scheme is approved at the Scheme Meeting by the Requisite Majorities and all of the conditions of the Scheme are satisfied or waived, an application will be made to the Court to approve the Scheme on the Second Court Date.

6.3 Exercise your vote

Crowe Horwath Shareholders may vote by attending the Scheme Meeting in person or by proxy or attorney, direct voting, or, in the case of a corporation which is a Crowe Horwath Shareholder, by corporate representative.

6.4 Voting in person

To vote in person at the Scheme Meeting, you must attend the Scheme Meeting. A Crowe Horwath Shareholder who wishes to attend and vote at the Scheme Meeting in person will be admitted to the Scheme Meeting and given a voting card upon disclosure of their name and address at the point of entry to the Scheme Meeting.

6.5 Direct voting

To lodge a direct vote, you can do so by completing, signing and returning the personalised Voting Form sent to you with this Scheme Booklet or lodging your vote electronically as follows:

- **By post to:**

Computershare Investor Services Pty Limited
GPO Box 242, Melbourne VIC 3001

or:

Crowe Horwath Australasia Limited
GPO Box 1913, Melbourne VIC 3001

- **By hand delivery** on Business Days between 9.00am and 5.00pm to:

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067

or:

Crowe Horwath Australasia Limited
Level 17, 181 William Street, Melbourne VIC 3000

- **By fax** to Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or + 61 3 9473 2555 (outside Australia), or to Crowe Horwath on + 61 3 9522 0899.
- **Online** by logging onto www.investorvote.com.au or www.intermediaryonline.com (for subscribers) and following the instructions provided.

Your Voting Form must be received (whether in person, by mail, facsimile or electronically) by no later than 10.00am on Saturday, 13 December 2014 (or if the Scheme Meeting is adjourned, at least 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting). Please note that you can only hand deliver Voting Forms on Business Days and that post must be received by the Crowe Horwath Share Registry or Crowe Horwath on Business Days. The return of a Voting Form will not preclude a Crowe Horwath Shareholder from attending in person and voting at the Scheme Meeting at which the Crowe Horwath Shareholder is entitled to attend and vote.

6.6 **Appointing a proxy to attend Scheme Meeting**

You may appoint a proxy to attend and vote at the Scheme Meeting on your behalf by completing, signing and lodging the personalised Voting Form sent to you with this Scheme Booklet. Options for lodging the Voting Form are set out in Section 6.5.

Crowe Horwath Shareholders who wish to appoint a proxy under a power of attorney must, if they have not already done so, provide Crowe Horwath or the Crowe Horwath Share Registry with an original or certified copy of the power of attorney by post, hand delivery or facsimile (as specified in Section 6.5) so that it is received by no later than 10.00am on Saturday 13 December 2014.

A proxy may be requested to provide evidence of their identity at the point of entry to the Scheme Meeting. Following identification, a proxy will be admitted to the Scheme Meeting and given a voting card.

6.7 **Voting by attorney**

You may appoint a duly authorised attorney to attend and vote on your behalf at the Scheme Meeting. An attorney need not be a Crowe Horwath Shareholder. An attorney will be required to provide written evidence of their appointment (the original power of attorney or a certified copy, unless you have already provided a certified copy to Crowe Horwath to the Crowe Horwath Share Registry), their name and the identity of their appointer at the point of entry to the Scheme Meeting. Following validation, your attorney will be admitted to the Scheme Meeting and given a voting card.

6.8 **Voting by corporate representative**

To vote at the Scheme Meeting (other than as set out in Sections 6.5, 6.6 and 6.7), a corporation that is a Crowe Horwath Shareholder must appoint a person to act as its representative. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the Scheme Meeting evidence of his or her appointment, including any authority under which it is signed, unless it has previously been given to Crowe Horwath or the Crowe Horwath Share Registry. An authorised corporate representative may be requested to provide evidence of their identity at the point of entry to the Scheme Meeting. Following identification, a corporate representative will be admitted to the Scheme Meeting and given a voting card.

6.9 **Voting entitlement**

Crowe Horwath Shareholders who are registered on the Register at 10.00am on Saturday, 13 December 2014 are entitled to attend and vote at the Scheme Meeting. Accordingly, registrable transmission applications or transfers registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting. In the case of Crowe Horwath Shares held by joint holders, only one of the joint shareholders is entitled to vote. If more than one Crowe Horwath Shareholder votes in respect of jointly held Crowe Horwath Shares, only

the vote of the Crowe Horwath Shareholder whose name appears first in the Register will be counted.

6.10 **Further information**

If you are in any doubt about anything in this Scheme Booklet, please contact your financial, legal, taxation or other professional advisor. If you have any questions or require further information, you can call the Crowe Horwath Information Line on 1300 721 468 (within Australia) or +61 3 9415 4294 (from overseas) on Business Days between 9.00am and 5.00pm (AEDST).

7 Information about Crowe Horwath

7.1 Background

Crowe Horwath is a major listed Australasian financial services company, developed through strategic acquisitions and organic growth since 1997.

It is the fifth largest accounting business in Australasia based on annualised fee income and a significant non-affiliated provider of financial planning advice in Australia in terms of funds under advice.

Crowe Horwath is a member of Crowe Horwath International, a global accounting network with more than 150 independent accounting and advisory service member firms in over 100 countries around the world. Each member firm of Crowe Horwath International is a separate and independent legal entity.

The Proposal does not affect any Crowe Horwath International member firm other than Crowe Horwath. Findex will not acquire any interest in Crowe Horwath International or any other Crowe Horwath International member firm via the implementation of the Scheme.

7.2 Overview of operations

Crowe Horwath delivers its services through the following core businesses:

- Advisory (accounting, business advisory, corporate finance, forensic accounting, business recovery, performance consulting and mergers and acquisitions);
- Audit (audit and assurance, corporate governance and internal audit and risk consulting);
- Financial advice (estate and succession planning, financial advisory and wealth management, lending and finance, risk and general insurance and superannuation and SMSF); and
- Tax (specialist tax advice, business structuring, GST, state and indirect taxation, international tax and expats, research and development and customs and excise).

Details of the risks associated with Crowe Horwath's operations (and an investment in Crowe Horwath) are provided at Section 7.8.

7.3 Information on the Directors and Company Secretary

The Directors and Company Secretary as at the Last Practicable Date are:

- Richard Grellman AM – Non-Executive Chairman;
- Peter Warne – Non-Executive Deputy Chairman;
- Raymond Smith – Non-Executive Director;
- Nancy Milne OAM – Non-Executive Director;
- Peeyush Gupta – Non-Executive Director;
- Trevor Loewensohn – Non-Executive Director;
- Christopher Price – Managing Director; and
- Bruce Paterson – Company Secretary.

7.4 Senior management

As at the Last Practicable Date, the senior management team includes:

- Tim Rogers – Group Chief Financial Officer;
- Craig Lake – Chief Risk Officer;
- Urania Ftiakas – Group General Manager, Human Resources;
- Greg Emsley – Group Chief Information Officer;

- Chris Shay – Chief Operating Officer, Australia; and
- Philip Mulvey – Chief Operating Officer, New Zealand.

7.5 Crowe Horwath historical financial information and outlook

On 18 September 2014, Crowe Horwath lodged its 2014 Annual Report with ASX containing detailed information about Crowe Horwath's assets, structure, business and operations as well as the audited consolidated financial statements for Crowe Horwath for the year ended 30 June 2014.

The summary financial information below has been extracted from the Annual Report of the Crowe Horwath Group for the financial year ended 30 June 2014 and is intended to provide a high level overview of the Crowe Horwath Group's historical financial position and outlook.

The Annual Report for the year ended 30 June 2014 was provided to ASX on 18 September 2014 and copies are available on Crowe Horwath's website: www.crowehorwath.com.au.

(a) Trends in historical performance

The following diagram summarises the trend of Crowe Horwath's declining profitability.

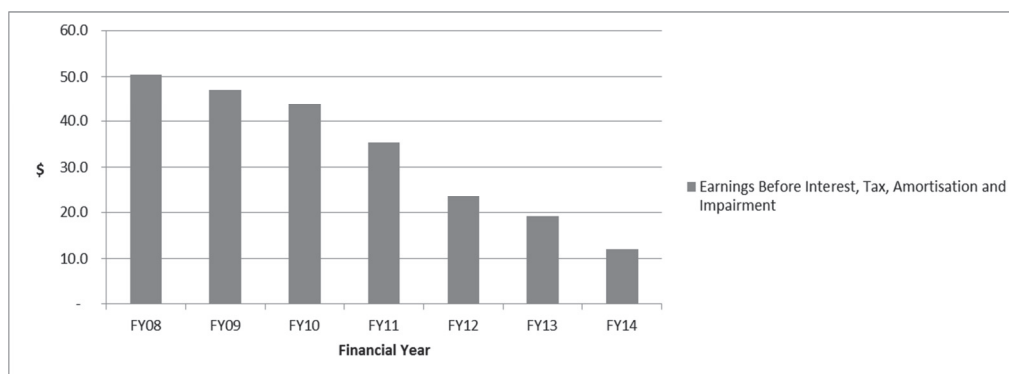


Diagram 1: Declining Profitability (\$ million)

As detailed at Section 7.5(f), Crowe Horwath continues to negotiate its way through a difficult period and the continuing profitability of the business is subject to continuing business uncertainties and risks beyond the control of Crowe Horwath and its management and influenced by weak market conditions.

These continuing business concerns are also described in detail in the Independent Expert's Report at Annexure A, and in the business risks section at Section 7.8.

(b) Consolidated statement of financial performance at 30 June

	2014 \$'000	2013 \$'000	2012 \$'000
Revenue	394,015	405,900	413,714
Other income	2,245	93	1,283
Employee benefits	(285,151)	(295,170)	(286,140)
Depreciation and amortisation	(8,954)	(8,395)	(11,285)
Finance costs	(4,655)	(4,744)	(4,989)
Marketing and practice development	(10,498)	(9,329)	(12,227)
Training and staff development	(10,799)	(9,598)	(13,413)
Occupancy	(33,096)	(30,623)	(30,545)
Information technology and communications	(24,458)	(21,106)	(18,249)
Other expenses	(14,567)	(15,251)	(22,091)

	2014 \$'000	2013 \$'000	2012 \$'000
Share of net profit from joint venture accounted for using the equity method	448	—	—
Impairment of goodwill	(90,753)	—	—
(Loss)/ Profit before income tax	(86,223)	11,777	16,058
Income tax expense	(1,988)	(4,767)	(5,860)
(Loss)/ Profit for the year	(88,211)	7,010	10,198

(c) **Consolidated statement of financial position at 30 June**

	2014 \$'000	2013 \$'000	2012 \$'000
CURRENT ASSETS			
Cash and cash equivalents	9,748	11,771	15,614
Trade and other receivables	82,194	83,993	82,504
Work in progress	22,125	21,483	21,999
Other assets	4,843	4,354	2,748
Current tax assets	353	1,172	472
Total Current Assets	119,263	122,773	123,337
NON-CURRENT ASSETS			
Trade and other receivables	2,101	2,284	2,347
Plant and equipment	21,939	21,087	22,933
Intangible assets	153,142	249,989	246,714
Investments accounted for using the equity method	4,854	—	—
Other financial assets	176	388	464
Deferred tax assets	7,364	7,266	10,578
Total Non-Current Assets	189,576	281,014	283,036
TOTAL ASSETS	308,839	403,787	406,373
CURRENT LIABILITIES			
Trade and other payables	35,742	35,656	39,432
Interest bearing liabilities – secured	5,596	6,731	4,957
Other financial liabilities	173	67	302
Provisions	29,332	28,466	31,745
Total Current Liabilities	70,843	70,920	76,436
NON-CURRENT LIABILITIES			
Trade and other payables	5,843	5,248	2,969
Interest bearing liabilities – secured	50,442	57,672	51,510
Other financial liabilities	45	328	492
Provisions	4,583	4,912	5,081
Deferred tax liabilities	—	26	111
Total Non-Current Liabilities	60,913	68,186	60,163
TOTAL LIABILITIES	131,756	139,106	136,599
NET ASSETS	177,083	264,681	269,774

	2014 \$'000	2013 \$'000	2012 \$'000
EQUITY			
Contributed equity	228,314	226,422	223,475
Reserves	1,700	(2,414)	(5,928)
(Accumulated losses)/ retained profits	(52,931)	40,673	52,227
TOTAL EQUITY	177,083	264,681	269,774
Net assets backing per share	64.9 cents	98.2 cents	101.7 cents
Net tangible asset backing per share	8.8 cents	5.4 cents	8.7 cents

(d) **Consolidated statement of cash flows at 30 June**

	2014 \$'000	2013 \$'000	2012 \$'000
Cash flows from operating activities			
Cash receipts in the course of operations	436,585	446,136	451,582
Cash payments in the course of operations	(415,971)	(428,567)	(419,663)
Finance costs	(4,278)	(4,170)	(4,467)
Interest received	273	328	552
Income tax paid	(2,244)	(3,012)	(7,255)
Net cash flows from operating activities	14,365	10,715	20,749
Cash flows from investing activities			
Payments for business assets acquired	(1,267)	(3,110)	(6,135)
Proceeds from sale of other business assets (net of cash divested)	3,018	111	193
Payment for available for sale investment	-	-	(3)
Payments for software	(370)	(680)	(414)
Payments for plant and equipment	(4,030)	(2,340)	(3,037)
Proceeds from sale of plant and equipment	200	1,300	528
Net cash flows used in investing activities	(2,449)	(4,719)	(8,868)
Cash flows from financing activities			
Payment for re-financing costs and share issue costs	(16)	-	(37)
Employee share loans repaid	210	54	258
Proceeds from borrowings	48,941	45,500	43,781
Repayments of borrowings	(57,015)	(36,324)	(23,129)
Repayment of unsecured convertible notes	-	-	(15,000)
Lease and hire purchase payments	(2,696)	(3,799)	(4,360)
Dividends paid	(3,476)	(15,569)	(18,478)
Net cash flows used in financing activities	(14,052)	(10,138)	(16,965)
Net decrease in cash and cash equivalents held	(2,136)	(4,142)	(5,084)
Cash and cash equivalents at the beginning of the year	11,771	15,614	20,636
Net foreign exchange differences	113	299	62
Cash and cash equivalents at the end of the year	9,748	11,771	15,614

(e) Material changes since 30 June 2014

Other than in relation to a legal settlement payment by Crowe Horwath of NZ\$6.25 million, the cost of which will be taken up in the FY15 first half financial statements (as announced to ASX on 17 September 2014), within the knowledge of the Crowe Horwath Board, there have not been any material changes to the financial position of the Crowe Horwath Group since 30 June 2014.

(f) Outlook

As announced at the time of release of its annual results for the year ended 30 June 2014, the Crowe Horwath Group faced and continues to face both external and internal challenges which have had an adverse impact on the Crowe Horwath Group's results. The impact of slightly higher principal turnover in recent years has affected earnings. Overall cost savings have helped to offset inflationary pressure, however, they were not enough to offset revenue decline.

The business is subject to the current volatility in global and local markets. In particular, business confidence in Crowe Horwath's target small to medium size enterprise and high net worth sectors remain uncertain.

For the 3 months between 30 June 2014 to 30 September 2014, revenue was less than 1% down on the first quarter of the FY14 year (adjusting for exchange rate variances and the 50% sale of part of the Melbourne Financial Services business).

The continuing ownership uncertainty since SFG Australia Limited's approach announced on 26 October 2012 has also impacted on the business.

If the Scheme does not proceed, Crowe Horwath will continue to implement its initiatives seeking to improve margins in both business and financial services divisions and a continued emphasis on better leveraging the network to generate efficiencies in business services.

Further, although Crowe Horwath may have growth prospects as an independent ASX-listed company, its current strategy would take time to implement and would involve a number of risks. If the Scheme does not proceed, Crowe Horwath Shareholders will continue to be subject to risks related to this strategy, as well as other business risks set out in Section 7.8.

7.6 Capital structure and ownership

As at the Last Practicable Date, Crowe Horwath had:

- 273,005,429 Crowe Horwath Shares on issue; and
- 1,000,000 Performance Rights on issue.

Findex's offer to acquire all Crowe Horwath Shares at the Scheme Consideration of \$0.50 per Crowe Horwath Share (less the amount of any Special Dividend) will extend to all Performance Rights which are converted into Crowe Horwath Shares by the Scheme Record Date.

As at the Last Practicable Date, the substantial Crowe Horwath Shareholders (as disclosed to ASX or as separately advised by the Crowe Horwath Shareholder) and their Relevant Interests in Crowe Horwath were:

Crowe Horwath Shareholder	Number of Crowe Horwath Shares	% of Crowe Horwath Shares
Alceon	54,237,342	19.87%
Findex*	54,237,342	19.87%

Morgan Stanley and its subsidiaries*	13,659,066	5.00%
Mitsubishi UFJ Financial Group Inc*	13,659,066	5.00%

* Findex is a substantial shareholder in Crowe Horwath via the Call Option Deed (which relates to the 54,237,342 Crowe Horwath Shares held by Alceon) and will only be entitled to voting rights if it exercises its option to purchase these shares under the Call Option Deed. The relevant Morgan Stanley subsidiaries are listed in Annexure A of the Form 603 lodged with ASX on 5 November 2015. Mitsubishi UFJ Financial Group Inc has a relevant interest in the Crowe Horwath Shares held by Morgan Stanley and its subsidiaries as it has voting power of over 20% in Morgan Stanley Inc.

7.7 **Litigation**

As at the Last Practicable Date, Crowe Horwath is not a party to any material litigation.

7.8 **Business risks**

The risks in this Section 7.8 are a summary of the key existing risks relating to Crowe Horwath's business and the industry in which it operates, and are relevant in the context of the assessment of the value of Crowe Horwath Shares. These risks will only continue to be relevant to Crowe Horwath Shareholders if the Scheme does not proceed and Crowe Horwath Shareholders retain their current investment in Crowe Horwath, and may be relevant to the decision by Crowe Horwath Shareholders whether or not to vote in favour of the Scheme. If the Scheme proceeds and Crowe Horwath Shareholders receive the Scheme Consideration in exchange for their Crowe Horwath Shares, they will no longer be exposed to these risks, as they will cease to be Crowe Horwath Shareholders.

Additional risks and uncertainties not currently known to Crowe Horwath may have a material adverse effect on Crowe Horwath's business and the information set out below does not purport to be, nor should it be construed as representing an exhaustive list of the risks that may affect Crowe Horwath.

In deciding whether to vote in favour of the Scheme, you should carefully consider the following risk factors. These risk factors do not take into account the individual investment objectives, financial situation, position or particular needs of Crowe Horwath Shareholders.

(a) **General economic risks**

Crowe Horwath's financial performance and position can be affected by changes to the general economic outlook both in Australia, New Zealand and internationally, which could include, and may not be limited to, any or all of the following:

- fluctuations in the international and domestic economic conditions (including fluctuations in business cycles, interest rates, exchange rates and the level of inflation) which may affect Crowe Horwath business directly or indirectly;
- increases in expenses (including wage inflation);
- changes in commodity prices;
- changes in consumer and business sentiment and market volatility; and
- disruption to business operations, natural disasters and catastrophic events.

(b) **General regulatory risks**

Crowe Horwath's financial performance and position can be affected by regulatory changes in a number of ways, which could include, and may not be limited to, any or all of the following:

- changes in law, government policy and the regulatory environment including the risks referred to in Section 7.8(c)(vii) below; and
- changes to accounting standards which affect the financial performance and position reported in Crowe Horwath financial statements.

(c) **Specific risks relating to Crowe Horwath**

Crowe Horwath is exposed to a number of specific risks that could adversely affect its assets and liabilities, financial position, profits, prospects and share price, which will continue to be relevant to Crowe Horwath Shareholders if the Scheme is not implemented. These include, and may not be limited to, the following specific risks relating to Crowe Horwath:

- (i) **(Demand for financial products and services)** Changes in investment markets, investor sentiment and economic conditions can affect demand for financial products and services. For example, adverse market conditions can discourage investments in products linked to equity markets. The provision of services by Crowe Horwath to its clients can be affected by these factors, and have an impact on the financial performance and position of Crowe Horwath.
- (ii) **(Competitors and consolidation in the industry)** There has been significant consolidation in the accounting and financial services industry in recent years and has provided an opportunity for leveraging off synergies. There is a risk that earnings of Crowe Horwath could be adversely impacted by the need to compete in the marketplace and through the loss or attrition of principals / business from Crowe Horwath.
- (iii) **(Finance)** No assurance can be given that debt facilities will be available on commercially acceptable terms in the future. If adequate funds are not available on acceptable terms in the future, Crowe Horwath may not be able to take advantage of opportunities or otherwise respond to competitive pressures. In particular, Crowe Horwath's reducing earnings over past years and the recent goodwill impairment have significantly eroded covenant headroom under its primary bank facility.
- (iv) **(Brand)** The reputation of the Crowe Horwath brand impacts upon the ability of Crowe Horwath to retain and attract clients and staff, secure lines of credit, and gain access to capital. Any damage to the reputation of the Crowe Horwath brand, including reputational damage as a result of any compliance issues (see Section 7.8(c)(vi)) may adversely impact the performance of Crowe Horwath's business.
- (v) **(Dependence upon key staff)** Crowe Horwath (like other participants in business services and financial advisory sector) depends on the talent and experience of its key staff in each of its offices. It is essential that appropriately skilled persons, in sufficient numbers, be available to support the Crowe Horwath business. The loss of any number of key staff may adversely impact the performance of Crowe Horwath's operations.
- (vi) **(Compliance issues)** The financial services industry in which Crowe Horwath operates is subject to extensive legislative and regulatory requirements and to supervision by state and federal regulatory organisations. Due to increased compliance requirements, the cost of compliance has been increasing. If Crowe Horwath does not comply with relevant laws and regulations, there is a risk that members of the Crowe Horwath Group may be subject to

investigations, remediation and enforcement action by regulators, suffer penalties such as fines, obligations to pay compensation or the cancellation or suspension of authorities or licences issued to them under which their respective businesses are conducted.

- (vii) **(Government policy and regulation)** Changes in legislation, government policy or regulation could also adversely impact the performance of the business of Crowe Horwath. In addition, if the amount and complexity of applicable legislation, policy or regulation increases, so too may the cost of compliance and the risk of non-compliance by Crowe Horwath.
- (viii) **(Operational risks)** Financial services businesses are exposed to a variety of generalised risks arising from process error, fraud, systems failure, security and physical protection, customer service, staff skills and performance, the degree to which authorised representatives comply with the detailed requirements of financial services laws and product development and maintenance. A failure to adequately manage these risks may adversely impact the performance of the business of Crowe Horwath.
- (ix) **(Litigation)** Crowe Horwath may be exposed to potential claims or litigation from third parties such as its clients, employees, regulators, and suppliers. To the extent that these risks are not covered by Crowe Horwath's insurance policies (including professional indemnity insurance policies, the costs of which have been increasing), litigation and the costs of responding to any threats of legal action or investigation may have an adverse impact on the financial performance of Crowe Horwath.

7.9 Recent Crowe Horwath Share price performance

The following chart shows the closing price of Crowe Horwath Shares on ASX over the past 12 months:



Diagram 2: Share price performance in last 12 months

The table and Diagram 3 below summarise the trading prices of Crowe Horwath Shares on ASX for various periods up to and following the Announcement.

Period	Closing Price	Implied premium of Scheme Consideration in comparison
3 October 2014 (being the last full ASX trading day before the Announcement)	\$0.385	29.9%
1 month VWAP of Crowe Horwath Shares to 3 October 2014	\$0.389	28.4%

2 month VWAP of Crowe Horwath Shares to 3 October 2014	\$0.375	33.2%
3 month VWAP of Crowe Horwath Shares to 3 October 2014	\$0.380	31.5%
19 March 2014 (being the last full ASX trading day before the Anchorage Announcement)	\$0.325	53.8%

The information in the above table is summarised as a chart below.

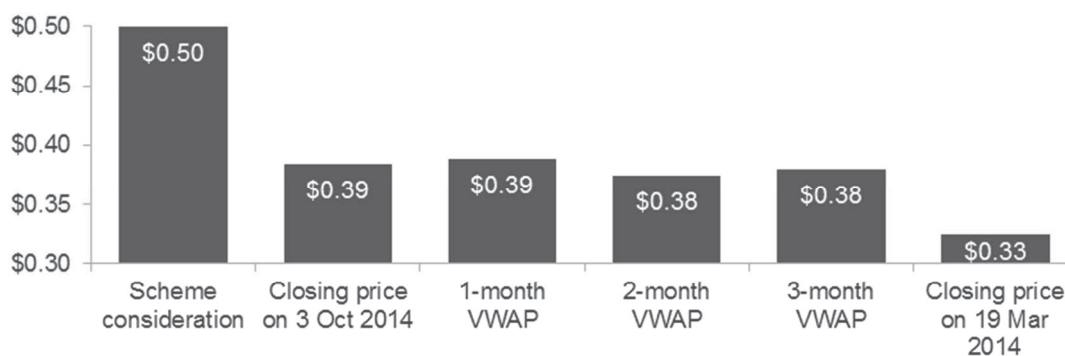


Diagram 3: Share price performance following Anchorage Announcement

7.10 Documents available for inspection

Crowe Horwath is a "disclosing entity" for the purposes of the Corporations Act and is therefore subject to regular reporting and disclosure obligations.

Crowe Horwath has an obligation under the ASX Listing Rules to notify ASX immediately of any information concerning it of which it becomes aware that a reasonable person would expect to have a material effect on the price or value of Crowe Horwath Shares (subject to certain exceptions). Crowe Horwath's recent announcements are available on ASX's website (www.asx.com.au) and on Crowe Horwath's website (www.crowehorwath.com.au). Further announcements will continue to be made available on these websites after the date of this Scheme Booklet.

In addition, Crowe Horwath is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Crowe Horwath may be obtained from an ASIC office.

8 Information about Findex

8.1 General

In 1987, Spiro Paule and Terry Paule co-founded a financial services business that continues as part of the Findex Group. The Findex Group today comprises Australia's largest non-aligned and privately owned financial advisory business with around \$8 billion under portfolio management.

Findex, the parent entity of the Findex Group, was incorporated on 22 November 2007 and is based in Melbourne.

8.2 Overview of the Findex Group's business

Findex Group provides retail financial planning, accounting and wealth management services across the spectrum of the financial advice industry, including to high net worth, middle range, public sector and online clients.

The Findex Group provides advisory services under the following four brands.

(a) Financial Index Wealth Accountants

Financial Index Wealth Accountants provides financial planning, accounting and wealth management services. Financial Index Wealth Accountants was founded in 2000 and has acquired around 45 businesses that now service around 20,000 clients.

(b) Centric Wealth

Centric Wealth is a leading high-end wealth advisory firm with a network of 52 advisors across financial planning, risk insurance, corporate benefit services, lending services, general insurance and family office services.

(c) Civic Financial Planning

Civic Financial Planning specialises in providing advice to retiring Commonwealth employees on their retirement options and life after the public service. Civic Financial Planning has a strong presence in the Canberra area with particular expertise in retirement, redundancy, and Commonwealth and ACT Government employee benefits.

(d) MOVO

MOVO is an online financial services provider that offers financial advice and financial products including investments, superannuation, cash management, income protection and life and trauma insurance through an online platform.

Further information about the Findex Group can be found on the website, www.findex.com.au.

8.3 Ownership of Findex

Collectively, Findex's directors and members of its management hold, on a fully diluted basis, approximately 56% of the issued shares and voting power of Findex.

Funds (**KKRCA Funds**) managed by KKR Credit Advisors (US) LLC (**KKRCA**) hold warrants that, on a fully diluted basis, amount to approximately 34% of the issued shares and voting power of Findex. KKRCA is a limited liability company formed in Delaware, United States of America and is the parent investment manager of the credit and public markets investment business of Kohlberg Kravis Roberts & Co. L.P. (**KKR**).

The remaining Findex shareholders are connected to existing Findex management or are private investors.

As detailed in Section 8.6(c), affiliates of KKRCA will assist with the funding of the Proposal. As a result of this funding, the KKRCA Funds will increase their interest in Findex to approximately 42%.

8.4 **Findex directors and management**

The board of directors of Findex is currently comprised of the following members:

- Terry Paule – Chairman;
- Spiro Paule – Executive director and Group Chief Executive Officer;
- Tony Roussos – Executive director and Chief Operations Officer;
- Michael Wilkins – Executive director and Chief Adviser Services;
- Philip Hart – director;
- Niraj Javeri – director; and
- Marshall Allen – director.

The management team of Findex is currently comprised of the following members in addition to the three Executive Directors noted above:

- Matthew Games – Chief Financial Officer; and
- Nick Mylonas – Chief Information Officer.

8.5 **Rationale for Findex Group's proposed acquisition of Crowe Horwath**

The Proposal is consistent with Findex's long term strategy of growth through the acquisition of quality businesses. Findex considers the Crowe Horwath businesses in Australia and New Zealand to be a natural fit to the Findex stable of businesses.

Based on the information known to Findex as at the date of this Scheme Booklet, Findex expects the Proposal will result in synergies between Crowe Horwath and Findex's respective accounting, financial advice and financial services practices. In particular, Findex views the Proposal as an opportunity to:

- add to the strength and depth of Findex's network;
- broaden Crowe Horwath's product offering and accelerate growth of Crowe Horwath's business under Findex's systems, culture and guidance; and
- create more efficient operations, including by leveraging Findex's capital and scale.

8.6 **Funding arrangements for Scheme Consideration**

(a) **Scheme Consideration**

If the Scheme becomes Effective, Findex will pay, or procure the provision of, the Scheme Consideration to Scheme Participants in accordance with the terms of the Scheme and Deed Poll.

Based on the number of Crowe Horwath Shares on issue as at the date of this Scheme Booklet, the maximum number of performance rights that may vest on or before the Scheme Record Date (see Section 7.6) and the Scheme Consideration of \$0.50 cash per Crowe Horwath Share, the maximum amount of cash that Findex will be required to pay under the Scheme is approximately \$137 million (**Aggregate Scheme Consideration**).

(b) **Overview of funding arrangements**

Findex intends to fund the Aggregate Scheme Consideration with a combination of debt and equity. The total amount of debt and equity funding available to Findex is sufficient to pay the Aggregate Scheme Consideration. No final decision has been

made as to the relative proportions of equity funding and debt funding that will be used to pay the Aggregate Scheme Consideration.

(c) **Equity funding**

On 3 October 2014, Findex entered into a legally binding subscription deed (**Subscription Deed**) with Spruce Investors Limited (**Spruce**) and Powell Investors L.P. (**Powell**), each affiliates of the KKRCA Funds, under which Spruce and Powell irrevocably agree to subscribe for warrants and loan notes in Findex for \$95,000,000 (**Equity Funding**).

The amount of the Equity Funding may, at Findex's election, be varied to any amount, subject to the minimum amount of Equity Funding being \$85,000,000 and the maximum amount of Equity Funding being \$109,000,000. However, any reduction in the amount of the Equity Funding will only be permitted if Findex retains an aggregate cash balance in its bank accounts of at least \$8,500,000 (after payment of all costs, expenses, any pre-completion dividends, any pre-completion bonuses and the Scheme Consideration payable by Findex Group in connection with the Proposal).

Spruce and Powell have each warranted under the Subscription Deed that they have a reasonable basis to believe that they will have sufficient cash amounts available on an unconditional basis to pay their respective proportions of the Equity Funding when due.

As at the date of this Scheme Booklet, the provision of the Equity Funding is subject to the Scheme becoming Effective.

Findex is not aware of any reason why any of the conditions precedent to the Equity Funding will not be satisfied in time to allow payment in full of the Aggregate Scheme Consideration in accordance with the Scheme and Deed Poll.

(d) **Debt funding**

Findex has entered into a debt commitment letter (together with an agreed form facility agreement) with National Australia Bank Limited, Investec Bank Limited, Massachusetts Mutual Life Insurance Company, and Deutsche Bank AG, Sydney Branch (together, **Financiers**) to provide debt facilities (**Senior Facilities**).

The proceeds of the Senior Facilities will be available for, among other things:

- (i) funding of the Aggregate Scheme Consideration; and
- (ii) paying certain fees and transaction costs incurred in connection with the Scheme and associated transactions.

The provision of the Senior Facilities is subject to the following conditions precedent:

- (i) Court approval of the Scheme on the Second Court Date;
- (ii) evidence that Findex is capitalised by way of a new equity contribution from affiliates of KKR and other existing shareholders for a minimum net aggregate amount of \$90 million; and
- (iii) satisfaction of other conditions precedent to drawdown customary for facilities of this nature.

Findex expects that these conditions will be satisfied before the Second Court Date (other than Court approval and those conditions which by their nature are typically satisfied on the date of initial drawdown of the Senior Facilities).

If all of the conditions precedent are satisfied and the Equity Funding has been provided (or will be simultaneously provided with the funding under the Senior

Facilities), then the Financiers must provide the Senior Facilities to Findex. As at the date of this Scheme Booklet, Findex is not aware of any reason why any of the conditions precedent to the Senior Facilities will not be satisfied in time to allow payment in full of the Aggregate Scheme Consideration in accordance with the Scheme and Deed Poll.

The availability of the Senior Facilities is also subject to the correctness of representations and that events of default have not occurred and are not subsisting and other documentary requirements (in each case, as are customary for Senior Facilities of this kind). As at the date of this Scheme Booklet, Findex is not aware of the occurrence of any misrepresentation or event of default or any circumstance that would lead to any misrepresentation or an event of default or which would give rise to a right entitling the Financiers to terminate the Senior Facilities.

The Senior Facilities are also provided on customary “certain funds” terms, which means that until the earlier of the implementation of Scheme, the termination of the commitment letter and the End Date, the Financiers must comply with any drawdown request by Findex to pay the Aggregate Scheme Consideration unless:

- (i) it is unlawful for the Financiers to perform any of their obligations, for any reason, under the Senior Facilities;
- (ii) all documentary and other conditions precedent under the facility agreement are not satisfied or waived;
- (iii) any major representation is untrue or misleading in any material respect (whether by omission or otherwise) or unable to be made; or
- (iv) any major default is outstanding or would result from the drawing being advanced.

8.7 Findex’s intentions if Scheme is implemented

If the Scheme is implemented, Findex will become the holder of all Crowe Horwath Shares and, accordingly, Crowe Horwath will become a wholly owned subsidiary of Findex.

This Section 8.7 sets out the present intentions of Findex in relation to the continuation of Crowe Horwath’s business, any major changes to the Crowe Horwath business, the future employment of present employees of Crowe Horwath and any redeployment of the fixed assets of Crowe Horwath, in each case, if the Scheme is implemented.

The intentions set out in this Section 8.7 have been formed on the basis of facts and information concerning Findex and the general business environment which is known to Findex as at the Last Practicable Date.

Final decisions on these matters will only be made by Findex in light of all material facts and circumstances at the relevant time. Accordingly, the statements set out in this Section 8.7 are statements of current intention only, which may change as new information becomes available or as circumstances change, and the statements in this Section 8.7 should be read in that context.

(a) Business continuity and review of operations

If the Scheme is implemented, Findex intends to work quickly to integrate Crowe Horwath’s business into Findex’s business to realise potential synergies between, and maintain existing client relationships of, the businesses. Findex also intends to support Crowe Horwath in operating its business largely consistent with its existing strategies and initiatives, while providing additional support to grow and strengthen the Crowe Horwath business.

However, decisions about the future operating plan of Crowe Horwath's business will be made by Findex following the completion of a general review of Crowe Horwath's operations covering strategic, financial and operational matters.

This review will seek to measure performance and identify areas which may be improved. It is anticipated that the review is likely to be substantially completed within approximately 6 months of the implementation of the Scheme.

Findex intends to continue to operate Crowe Horwath's business under the name "Crowe Horwath".

(b) Crowe Horwath to be delisted

If the Scheme is implemented, Findex will cause Crowe Horwath to request the ASX to remove it from the ASX's official list. Following delisting, investors will no longer be able to acquire or trade in Crowe Horwath Shares.

(c) Crowe Horwath Board

If the Scheme is implemented, Findex intends to reconstitute the Crowe Horwath Board with representatives of Findex and to make similar changes to the boards of Crowe Horwath's subsidiaries.

(d) Employees

Findex considers the Crowe Horwath Group's employees to be an integral part of the success of the business. If the Scheme is implemented, Findex intends to make a small number of redundancies affecting approximately 1% of employees within the Crowe Horwath Group, principally in back office roles where there is duplication of functions already provided within the Findex Group.

Any further decisions about staffing will be made following completion of the general review described in Section 8.7(a). The general review may lead to some redeployment of resources and / or further redundancies to address the potential duplication of roles across the Crowe Horwath Group's operations.

Findex believes that the proposed acquisition of Crowe Horwath should offer benefits for Crowe Horwath employees by bringing together the businesses of Findex and Crowe Horwath with the potential to create exciting growth opportunities across the combined group.

(e) Crowe Horwath's assets

If the Scheme is implemented, Findex will consider a possible corporate internal restructure of the Crowe Horwath Group to optimise business performance. However, Findex does not currently intend to transfer any of Crowe Horwath Group's assets to Findex or its Associates, nor does Findex intend to redeploy any of Crowe Horwath Group's fixed assets.

(f) Head office

If the Scheme is implemented, it is currently intended that Crowe Horwath's head office will remain in Melbourne, Australia.

8.8 Additional information

(a) Findex's interest in Crowe Horwath

As at the date of this Scheme Booklet, Findex holds a Relevant Interest in 54,237,342 Crowe Horwath Shares, which represents 19.87% of the issued share capital of Crowe Horwath. This Relevant Interest arises from the Call Option Deed that Findex

entered into with Alceon, as described in Section 10.9 and disclosed in full to ASX in Findex's initial substantial holding notice dated 7 October 2014.

As at the Last Practicable Date, Findex has not exercised the Call Option and none of the circumstances that would cause the Call Option to expire have arisen.

(b) No dealings in Crowe Horwath Shares in previous four months

Other than in respect of the Call Option Deed and the Scheme Consideration to be provided under the Scheme, during the period of four months prior to the date of this Scheme Booklet, none of Findex or any of its Associates have provided, or agreed to provide, consideration for Crowe Horwath Shares under either a purchase agreement or other agreement.

(c) Benefits to holders of Crowe Horwath Shares

During the period of four months prior to the date of this Scheme Booklet, neither Findex nor any of its Associates gave or offered or agreed to give a benefit to another person which is likely to induce the other person, or an associate of the other person, to:

- (i) vote in favour of the Scheme; or
- (ii) dispose of Crowe Horwath Shares,

and which is not offered to all Crowe Horwath Shareholders.

(d) Benefits to Crowe Horwath Directors

Other than as disclosed in this Scheme Booklet, none of Findex or any of its Associates will be making any payment or giving any benefit to any current member of the Crowe Horwath Board as compensation or consideration for, or otherwise in connection with, their resignation from the Crowe Horwath Board, if the Scheme is implemented and the Board is accordingly reconstituted.

8.9 No other material information

Other than as disclosed in this Scheme Booklet, there is no other information that is material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any director of Findex, at the Last Practicable Date, which has not previously been disclosed to Crowe Horwath Shareholders.

THOMSON GEER

LAWYERS

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Our ref ARB 3587712
Author Tony Pane

7 November 2014

The Directors
Crowe Horwath Australasia Ltd
Level 17
181 William Street
MELBOURNE VIC 3000

Dear Directors

Proposed Scheme of Arrangement Overview of Australian Taxation Consequences for Crowe Horwath Australasia Ltd Shareholders

In accordance with your instructions we have prepared this letter outlining the Australian taxation and stamp duty consequences for Scheme Participants if the Scheme is implemented and for Crowe Horwath Shareholders if the Special Dividend is paid. This letter is to be included in the Scheme Booklet and should be read in conjunction with the remainder of the Scheme Booklet. Unless otherwise defined in this letter capitalised terms used in this letter have the same meaning as defined terms in the Scheme Booklet.

The purpose of this letter is to provide an overview of the potential Australian income tax, Australian Goods and Services Tax (**GST**) and State and Territorial stamp duty implications applicable to prescribed categories of Scheme Participants under the Scheme and Crowe Horwath Shareholders in respect of the Special Dividend. This letter is not intended to provide an exhaustive or definitive statement as to all the possible tax outcomes for Crowe Horwath Shareholders.

This letter assumes the facts and circumstances as set out in the Scheme Booklet and is based on the tax law, applicable case law and published Australian Tax Office (**ATO**) rulings, determinations and administrative practice current at the date of this letter. Any changes in tax law or interpretation of the tax law subsequent to the date of this letter may alter the information contained in this letter.

The information contained in this letter is general in nature and should not be relied upon by Crowe Horwath Shareholders as legal or tax advice. This letter is not intended to be an authoritative or complete statement of the Australian income tax law (in particular, the *Income Tax Assessment Act 1936* (Cth) and the *Income Tax Assessment Act 1997* (Cth), collectively referred to as the Tax Act), GST law or stamp duty law applicable to the specific circumstances of every Crowe Horwath Shareholder. Crowe Horwath Shareholders should obtain their own independent professional advice on the tax consequences the Scheme and any Special Dividend will have for them.

This summary does not constitute financial product advice as defined in the Corporations Act. This summary is confined to taxation issues and is only one of the matters you need to consider when making a decision about your investments. You should consider taking advice from a licensed adviser, before making a decision about your investments. The partnership of Thomson Geer is not required to hold an Australian Financial Services Licence under the Corporations Act to provide you with this taxation advice.

Overview of Australian tax consequences for Crowe Horwath Shareholders

1 Scope and introduction

Unless otherwise expressly indicated, the information contained in this letter is directed towards Australian resident Scheme Participants who hold their Scheme Shares on capital account for income tax purposes. We have provided a general outline of the Australian tax consequences for:

- Crowe Horwath Shareholders should a Special Dividend be received; and
- Scheme Participants arising from the disposal of their Scheme Shares to Index.

This letter does not consider the consequences for Scheme Participants who:

- Hold their Scheme Shares on revenue account or as trading stock.
- Are financial institutions, insurance companies, partnerships, tax exempt organizations, trusts (except where expressly stated), superannuation funds (except where expressly stated) or temporary residents.
- Are subject to the taxation of financial arrangement rules contained in Division 230 of the Income Tax Assessment Act 1997 (Cth) in relation to gains and losses on their Scheme Shares.
- Are Australian tax residents holding their Scheme Shares as part of an enterprise carried on, at, or through a permanent establishment in a foreign country.
- Acquired Scheme Shares, or have entitlements in respect of Scheme Shares, under executive or employee share acquisition or performance plans other than the Crowe Horwath Exempt Share Plan.

2 ATO Class Ruling

Crowe Horwath is seeking a Class Ruling from the ATO.

The Class Ruling application seeks the ATO's views on specific income tax consequences in relation to the Scheme Consideration and the Special Dividend.

The Class Ruling has not been issued by the ATO as at the Last Practicable Date and will not be issued prior to the Scheme Meeting. When issued, the final Class Ruling will be available on the ATO website at www.ato.gov.au.

If any statements in this letter are subject to the Class Ruling request, this is noted where relevant. It is possible that the ATO may reach conclusions on one or more issues which differ from those expressed in this letter and it is therefore important that this letter be read in conjunction with the anticipated final Class Ruling we expect will be issued by the ATO during January 2015.

3 Australian income tax implications – Special Dividend

This letter provides a summary of the Australian income tax, GST and stamp duty consequences for Crowe Horwath Shareholders who receive the Special Dividend.

3.1 Receipt of Special Dividend – Australian tax residents

Crowe Horwath Shareholders who are Australian tax residents and are entitled to receive the Special Dividend should include the amount of the Special Dividend as assessable income. The amount should be included in their tax return for the income year in which the dividend payment is received (being the income tax year ending 30 June 2015 (**2015 Tax Year**)). The Class Ruling should confirm that the Special Dividend constitutes an assessable dividend under the Tax Act.

Crowe Horwath Shareholders who receive the Special Dividend may also receive the attached franking credits. The associated franking credits should also generally be included in the assessable income of each Crowe Horwath Shareholder who receives the Special Dividend. The Class Ruling should confirm that the Special Dividend can be franked.

A Crowe Horwath Shareholder may claim a tax offset for the amount of the franking credit where the "holding period" rule is satisfied by the Crowe Horwath Shareholder. The holding period rule requires that the Crowe Horwath Shareholder holds their Scheme Shares "at risk" for a continuous period of at least 45 days during a prescribed period.

The exemption from the holding period rule which applies where a shareholder's total franking credit tax offset entitlement in respect of all dividends for the 2015 Tax Year does not exceed \$5,000 should not apply in this case because the Special Dividend is considered to be subject to the "related payments" rule.

The related payments rule (within the holding period rule) operates where the Crowe Horwath Shareholder is under an obligation to pass the benefit of the Special Dividend to other persons. We expect that the Class Ruling will confirm that the related payments rule applies in respect of the Special Dividend due to the nexus with the entitlements arising to Scheme Participants under the Scheme.

Assuming a Scheme Record Date of 30 December 2014, and subject to confirmation in the Class Ruling, it is expected that Scheme Participants who acquire their Scheme Shares after 14 November 2014 will not satisfy the holding period rule and will not be entitled to a tax offset for the franking credits.

The franking credits attached to the Special Dividend may be used to offset the income tax otherwise payable by a Crowe Horwath Shareholder. The integrity and anti-avoidance provisions should not apply to deny or limit the availability of those credits to Crowe Horwath Shareholders receiving the Special Dividend.

The Class Ruling is expected to confirm:

- how the holding period rule applies to the Crowe Horwath Shareholders with respect to the Special Dividend; and
- that the ATO will or will not seek to apply any integrity or anti-avoidance provisions so as to prevent the Crowe Horwath Shareholders from receiving the benefit of the franking credits.

The extent to which the Crowe Horwath Shareholders will be able to access the franking credit tax offset will depend on their status and specific circumstances, as outlined below. The discussion below assumes that the Crowe Horwath Shareholders will satisfy the holding period and related payment rules as outlined above in respect of the Special Dividend.

(a) Individuals and complying superannuation funds

Crowe Horwath Shareholders being individuals and complying superannuation funds should be entitled to a tax offset equal to the amount of the franking credits attached to the Special Dividend. Individuals and complying superannuation funds that have franking credits in excess of their tax liability in respect of the income may be entitled to a refund for any franking credits in excess of their total tax liability.

(b) Companies

Crowe Horwath Shareholders being companies should be entitled to a tax offset equal to the amount of the franking credits. As a result, companies should not pay any additional income tax on the Special Dividend. Crowe Horwath Shareholders being companies should also receive a credit to their franking account equal to the amount of the franking credits.

(c) Trusts

In circumstances where there are no beneficiaries that are presently entitled to the income of a trust, the trustee (Crowe Horwath Shareholder) will bear the tax liability in respect of the Special Dividend and should be entitled to a tax offset equal to the amount of the franking credits attached to the Special Dividend. Where beneficiaries are presently entitled to the income of a trust, the Special Dividend and attached franking credits should flow through to those presently entitled beneficiaries. The tax treatment of the Special Dividend and any franking credits in the hands of those beneficiaries will depend on the tax status of the beneficiaries.

3.2 Receipt of Special Dividend – non-Australian tax residents

Crowe Horwath Shareholders who are not Australian residents for tax purposes should not be subject to tax in Australia in respect of the Special Dividend (provided that they do not hold the Scheme Shares through an Australian permanent establishment). On the basis and to the extent that the Special Dividend will be fully franked, Crowe Horwath Shareholders who are foreign residents for tax purposes should not be subject to any Australian dividend withholding tax. Non-Australian tax resident Crowe Horwath Shareholders should seek advice on the tax implications in their country of residence.

4 Australian income tax implications of disposal**4.1 Australian income tax implications of disposal – Australian tax residents**

In the event that the Scheme is approved, Findex will acquire 100% of the issued capital in Crowe Horwath. The income tax implications for Australian tax resident Scheme Participants are outlined below.

(a) Capital Gains Tax

CGT event A1 should occur for all Scheme Participants when they dispose of their Scheme Shares to Findex under the Scheme and the time of the event is the Implementation Date.

Scheme Participants will:

- make a capital gain if the capital proceeds received from the disposal of their Scheme Shares exceeds their cost base; or
- make a capital loss if the capital proceeds received from the disposal of their Scheme Shares is less than their reduced cost base.

The cost base (or reduced cost base) of Scheme Shares should generally be the amount paid to acquire the Scheme Shares plus incidental costs of ownership (provided the costs have not previously been claimed as a tax deduction).

Where the Scheme Shares were acquired before 11.45am AEST on 21 September 1999, the cost base of the Scheme Shares may be increased for indexation based on the CPI movement from the date of acquisition to 30 September 1999. The indexation can be applied by Scheme Participants that are companies.

Scheme Participants who are individuals, trusts or complying superannuation funds that held their interests prior to 11.45am on 21 September 1999 can choose to apply either the cost base indexation or the CGT discount in calculating their net capital gain from the disposal of their Scheme Shares.

Where Scheme Shares were acquired after 11.45am AEST on 21 September 1999, Scheme Participants may not index the cost base of their Scheme Shares.

The Scheme Implementation Agreement provides that the Scheme Consideration is the amount of \$0.50 per Scheme Share less the amount of any Special Dividend declared by Crowe Horwath in respect of Crowe Horwath Shares prior to the Second Court Date. The capital proceeds should be limited to the Scheme Consideration and not include the amount the Special Dividend (if determined and paid). Therefore, the capital proceeds will be equal to \$0.50 per Scheme Share less the amount of the Special Dividend. Confirmation that the payment of the Special Dividend does not form part of the capital proceeds for the disposal of the Scheme Shares in the context of CGT Event A1 is being sought in the Class Ruling application.

If the Special Dividend is considered to form part of the capital proceeds from the disposal of the Scheme Shares, there is an 'anti-overlap' rule which ensures any capital gain made by the Scheme Participant should be reduced by the Special Dividend included in the Scheme Participants assessable income. Please note that no reduction is made for the amount of franking credits attached to the Special Dividend.

However, the 'anti-overlap' rule does not apply if a capital loss is made. Consequently the capital loss would be reduced by the Special Dividend even though the Special Dividend is included in assessable income.

(b) CGT discount

The CGT discount is available to Scheme Participants who are individuals, trusts or complying superannuation entities.

The discount is available to Scheme Participants who have held their Scheme Shares for at least 12 months prior to the date of disposal.

The CGT discount rules enable Scheme Participants to reduce their capital gain (after the application of current and prior year capital losses) by 50% for individuals and trusts, and 33 ⅓% for complying superannuation funds.

The CGT discount is not available to Scheme Participants that are companies or have elected the indexation method above. The availability of the discount to Scheme Participants should be confirmed in the Class Ruling.

(c) Capital losses

Capital losses should arise where the capital proceeds received are less than the reduced cost base of the Scheme Shares. A capital loss can offset other capital gains made by Scheme Participants in the 2015 Tax Year. Where the capital losses are not utilised in that year, they may be carried forward to future income years (subject to any specific loss recoupment rules). Scheme Participants should seek tax advice in relation to the operation of these rules.

4.2 Australian income tax implications of disposal – foreign tax residents

Scheme Participants who are not Australian residents for income tax purposes, who do not carry on a business in Australia at or through a permanent establishment and do not own 10% or more of the shares in Crowe Horwath should be exempt from CGT on the disposal of their Scheme Shares. Foreign resident Scheme Participants should obtain their own independent tax advice regarding the tax implications of the Scheme in Australia and in their country of residence.

4.3 Australian income tax implications of disposal – ESS shareholders

Scheme Participants who hold Scheme Shares acquired under the Crowe Horwath Exempt Share Plan (**Plan**) will need to determine the cost base of the shares in the manner described in the applicable Plan guide.

Confirmation is being sought in the Class Ruling that disposal pursuant to the Scheme does not breach the 3 year minimum holding period requirement relevant to the effective tax exemption enjoyed at the time the Scheme Shares were issued under the Plan.

5 Stamp duty

Scheme Participants should not be liable to stamp duty in respect of the disposal of their Scheme Shares under the Scheme.

6 GST

No GST should be payable by a Scheme Participant in respect of the disposal of Scheme Shares, regardless as to whether the Scheme Participant is registered for GST. In the event the Scheme Participant is registered for GST, the disposal of the Scheme Shares would be considered an input taxed financial supply.

In addition, no GST should be payable by Scheme Participants in respect of the Special Dividend as such transactions are considered outside the scope of GST. Scheme Participants may incur GST on costs (such as third party brokerage and advisor fees) that relate to their participation in the Scheme.

Scheme Participants that are registered, or required to be registered for GST may not be entitled to full input tax credits for any GST payable on such costs, but may be entitled to Reduced Input Tax Credits for some acquisitions. This will depend on each Scheme Participant's individual circumstances.

Scheme Participants should seek their own independent tax advice in relation to the GST implications of their participation in the Scheme.

As noted above, Scheme Participants should seek advice concerning the taxation implications of the Scheme based upon their individual facts and circumstances, and should have regard to the final published Class Ruling.

Yours faithfully
THOMSON GEER



10 Additional Information

10.1 Restrictions in the Crowe Horwath Constitution

There are no restrictions in the Crowe Horwath Constitution on the right to transfer Crowe Horwath Shares pursuant to the Scheme.

10.2 Creditors of Crowe Horwath

The Scheme, if implemented, will not materially prejudice the ability of Crowe Horwath to pay its creditors as it involves the purchase of Crowe Horwath Shares rather than Crowe Horwath's underlying assets. No new liability (other than costs associated with the Scheme) is expected to be incurred by Crowe Horwath as a consequence of the implementation of the Scheme.

10.3 Directors' intentions

If the Scheme is implemented, Findex intends to reconstitute the Crowe Horwath Board with representatives of Findex and to make similar changes to the boards of Crowe Horwath's subsidiaries. It is for the reconstituted Crowe Horwath Board to determine its intentions as to the continuation of the business of Crowe Horwath and any major changes (if any) to the Crowe Horwath business and the future employment of the present employees of Crowe Horwath.

The current intentions of Findex with respect to these matters are set out in Section 8.7.

If the Scheme is not implemented, your Directors intend to operate the Crowe Horwath business in the ordinary course, which includes reviewing the strategy and operations of Crowe Horwath in accordance with usual responsibilities.

10.4 Directors' interests

No Crowe Horwath securities are held by or on behalf of your Directors and no such persons are otherwise entitled to such securities as at the Last Practicable Date other than the following interests (which are held either director or indirectly):

Name	Number of Crowe Horwath Shares	Number of Crowe Horwath performance rights
Richard Grellman	25,000	nil
Peter Warne	179 292	nil
Raymond Smith	25,000	nil
Nancy Milne	nil	nil
Peeyush Gupta	nil	nil
Trevor Loewensohn	54,237,342	nil
Chris Price	35,500	1,000,000*

*Mr Price's Performance Rights are detailed at Section 10.10.

As at the Last Practicable Date, no Director has a Relevant Interest in any Crowe Horwath Shares except as disclosed in this Scheme Booklet.

Each of your Directors consider that the Scheme is in the best interests of Crowe Horwath Shareholders and those Directors who hold Crowe Horwath Shares intend to vote their Crowe Horwath Shares in favour of the Scheme, in the absence of a Superior Proposal.

10.5 **Interests in Findex held by Crowe Horwath and Directors**

As at the Last Practicable Date, neither Crowe Horwath nor any Director has a Relevant Interest in any securities of Findex.

10.6 **Agreements or arrangements between a Director and Findex**

Except as set out in this Scheme Booklet, none of your Directors have any interest in any contract with Findex.

10.7 **Agreements or arrangements between a Director and another person in connection with or conditional on the outcome of the Scheme**

Except as set out in this Scheme Booklet, none of your Directors have entered into any agreement or arrangement with another person in connection with or conditional on the outcome of the Scheme.

10.8 **Payments to officers in connection with retirement**

Except as set out in this Scheme Booklet, no payment or other benefit is proposed to:

- be made or given to any director, company secretary or executive officer of Crowe Horwath as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in Crowe Horwath or a Related Body Corporate of Crowe Horwath; or
- be made or given to any director, company secretary or executive officer of any Related Body Corporate of Crowe Horwath as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in that Related Body Corporate of Crowe Horwath or in Crowe Horwath,

in connection with the Scheme, other than in his or her capacity as a Crowe Horwath Shareholder.

10.9 **Call Option Deed**

On 4 October 2014, Findex entered into the Call Option Deed with Alceon under which Alceon agreed to grant Findex an option (**Call Option**) to purchase 54,237,342 Crowe Horwath Shares held by Alceon (**Option Shares**). As at the date of this Scheme Booklet, the Option Shares represent 19.87% of the issued share capital of Crowe Horwath.

A summary of the key terms of the Call Option Deed is set out below.

(a) **Exercise period**

Under the Call Option Deed, Findex may exercise the Call Option at any time from the date of the Call Option Deed until 11.59pm on the earliest of:

- (i) the date on which Findex publicly announces it is no longer pursuing a control transaction for Crowe Horwath;
- (ii) the 5th business day after termination of the Scheme Implementation Agreement, unless Findex has before that time commenced court proceedings to challenge the termination;
- (iii) the day on which the Scheme becomes Effective; and
- (iv) 6 months after the date of the Call Option Deed.

(b) **Exercise Price**

If Findex exercises the Call Option, it must pay Alceon an amount equal to the Exercise Price.

(c) **Post-completion adjustments**

If Findex exercises the Call Option and acquires the Option Shares under the Call Option Deed (**Option Shares Acquisition**), certain adjustments to the price paid to Alceon under the Call Option Deed will apply in the circumstances set out below:

- (i) If the Scheme becomes Effective and the Scheme Consideration multiplied by the number of Option Shares is greater than the Exercise Price, Findex must pay Alceon an amount equal to the difference.
- (ii) If, during the period from the date of the Call Option Deed until the earlier of the Scheme becoming Effective or the Scheme Implementation Agreement being terminated:
 - (A) a Third Party Control Transaction for Crowe Horwath is announced at an offer price per share greater than the Exercise Price (**Third Party Offer Price**);
 - (B) Findex does not increase the Scheme Consideration so that it is greater than the Third Party Offer Price; and
 - (C) within 12 months of the Option Shares Acquisition, Findex disposes of the Option Shares for a price per share greater than the Exercise Price (**Disposal Price**), or the Third Party Control Transaction becomes Effective or unconditional (as applicable),

Findex must pay Alceon an amount equal to the difference between the Third Party Offer Price or Disposal Price (as applicable) multiplied by the number of Option Shares and the Exercise Price.

- (iii) If, within 12 months of the Option Shares Acquisition, the Scheme does not become Effective, the Scheme Implementation Agreement is terminated or Findex announces it is no longer pursuing a control transaction for Crowe Horwath and:
 - (A) a Third Party Control Transaction for Crowe Horwath is announced and the Third Party Offer Price multiplied by the number of Option Shares is greater than the Exercise Price;
 - (B) Findex does not increase the Scheme Consideration so that it is greater than the Third Party Offer Price; and
 - (C) Findex disposes of the Option Shares for a Disposal Price greater than the Exercise Price or the Third Party Control Transaction becomes Effective or unconditional (as applicable),

Findex must pay Alceon an amount equal to 75% of the difference between the Third Party Offer Price or Disposal Price (as applicable) price multiplied by the number of Option Shares and the Exercise Price.

- (iv) If, within 12 months of the Option Shares Acquisition, Findex disposes of the Option Shares for a Disposal Price that is greater than the Exercise Price divided by the number of Options Shares in any circumstance other than those set out above, Findex must pay Alceon an amount equal to 75% of the difference between the Disposal Price multiplied by the number of Option Shares and the Exercise Price.

(d) **Voting and dealing in Option Shares**

Nothing in the Call Option Deed restricts Alceon from exercising the votes attaching to any Option Shares, in its absolute discretion, before the Call Option is exercised.

From the Date of the Call Option Deed until the Call Option is exercised or the Call Option Deed is terminated, Alceon may not deal in the Option Shares except as required under the Scheme or as expressly permitted under the Call Option Deed.

The terms of the Call Option Deed was disclosed in full to ASX in Findex's initial substantial holding notice dated 7 October 2014.

10.10 Performance Rights

Crowe Horwath Shareholders have approved the issue of 1,000,000 Performance Rights entitling the managing director, Mr Chris Price (**Mr Price**) to an equivalent number of ordinary shares, subject to vesting conditions.

Under normal circumstances, the number of Performance Rights which shall vest is subject to achievement of the performance criteria as determined by the Crowe Horwath Board.

In the event of a change of control of Crowe Horwath or Crowe Horwath selling its principal business to a third party, the Crowe Horwath Board may seek to exercise its discretion and determine if any Performance Rights should vest based on achievement of adjusted performance criteria and gateways having regard to the circumstances at the time.

As at the Last Practicable Date, the Board's intention is to determine that 1,000,000 Performance Rights will vest in the event that the Scheme is approved by Crowe Horwath Shareholders.

Assuming that 1,000,000 Performance Rights vest and are converted to Crowe Horwath Shares, and the Scheme becomes Effective and is implemented, Mr Price will receive Scheme Consideration of \$500,000 (assuming no Special Dividend is determined) in respect of the Performance Rights.

10.11 Formal disclosures and consents

(a) **Findex Australia Pty Ltd**

Findex has given, and has not withdrawn before the Last Practicable Date, its written consent to be named in this Scheme Booklet in the form and context in which it is named and to the inclusion of the Findex Information. Findex does not make or purport to make any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based and takes no responsibility for any part of this Scheme Booklet other than any reference to its name and the Findex Information.

(b) **Grant Samuel & Associates Pty Limited**

Grant Samuel & Associates Pty Limited has acted as the Independent Expert to Crowe Horwath in relation to the Proposal. Grant Samuel & Associates Pty Limited has given, and has not withdrawn before the Last Practicable Date, its written consent to be named in this Scheme Booklet as the Independent Expert in the form and context in which it is named and to the inclusion of its Independent Expert's Report as an Annexure to this Scheme Booklet. Grant Samuel & Associates Pty Limited does not make or purport to make any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based and takes no responsibility for any part of this Scheme Booklet other than any reference to its name and the Independent Expert's Report contained at Annexure A.

(c) **Macquarie Capital (Australia) Limited**

Macquarie Capital (Australia) Limited has acted as the financial advisor to Crowe Horwath in relation to the Proposal. Macquarie Capital (Australia) Limited has given, and has not withdrawn before the Last Practicable Date, its written consent to be named in this Scheme Booklet as the financial advisor to Crowe Horwath in the form and context in which it is named. Macquarie Capital (Australia) Limited does not make or purport to make any statement in this Scheme Booklet or any statement on which a

statement in this Scheme Booklet is based and takes no responsibility for any part of this Scheme Booklet other than any reference to its name.

(d) **Thomson Geer**

Thomson Geer has acted as the Australian legal advisor to Crowe Horwath in relation to the Proposal. Thomson Geer has given, and has not withdrawn before the Last Practicable Date, its written consent to be named in this Scheme Booklet as the Australian legal advisor to Crowe Horwath in the form and context in which it is named and to the inclusion of the Tax Letter. Thomson Geer does not make or purport to make any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based and takes no responsibility for any part of this Scheme Booklet other than any reference to its name and the Tax Letter.

(e) **Computershare Investor Services Pty Limited**

Computershare Investor Services Pty Limited has acted as the share registrar to Crowe Horwath in relation to the Proposal. Computershare Investor Services Pty Limited has given, and has not withdrawn before the Last Practicable Date, its written consent to be named as the Crowe Horwath Share Registry in the form and context in which it is named. Computershare Investor Services Pty Limited does not make or purport to make any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based and takes no responsibility for any part of this Scheme Booklet other than any reference to its name.

10.12 **Supplementary Information**

Crowe Horwath will issue a supplementary document to this Scheme Booklet if, between the date of lodgement of this Scheme Booklet for registration by ASIC and the date of the Scheme Meeting, it becomes aware of any of the following: a material statement in this Scheme Booklet is false or misleading, a material omission from this Scheme Booklet, a significant change affecting a matter included in this Scheme Booklet, or a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Crowe Horwath may circulate and publish the supplementary document by any or all of: posting the supplementary document on its website (www.crowehorwath.com.au), making an announcement to ASX or issuing a supplementary Scheme Booklet.

11 Glossary and interpretation

11.1 Glossary

The meanings of the terms used in this Scheme Booklet are set out below.

AEDST	Australian eastern daylight savings time.
Alceon	Rotarn Pty Ltd ACN 122 364 747 as trustee for each of Alceon Group Pty Limited ACN 122 365 986 and the Rotarn Operating Trust.
Anchorage Announcement	Crowe Horwath's announcement on the ASX dated 20 March 2014 announcing the receipt of a highly indicative non-binding proposal from Anchorage Capital Partners Pty Ltd.
Announcement	Crowe Horwath's announcement on the ASX dated 6 October 2014 announcing the execution of the Scheme Implementation Agreement.
ASIC	the Australian Securities and Investments Commission.
Associate	has the meaning given to that expression in section 12 of the Corporations Act.
ASX	ASX Limited ACN 008 624 691 or as the context requires the securities exchange which it operates.
ASX Listing Rules	the official listing rules of the ASX.
Australian ADI	has the meaning given to that expression in the Corporations Act.
Board	the board of Directors.
Business Day	a day on which the banks are open for business in both Sydney and Melbourne other than a Saturday, Sunday or public holiday in either Sydney or Melbourne, Australia.
Call Option Deed	the agreement between Findex and Alceon entered into on 4 October 2014 pursuant to which Alceon granted Findex an option to purchase shares amounting to 19.87% of the total Crowe Horwath Shares on issue subject to certain conditions as detailed at Section 10.9.
CGT	Australian capital gains tax.
Chairman	the chair of the Crowe Horwath Board.
Class Ruling	a public determination by the Commissioner of Taxation under Part 5-5 of Schedule 1 of the Tax Administration Act 1953 in respect of a particular class of taxpayers, and pertaining to the Australian income taxation implications of the payment of the Special Dividend and the disposal of the Scheme Shares.
Competing Proposal	has the meaning given to that expression in clause 1.1 of the Scheme Implementation Agreement.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Corporations Regulations	the Corporations Regulations 2001 (Cth).
Court	the Supreme Court of Victoria.
Crowe Horwath	Crowe Horwath Australasia Limited ABN 93 006 650 693 and, where the context requires, its wholly owned subsidiaries.
Crowe Horwath Constitution	the Crowe Horwath constitution as amended from time to time.
Crowe Horwath Group	Crowe Horwath and its Subsidiaries.
Crowe Horwath Information Line	1300 721 468 (within Australia) or +61 3 9415 4294 (from overseas) on Business Days between 9.00am and 5.00pm (AEDST).
Crowe Horwath Share	a fully paid ordinary share in the capital of Crowe Horwath.

Crowe Horwath Share Registry	Computershare Investor Services Pty Limited ACN 078 279 277.
Crowe Horwath Shareholder	a person who is registered in the Register as a holder of Crowe Horwath Shares from time to time.
Deed Poll	the deed poll executed by Findex in favour of the Scheme Participants dated 6 November 2014, a copy of which is contained in Annexure D.
Directors	the directors of Crowe Horwath, in office at the Last Practicable Date, or in office from time to time, as the context requires.
Disposal Price	if, within 12 months of the Option Shares Acquisition, Findex disposes of the Option Shares, the price per share at which Findex disposes of the Option Shares.
Dividend Payment Date	the payment date for any Special Dividend (expected to be 29 December 2014).
Dividend Record Date	the record date for any Special Dividend (expected to be 22 December 2014).
EESP	the Crowe Horwath exempt share plan governed by the Trust Deed dated 25 June 2004 and last amended 22 October 2012 as described at Section 5.3(b)(i).
Effective	when used in relation to the Scheme, the coming into effect pursuant to section 411(10) of the Corporations Act of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.
Effective Date	the date on which the Scheme becomes Effective.
End Date	has the meaning given to that expression in clause 1.1 of the Scheme Implementation Agreement.
Exclusivity Period	the period commencing on 3 October 2014 and ending on the earliest to occur of: <ul style="list-style-type: none"> the End Date; the date the Scheme Implementation Agreement is terminated; and the Implementation Date.
Exercise Price	the cash sum per share payable to Crowe Horwath Shareholders under the Scheme (including any dividend or capital return component that forms part of the Scheme) multiplied by the number of Options Shares.
Findex	Findex Australia Pty. Ltd. ACN 128 588 714.
Findex Group	Findex and its Subsidiaries prior to implementation of the Scheme.
Findex Information	has the meaning given to "Bidder Scheme Booklet Information" in clause 1.1 of the Scheme Implementation Agreement.
GST	goods and services tax or similar value added tax levied or imposed in Australia under the GST Law or otherwise on a supply.
GST Law	the same meaning as in the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
Implementation Date	the date that is 5 Business Days after the Scheme Record Date, or such other date as Crowe Horwath and Findex may agree in writing or as may be required by the ASX (expected to be 6 January 2015).
Independent Expert	Grant Samuel & Associates Pty Limited ACN 050 036 372.
Independent Expert's Report	the report from the Independent Expert commissioned by Crowe Horwath for inclusion in this Scheme Booklet (and where the context requires any update to such report that the Independent Expert issues prior to the Scheme Meeting), a copy of which is contained in Annexure A.

Last Practicable Date	10 November 2014, being one day prior to the First Court Date.
Material Adverse Event	has the meaning given to that expression in clause 1.1 of the Scheme Implementation Agreement.
Notice of Meeting	the notice of meeting relating to the Scheme, a copy of which is contained in Annexure E.
Option Shares	54,237,342 Crowe Horwath Shares held by Alceon which Alceon has granted Findex a call option over pursuant to the Call Option Deed.
Options Shares Acquisition	where Findex exercises the Call Option and acquires the Option Shares under the Call Option Deed.
Performance Rights	the 1,000,000 performance rights issued by Crowe Horwath to the Managing Director of Crowe Horwath and approved by Crowe Horwath Shareholders at the annual general meeting of Crowe Horwath held on 17 October 2014.
Prescribed Occurrence	has the meaning given to that expression in clause 1.1 of the Scheme Implementation Agreement.
Proposal	the proposed Scheme under which it is proposed that Findex will acquire 100% of the Crowe Horwath Shares which it does not already own for the Scheme Consideration.
PSP	the Crowe Horwath performance share plan governed by the Trust Deed dated 14 August 2006 and amended on 14 May 2009 and 17 November 2011 as described at Section 5.3(b)(iii).
Register	the register of members of Crowe Horwath maintained by or on behalf of Crowe Horwath in accordance with section 168(1)(a) of the Corporations Act.
Regulatory Approvals	has the meaning given to that expression in clause 1.1 of the Scheme Implementation Agreement.
Related Body Corporate	has the meaning given to that expression in the Corporations Act.
Relevant Interest	has the meaning given to that expression in sections 608 and 609 of the Corporations Act.
Representative	has the meaning given to that expression in clause 1.1 of the Scheme Implementation Agreement.
Requisite Majorities	<p>the threshold for approval of a resolution on a scheme of arrangement between a body and its members under Part 5.1 of the Corporations Act, being votes 'in favour' of the resolution received from:</p> <ul style="list-style-type: none"> a majority in number (more than 50%) of the members, who are present and voting, either in person or by proxy, attorney or in the case of a corporation its duly appointed corporate representative, unless the Court orders otherwise; and at least 75% of the votes cast on the Resolution.
Resolution	the resolution to approve the terms of the Scheme, as set out in the Notice of Meeting.
Scheme or Scheme of Arrangement	the scheme of arrangement under Part 5.1 of the Corporations Act between Crowe Horwath and the Scheme Participants, substantially in the form contained in Annexure C (without annexures), subject to any alterations or conditions made or required by the Court and agreed to by Findex and Crowe Horwath.
Scheme Booklet	this document, including the annexures to it.
Scheme Consideration	\$0.50 for each Scheme Share held by a Scheme Participant at the Scheme Record Date, less the amount of any Special Dividend.
Scheme Implementation Agreement	the Scheme Implementation Agreement between Crowe Horwath and Findex dated 3 October 2014, a copy of which (without annexures) is contained in Annexure B.

Scheme Meeting	the meeting of Crowe Horwath Shareholders ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act in relation to the Scheme to be held at 10.00am on 15 December 2014, at the RACV City Club, Level 2, 501 Bourke Street, Melbourne, Victoria 3000 Australia, and includes any adjournment of that meeting.
Scheme Participant	a person who is registered in the Register as a holder of Scheme Shares as at the Scheme Record Date.
Scheme Record Date	5.00pm on the date that is 5 Business Days after the Effective Date, or such other date as may be agreed in writing between Findex and Crowe Horwath or as may be required by the ASX (expected to be 30 December 2014).
Scheme Share	each Crowe Horwath Share on issue as at the Scheme Record Date.
Second Court Date	the first day of hearing of an application made to the Court by Crowe Horwath for orders pursuant to section 411(4)(b) of the Corporations Act approving the Scheme (expected to be 18 December 2014), or, if the hearing of such application is adjourned or if the application is subject to appeal for any reason, means the first day of the adjourned hearing or the first day on which the appeal is heard (as the case may be), with such hearing being the Second Court Hearing .
Special Dividend	has the meaning given to "Discretionary Special Dividend" in clause 1.1 of the Scheme Implementation Agreement.
Subsidiary	has the meaning given to that expression in the Corporations Act.
Superior Proposal	has the meaning given to that expression in clause 1.1 of the Scheme Implementation Agreement.
Tax Letter	the letter from Thomson Geer lawyers to the Directors, in the form contained in Section 9.
Third Party	has the meaning given to that expression in clause 1.1 of the Scheme Implementation Agreement.
Third Party Control Transaction	a scheme of arrangement under Part 5.1 of the Corporations Act proposed, or a takeover bid under Chapter 6 of the Corporations Act made, by a Third Party.
Third Party Offer Price	the offer price per share under a Third Party Control Transaction.
Underlying NPAT	normalised EBITA less interest expense, tax and amortisation of intangible assets.
Voting Form	the form for the Scheme Meeting accompanying this Scheme Booklet and as the context requires the electronic version of that form utilised for electronic lodgment pursuant to which a Crowe Horwath Shareholder may appoint a proxy, or make a direct vote.
VWAP	volume weighted average price.

11.2 Interpretation

In this Scheme Booklet, unless the context requires otherwise:

- (a) other words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (b) words of any gender include all genders;
- (c) words importing the singular include the plural and vice versa;
- (d) a person or entity includes an individual, a firm, a body corporate, a trust, an unincorporated association or an authority;
- (e) any contract or other instrument includes any variation or replacement of it and as it may be assigned or novated;

- (f) a reference to a Section or Annexure is a reference to a Section of or Annexure of this Scheme Booklet as relevant;
- (g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;
- (h) headings and bold type are for convenience only and do not affect the interpretation of this Scheme Booklet;
- (i) a reference to time is a reference to AEDST;
- (j) a reference to dollars, \$, A\$, AUD, cents, c, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia;
- (k) all data contained in diagrams, charts, maps, graphs and tables is based on information available at the Last Practicable Date.
- (l) an accounting term is a reference to that term as it is used in accounting standards under the Corporations Act, or, if not inconsistent with those standards, in accounting principles and practices generally accepted in Australia; and
- (m) the meaning of any general language is not restricted by any accompanying example, and the words 'includes', 'including', 'such as', 'for example' or similar words are not words of limitation.

Annexure A – Independent Expert’s Report

See over the page.



11 November 2014

The Directors
Crowe Horwath Australasia Ltd
Level 17
181 William Street
Melbourne VIC 3000

Dear Directors

Offer by Findex Australia Pty Ltd

1 Introduction

On 6 October 2014, Crowe Horwath Australasia Ltd (“Crowe Horwath”) announced that it had entered into a Scheme Implementation Agreement with Findex Australia Pty Ltd (“Findex”) under which Findex proposes to acquire all of the issued share capital in Crowe Horwath by way of a scheme of arrangement (“the Scheme”). If the Scheme is implemented, Crowe Horwath shareholders will receive cash consideration of 50 cents per share (less the amount of any special dividend declared by Crowe Horwath prior to the date of the second court hearing¹).

Crowe Horwath provides business and financial services across Australia and New Zealand through a network of 110 offices arranged into 14 geographically based firms. Its Business Services division provides accounting, taxation, audit and other compliance, consulting and advisory services, with a strong focus on small to medium sized businesses. It is believed to be Australia’s 5th largest accounting practice, with a particular strength in regional areas. Crowe Horwath’s Financial Services division provides financial planning, superannuation advice and services and insurance and finance broking and advice services. It has around \$6.5 billion of funds under advice and \$2.4 billion of loans under administration.

Findex is privately owned and is one of Australia’s largest non-aligned financial advisory businesses. Entities associated with KKR Credit Advisors (US) LLC (an affiliate of New York Stock Exchange listed investment firm KKR & Co. L.P.) have provided funding to Findex for recent acquisitions, including the Scheme.

The Scheme is subject to a number of conditions which are set out in full in the Notice of Meeting and Explanatory Statement (“Scheme Booklet”) to be sent by Crowe Horwath to shareholders.

Subject to an independent expert determining that the Scheme is in the best interests of shareholders and in the absence of a superior proposal, each director of Crowe Horwath intends to vote all shares held or controlled by them in favour of the Scheme.

Separately, Findex has entered into a call option deed with Rotarn Pty Ltd as bare trustee for Alceon Group Pty Ltd and as trustee of the Rotarn Operating Trust (“Alceon”) which enables it to acquire 19.87% of Crowe Horwath’s issued share capital².

The directors of Crowe Horwath have engaged Grant Samuel & Associates Pty Limited (“Grant Samuel”) to prepare an independent expert’s report setting out whether, in its opinion, the Scheme is in the best interests of shareholders. A copy of the report (including this letter) will accompany the Scheme Booklet to be sent to shareholders by Crowe Horwath. This letter contains a summary of Grant Samuel’s opinion and main conclusions.

¹ Expected to be 18 December 2014.

² Subject to having received approval under the Foreign Acquisitions and Takeovers Act, 1975 (“FIRB Approval”) for the call option.

2 Opinion

In Grant Samuel's opinion, the Scheme is fair and reasonable and, therefore, in the best interests of Crowe Horwath shareholders, in the absence of a superior proposal.

3 Key Conclusions

■ The value of Crowe Horwath is subject to considerable uncertainty.

The value of Crowe Horwath is subject to considerable uncertainty as a result of various factors affecting the business:

- Crowe Horwath's historical financial performance has been disappointing, with underlying earnings falling steadily over the past five years;
- the external economic environment facing the business remains challenging. Demand for business advisory services from Crowe Horwath's client base in the small to medium business segment remains subdued;
- Crowe Horwath is dependent on the principals of its firms to develop and maintain client relationships and to generate revenue. Its competitors are principally accounting partnerships, in which the partners are entitled to 100% of the earnings. In this context, recruitment and retention of principals has been an ongoing issue for Crowe Horwath. Arguably, the fundamental premise of Crowe Horwath's business model – the operation of an accounting practice within a listed public company structure – is still to be confirmed; and
- much of Crowe Horwath's historic growth was achieved by way of debt funded acquisitions of accounting and financial services businesses. Although the earnings from these acquisitions have been substantially eroded, a significant debt legacy remains. Given its modest earnings and the terms of its debt facility, Crowe Horwath has little financial flexibility and only limited capacity to respond to any further deterioration in trading performance.

In these circumstances, it is not possible to project future earnings for Crowe Horwath over the medium term or even the short term (e.g. FY15) with any degree of confidence. In addition, it is difficult to infer reliable valuation evidence from comparable acquisitions and comparable listed companies, given the unique characteristics of Crowe Horwath, its history of falling earnings and its uncertain trading outlook. These issues mean that any valuation conclusions need to be treated with considerable caution.

■ Grant Samuel estimates the full underlying value of Crowe Horwath to be in the range 43-54 cents per share.

Grant Samuel has valued Crowe Horwath in the range \$118.5-148.5 million which corresponds to a value of 43-54 cents per share. The valuation is summarised below:

Crowe Horwath – Valuation Summary (\$ millions)			
	Detailed Report Section Reference	Value Range	
		Low	High
Business operations (net of listed company cost savings)	4.3	180.0	210.0
Other assets and liabilities	4.4	(6.5)	(6.5)
Net borrowings	4.6	(55.0)	(55.0)
Value of equity		118.5	148.5
Fully diluted shares on issue (millions)		274.0	
Value per share		43 cents	54 cents

The valuation represents the estimated full underlying value of Crowe Horwath assuming 100% of the company was available to be acquired and includes a premium for control. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect Crowe Horwath shares to trade on the ASX in the absence of a takeover offer.



The value attributed to the business operations of \$180-210 million is an overall judgement having regard to a number of valuation methodologies and parameters, including capitalisation of earnings (multiples of EBITDA³, EBITA⁴ and NPAT⁵).

The valuation takes into account potential synergies including the potential for an acquirer of Crowe Horwath to save listed company costs.

■ **The earnings multiples implied by the valuation reflect the challenges facing the business.**

The earnings multiples implied by the valuation of Crowe Horwath's business operations and the value of the equity in Crowe Horwath are summarised below:

Crowe Horwath – Implied Valuation Parameters			
	Variable (\$ million)	Range of Parameters	
		Low	High
Multiple of EBITDA (times) – Business Operations			
FY14 (actual, adjusted)	19.5 ⁶	9.2	10.8
FY15 (broker median) ⁷	22.6	8.0	9.3
FY16 (broker median) ⁷	23.7	7.6	8.9
Multiple of EBITA (times) – Business Operations			
FY14 (actual, adjusted)	13.4 ⁶	13.4	15.7
FY15 (broker median) ⁷	16.3	11.0	12.9
FY16 (broker median) ⁷	17.2	10.5	12.2
Multiple of NPAT (times) - Equity			
FY14 (actual)	(88.2)	nmf ⁸	nmf
FY14 (actual before non recurring items, as reported)	5.5	21.6	27.0
FY14 (actual before non recurring items, adjusted)	3.8 ⁶	31.0	38.8
FY15 (broker median) ⁷	6.9	17.2	21.5
FY16 (broker median) ⁷	7.6	15.6	19.5

In Grant Samuel's view, the multiples implied by its valuation of Crowe Horwath are appropriate. In forming this view the following factors have been taken into account:

- there is limited direct market evidence to provide meaningful valuation guidance for Crowe Horwath. Nevertheless, the evidence indicates that companies providing services primarily on a "fee for service" basis:
 - are trading on multiples of 6-7 times forecast EBITDA and 7-8 times forecast EBITA; and
 - have generally been sold at multiples of 7-9 times forecast EBITDA and 7.5-10 times forecast EBITA;
- the short to medium term outlook for Crowe Horwath is highly uncertain. Difficult trading conditions combined with high principal turnover have resulted in a sharp fall in profits, notwithstanding the removal of \$30 million from the cost structure in the last five years. The FY15 Budget projects a significant turnaround, reflecting the expected benefits of current business initiatives (including cost savings). Broker median forecasts indicate a less dramatic improvement; and

³ EBITDA is earnings before finance costs, depreciation and amortisation, share of profits of equity accounted associates and significant and non-recurring items.

⁴ EBITA is earnings before finance costs, amortisation of other intangibles, tax, share of profits of equity accounted associates and significant and non-recurring items.

⁵ NPAT is net profit after tax.

⁶ After adjusting FY14 earnings to remove non recurring other income (\$2.2 million before tax) and other revenue (\$0.2 million before tax).

⁷ The directors of Crowe Horwath have decided not to include the FY15 Budget in the Scheme Booklet. To provide an indication of the expected financial performance, Grant Samuel has considered brokers' forecasts for Crowe Horwath (see Appendix 2). However, Grant Samuel has not relied on these forecasts for the purposes of this report.

⁸ nmf = not meaningful

- the Financial Services division is one of the largest non-aligned providers of financial planning services in Australia, with significant funds under advice, a large adviser base, national reach and a growing business in the attractive self-managed superannuation fund segment. It has delivered consistent profitability in recent years, notwithstanding the distractions offered by the poor performance of the Business Services division. It provides an opportunity for an acquirer to develop a leading Australian non-aligned financial advisory business; and
- Crowe Horwath has a number of positive attributes. It has a substantial presence in the small and medium business sector, with a particular strength in regional areas. However, it faces significant challenges, particularly in its core business:
 - earnings from the Business Services division have fallen significantly since 2009, reflecting a decline in revenue and costs pressures;
 - earnings pressure has been in part caused by, but has also exacerbated, significant turnover of the principals that are key to the success of the business. Crowe Horwath has put in place revised profit sharing arrangements and other business initiatives to address this issue. However, the long term premise of the business model (i.e. the operation of accounting practices within a publicly listed company structure) remains to be confirmed; and
 - there can be no assurance that external business conditions will improve to any material extent in the short to medium term. Crowe Horwath has limited financial flexibility, whether in terms of access to additional equity or debt, and therefore little capacity to respond to any further deterioration in business performance.

These factors suggest that a cautious approach to valuation (in terms of multiples of current earnings) is warranted.

- **The offer of 50 cents per share falls within Grant Samuel’s value range and, therefore, the Scheme is fair.**

Grant Samuel has estimated the full underlying value in Crowe Horwath, including a premium for control, to be in the range 43-54 cents per share. The offer of 50 cents per share falls well within the range. Accordingly, the Scheme is fair.

In considering the fairness of the Scheme, shareholders should also take the following into account:

- given Crowe Horwath’s earnings track record in recent years, the future earnings of Crowe Horwath on a standalone basis are subject to considerable uncertainty. In this context, theoretical estimates of the value of Crowe Horwath are equally uncertain. The Scheme provides a meaningful premium over objective equity market assessments of value;
- the Scheme follows a six month period during which Crowe Horwath has been “in play” (and arguably it has been in play since the collapse of the merger discussions with SFG Australia Limited in May 2013). Accordingly, it is likely that the price of 50 cents represents the maximum arm’s length value that could be realised for Crowe Horwath at the present time;
- Alceon owns 19.87% of the issued share capital of Crowe Horwath, which it acquired on market during the period from February to May 2014. A sophisticated and informed investor, it has agreed to sell that interest at a price of 50 cents per share subject to certain conditions; and
- for the Scheme to be “not fair”, Crowe Horwath would need to deliver a significant improvement in financial performance relative to its FY14 results. There are indications that business initiatives adopted by management during 2014 are having a positive impact. On the other hand, the external environment remains challenging and the business remains exposed to a variety of material risks. In Grant Samuel’s view, it is reasonable to remain cautious about the extent and timing of any turnaround in Crowe Horwath’s business.

■ **As the Scheme is fair, it is also reasonable.**

As the Scheme is fair, it is also reasonable. In any event, there are a number of factors that support the reasonableness of the Scheme:

- the consideration of 50 cents per share represents substantial premiums over the Crowe Horwath share prices prior to the announcement of the Scheme:

Crowe Horwath – Premiums Implied by the Scheme Consideration		
Period	Crowe Horwath Price/VWAP⁹	Premium
3 October 2014 – Pre-Scheme price	38.5¢	29.9%
1 week prior to 3 October 2014 (VWAP)	39.5¢	26.6%
1 month prior to 3 October 2014 (VWAP)	38.9¢	28.4%
3 months prior to 3 October 2014 (VWAP)	38.0¢	31.5%
6 months prior to 3 October 2014 (VWAP)	41.2¢	21.4%
12 months prior to 3 October 2014 (VWAP)	37.4¢	33.7%
19 March 2014 – Pre Anchorage announcement price	32.5¢	53.8%
12 December 2013 to 19 March 2014 (VWAP)	28.8¢	73.6%

Source: IRESS and Grant Samuel analysis

The premiums implied by the Scheme consideration relative to Crowe Horwath share prices for all the periods set out above are at least consistent with (and for some periods much higher than) those normally seen in takeover offers.

Premium analysis in relation to the Scheme is in any event problematic, given that it is not easy to identify an “undisturbed” share price relative to which meaningful premiums can be calculated. Crowe Horwath’s share price over the six months prior to the announcement of the Scheme would have been affected by a number of factors, including Alceon’s on market acquisition of shares representing a 19.87% interest (February to May 2014), announcements regarding privatisation approaches by various parties (including Anchorage Capital Partners Pty Ltd (“Anchorage”) and Findex) and speculation regarding the outcome of Findex’s due diligence process.

On the other hand, premiums based on share prices for the period prior to 12 December 2013 are also of limited relevance, given that they did not reflect the materially lower profit guidance for FY14 announced by Crowe Horwath on that date. Arguably, the most relevant premiums are those based on Crowe Horwath’s share price for the period between the profit guidance on 12 December 2013 and the announcement on 19 March 2014 of Anchorage’s privatisation proposal. The Scheme consideration represents a premium of 73.6% relative to the VWAP for that period;

- it is likely that, in the absence of the Scheme or market speculation regarding a similar transaction and under current market conditions, Crowe Horwath shares would trade at prices well below 50 cents. Given Crowe Horwath’s recent trading performance, it is conceivable that its shares could trade at prices around or below the levels at which the shares were trading prior to the announcement of the Anchorage privatisation proposal (circa 30 cents);
- the Scheme is effectively the culmination of a lengthy process during which it has been clear that Crowe Horwath was prepared to engage with potential acquirers. Interested parties have had every opportunity to put forward proposals. Other than the Findex proposal, there has been no proposal made capable of acceptance. Findex holds a call option over 19.87% of the issued shares and has a last right to match any competing proposal. Accordingly, it would be reasonable to assume that the likelihood of a counter bidder emerging with a superior proposal is, at this stage, relatively low. In any event, there will continue to be an opportunity for any interested third party to put forward a superior proposal until the scheme meeting; and

⁹ VWAP = volume weighted average price



- Crowe Horwath's financial position is also relevant to an assessment as to whether the Scheme is reasonable. The fall in Crowe Horwath's earnings in recent years, together with the reduction in its net assets following a material goodwill impairment at 30 June 2014, means that Crowe Horwath now has limited head room under its debt facilities. The consequence is that Crowe Horwath has relatively limited financial flexibility to, for example, fund any major business initiative or respond to any major demand shift or adverse change in trading conditions. The value certainty provided by the cash consideration under the Scheme is clearly attractive in the context of the uncertainties facing Crowe Horwath and reinforces a conclusion that the Scheme is reasonable.
- **There are few issues other than price with a cash offer.**

Other factors that shareholders should take into consideration are:

- shareholders will be treated as having disposed of their Crowe Horwath shares for tax purposes. A capital gain or loss may arise on disposal depending on the cost base for the Crowe Horwath shares, the length of time the shares were held, whether the shares are held on capital or revenue account and whether the shareholder is an Australian resident for tax purposes;
- if the Scheme is not implemented, Crowe Horwath will incur transaction costs of around \$1.3 million (0.5 cents per share). In certain circumstances, Crowe Horwath would also be liable to pay Findex a \$1.3 million break fee. Furthermore, if Crowe Horwath validly terminates the Scheme Implementation Agreement for a material breach by Findex, Crowe Horwath would be entitled to receive a break fee of \$1.3 million to offset transaction costs;
- depending on their tax position, if a special dividend is declared prior to the second court hearing in relation to the Scheme, some shareholders may realise additional value from the franking credits (i.e. they would be better off in after tax terms than if the same amount had been paid as part of the acquisition price and received as a capital gain); and
- Crowe Horwath shares have traded below 50 cents since the announcement of the Scheme. Consequently, a cash price in excess of 50 cents is unlikely to be achieved by selling on market rather than waiting until implementation of the Scheme, which is expected in early January 2015. Moreover, on market sales would incur transaction costs and selling shareholders would lose the possibility of realising value from franking credits (in the event that Crowe Horwath declares a special dividend and shareholders' individual tax positions allow them to utilise the credits effectively) and the opportunity to receive any higher price that might be offered.

4 Other Matters

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Crowe Horwath shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Scheme Booklet issued by Crowe Horwath in relation to the Scheme.

Grant Samuel has not been engaged to provide a recommendation to shareholders in relation to the Scheme, the responsibility for which lies with the directors of Crowe Horwath. In any event, the decision whether to vote for or against the Scheme is a matter for individual shareholders, based on their own views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Scheme should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in Crowe Horwath. These are investment decisions upon which Grant Samuel does not offer an opinion and independent of a decision to vote for or against the Scheme. Shareholders should consult their own professional adviser in this regard.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act, 2001. The Financial Services Guide is included at the beginning of the full report.

GRANT SAMUEL



This letter is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary.

The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours faithfully

GRANT SAMUEL & ASSOCIATES PTY LIMITED

A handwritten signature in cursive script that reads "Grant Samuel & Associates".



**Financial Services Guide
and
Independent Expert's Report
in relation to the Offer by
Findex Australia Pty Ltd**

Grant Samuel & Associates Pty Limited
(ABN 28 050 036 372)

11 November 2014

Financial Services Guide

Grant Samuel & Associates Pty Limited ("Grant Samuel") holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investments schemes to wholesale and retail clients.

The Corporations Act, 2001 requires Grant Samuel to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a document ("Disclosure Document") provided to members by the company or other entity ("Entity") for which Grant Samuel prepares the Report.

Grant Samuel does not accept instructions from retail clients. Grant Samuel provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Samuel does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, Grant Samuel's client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report for Crowe Horwath Australasia Ltd ("Crowe Horwath") in relation to the offer by Findex Australia Pty Ltd ("the Crowe Horwath Report"), Grant Samuel will receive a fixed fee of \$225,000 plus reimbursement of out-of-pocket expenses for the preparation of the Report (as stated in Section 6.3 of the Crowe Horwath Report).

No related body corporate of Grant Samuel, or any of the directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Crowe Horwath Report.

Grant Samuel is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission on 30 March 2011. The following information in relation to the independence of Grant Samuel is stated in Section 6.3 of the Crowe Horwath Report:

"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Crowe Horwath or Findex or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Scheme.

Grant Samuel commenced analysis for the purposes of this report in September 2014 prior to the announcement of the Scheme. This work did not involve Grant Samuel participating in setting the terms of, or any negotiations leading to, the Scheme.

Grant Samuel had no part in the formulation of the Scheme. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of \$225,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Scheme. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011."

Grant Samuel has internal complaints-handling mechanisms and is a member of the Financial Ombudsman Service, No. 11929. If you have any concerns regarding the Crowe Horwath Report, please contact the Compliance Officer in writing at Level 19, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000. If you are not satisfied with how we respond, you may contact the Financial Ombudsman Service at GPO Box 3 Melbourne VIC 3001 or 1300 780 808. This service is provided free of charge.

Grant Samuel holds professional indemnity insurance which satisfies the compensation requirements of the Corporations Act, 2001.

Grant Samuel is only responsible for the Crowe Horwath Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.

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Appendices

1	Financial Performance by Segment
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1 Details of the Scheme

On 6 October 2014, Crowe Horwath Australasia Ltd (“Crowe Horwath”) announced that it had entered into a Scheme Implementation Agreement with Findex Australia Pty Ltd (“Findex”) under which Findex proposes to acquire all of the issued share capital in Crowe Horwath by way of a scheme of arrangement (“the Scheme”). If the Scheme is implemented, Crowe Horwath shareholders will receive cash consideration of 50 cents per share (less the amount of any special dividend declared by Crowe Horwath prior to the date of the second court hearing¹).

Findex is privately owned and is one of Australia’s largest non-aligned financial advisory businesses. Funds managed by KKR Credit Advisors (US) LLC (an affiliate of New York Stock Exchange listed investment firm KKR & Co. L.P.) have provided funding to Findex for recent acquisitions, including the Scheme.

The Scheme is subject to a number of conditions which are set out in full in the Notice of Meeting and Explanatory Statement (“Scheme Booklet”) to be sent by Crowe Horwath to shareholders. In summary, the key conditions are:

- that an independent expert concludes that the Scheme is in the best interests of Crowe Horwath shareholders;
- that Crowe Horwath shareholders approve the Scheme by the requisite majorities under Section 411 of the Corporations Act, 2001 (“Corporations Act”); and
- approval under the Foreign Acquisitions and Takeovers Act, 1975 (“FIRB Approval”).

Other elements of the Scheme include:

- Crowe Horwath has agreed to certain exclusivity arrangements (including no-shop, no-talk and no-due diligence restrictions and a notification obligation) that apply during the exclusivity period². The no-talk and no-due diligence provisions are subject to a carve out in respect of the fiduciary and statutory obligations of Crowe Horwath directors;
- Findex has been granted a last right to match a competing proposal³;
- a break fee of \$1.3 million is payable by Crowe Horwath to Findex if the Scheme Implementation Agreement is validly terminated by Findex as a consequence of:
 - Crowe Horwath being in material breach of the agreement; or
 - any Crowe Horwath director:
 - adversely changing, withdrawing or modifying their recommendation of the Scheme; or
 - recommending, promoting or endorsing a competing proposal,
 except where the independent expert concludes that the Scheme is not in the best interests of Crowe Horwath shareholders other than because of the existence of a superior proposal; or
 - if the condition precedent regarding no prescribed occurrences is not satisfied or waived, except where the independent expert concludes that the Scheme is not in the best interests of Crowe Horwath shareholders other than because of the existence of a superior proposal;
- a break fee of \$1.3 million is payable by Findex to Crowe Horwath if the Scheme Implementation Agreement is validly terminated by Crowe Horwath as a consequence of Findex being in material breach of the agreement; and
- the Scheme Implementation Agreement may be terminated if the Scheme has not become effective by 3 April 2015 or such later date as may be agreed in writing by the parties.

¹ Expected to be 18 December 2014.

² The period from 3 October 2014 to the earlier of the implementation date for the Scheme, the date the Scheme Implementation Agreement is terminated and 3 April 2015 (or such later date as may be agreed in writing by the parties).

³ A competing proposal means any proposed or possible transaction or arrangement which, if ultimately completed, would mean that a third party would:

- directly or indirectly acquire a relevant interest in or become the holder of more than 20% of Crowe Horwath shares on issue or the whole or a substantial or material part of the business or assets of Crowe Horwath;
- acquire control of Crowe Horwath; or
- otherwise acquire or merge with Crowe Horwath.



Subject to an independent expert determining that the Scheme is in the best interests of shareholders and in the absence of a superior proposal, each director of Crowe Horwath intends to vote all shares held or controlled by them in favour of the Scheme.

Separately, Findex has entered into a call option deed with Crowe Horwath's major shareholder, Rotarn Pty Ltd as bare trustee for Alceon Group Pty Ltd and as trustee of the Rotarn Operating Trust ("Alceon"), which enables it to acquire 54,237,342 shares in Crowe Horwath (19.87% of the issued share capital). Subject to having received FIRB Approval for the call option, Findex can currently exercise its option at any time from 3 October 2014 to 11.59pm on the earliest of:

- the date on which Findex publicly announces that it is no longer pursuing a control transaction for Crowe Horwath;
- the fifth business day after termination of the Scheme Implementation Agreement;
- the date the Scheme becomes effective; and
- six months after the date of the call option deed (i.e. 3 April 2015).

2 Scope of the Report

2.1 Purpose of the Report

Under Section 411 of the Corporations Act, the Scheme must be approved by a majority in number (i.e. more than 50%) of each class of shareholders present and voting (either in person or by proxy) at the meeting, representing at least 75% of the votes cast on the resolution. If approved by Crowe Horwath shareholders, the Scheme will then be subject to approval by the Supreme Court of Victoria.

Part 3 of Schedule 8 to the Corporations Regulations prescribes the information to be sent to shareholders in relation to such schemes. Part 3 of Schedule 8 requires an independent expert's report in relation to a scheme of arrangement to be prepared when a party to a scheme of arrangement has a prescribed shareholding in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert's report must state whether the scheme of arrangement is in the best interests of shareholders subject to the scheme and must state reasons for that opinion.

Although there is no requirement in the present circumstances for an independent expert's report pursuant to the Corporations Act or the Australian Securities Exchange ("ASX") Listing Rules, the directors of Crowe Horwath have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the Scheme is in the best interests of Crowe Horwath shareholders and to state reasons for that opinion. A copy of the report will accompany the Scheme Booklet to be sent to shareholders by Crowe Horwath.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Crowe Horwath shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Scheme Booklet issued by Crowe Horwath.

Voting for or against the Scheme is a matter for individual shareholders based on their views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Scheme should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in Crowe Horwath. These are investment decisions upon which Grant Samuel does not offer an opinion and independent of a decision on whether to vote for or against the Scheme. Shareholders should consult their own professional adviser in this regard.

2.2 Basis of Evaluation

There is no legal definition of the expression "in the best interests". However, the Australian Securities & Investments Commission ("ASIC") has issued Regulatory Guide 111 which establishes guidelines in respect of independent expert's reports. ASIC Regulatory Guide 111 differentiates between the analysis required for control transactions and other transactions. In the context of control transactions (whether by takeover bid, by scheme of arrangement, by the issue of securities or by selective capital reduction or buyback), the expert is required to distinguish between "fair" and "reasonable". A proposal that was "fair and reasonable" or "not fair but reasonable" would be in the best interests of shareholders. For most other transactions the expert is to weigh up the advantages and disadvantages of the proposal for shareholders. If the advantages outweigh the disadvantages, a proposal would be in the best interests of shareholders.

The Scheme is economically the same as a takeover offer. Accordingly, Grant Samuel has evaluated the Scheme as a control transaction and formed a judgement as to whether the proposal is "fair and reasonable".

Fairness involves a comparison of the offer price with the value that may be attributed to the securities that are the subject of the offer based on the value of the underlying businesses and assets. For this comparison, value is determined assuming 100% ownership of the target and a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. Reasonableness involves an analysis of other factors that shareholders might consider prior to accepting an offer such as:

- the offeror's existing shareholding;
- other significant shareholdings;
- the probability of an alternative offer; and
- the liquidity of the market for the target company's shares.

An offer could be considered "reasonable" if there were valid reasons to accept the offer notwithstanding that it was not "fair".

Fairness is a more demanding criteria. A "fair" offer will always be "reasonable" but a "reasonable" offer will not necessarily be "fair". A fair offer is one that reflects the full market value of a company's businesses and assets. An offer that is in excess of the pre-bid market prices but less than full value will not be fair but may be reasonable if shareholders are otherwise unlikely in the foreseeable future to realise an amount for their shares in excess of the offer price. This is commonly the case where the bidder already controls the target company. In that situation the minority shareholders have little prospect of receiving full value from a third party offeror unless the controlling shareholder is prepared to sell its controlling shareholding.

Grant Samuel has determined whether the Scheme is fair by comparing the estimated underlying value range of Crowe Horwath with the offer price. The Scheme will be fair if it falls within the estimated underlying value range. In considering whether the Scheme is reasonable, the factors that have been considered include:

- the existing shareholding structure of Crowe Horwath;
- the likelihood of an alternative offer and alternative transactions that could realise fair value;
- the likely market price and liquidity of Crowe Horwath shares in the absence of the Scheme; and
- other advantages and disadvantages for Crowe Horwath shareholders of approving the Scheme.

2.3 Sources of the Information

The following information was utilised and relied upon, without independent verification, in preparing this report:

Publicly Available Information

- the Scheme Booklet (including earlier drafts);
- annual reports of Crowe Horwath for the six years ended 30 June 2014 (FY14⁴);
- press releases, public announcements, media and analyst presentation material and other public filings by Crowe Horwath including information available on its website;
- brokers' reports and recent press articles on Crowe Horwath;
- sharemarket data and related information on Australian and international listed companies engaged in the professional services and financial planning sectors and on acquisitions of companies and businesses in those sectors; and
- information relating to the Australian professional services and financial planning sectors including industry research studies and reports and public filings.

⁴ FYXX = financial year end 30 June 20XX

Non Public Information provided by Crowe Horwath

- management accounts for Crowe Horwath for the period to 30 September 2014;
- the budget for FY15 prepared by Crowe Horwath management (“FY15 Budget”); and
- other confidential documents, board papers, presentations and working papers.

Grant Samuel has also held discussions with, and obtained information from, senior management of Crowe Horwath and its advisers.

2.4 Limitations and Reliance on Information

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process employed and the conclusions reached. Any attempt to do so could lead to undue emphasis on a particular factor or analysis. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel’s opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances.

This report is also based upon financial and other information provided by Crowe Horwath and its advisers. Grant Samuel has considered and relied upon this information. Crowe Horwath has represented in writing to Grant Samuel that to its knowledge the information provided by it was then, and is now, complete and not incorrect or misleading in any material respect. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the extent that it considers necessary or appropriate for the purposes of forming an opinion as to whether the Scheme is in the best interests of Crowe Horwath shareholders. However, Grant Samuel does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or “due diligence” investigation might disclose. While Grant Samuel has made what it considers to be appropriate inquiries for the purposes of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to, for example, prospectuses or profit forecasts, is beyond the scope of an independent expert.

Accordingly, this report and the opinions expressed in it should be considered more in the nature of an overall review of the anticipated commercial and financial implications rather than a comprehensive audit or investigation of detailed matters.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Crowe Horwath. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

The information provided to Grant Samuel included the FY15 Budget for which Crowe Horwath is responsible. Grant Samuel has considered and, to the extent deemed appropriate, relied on this forward looking information for the purposes of its analysis. Grant Samuel has not investigated this financial information in terms of the reasonableness of the underlying assumptions, accuracy of compilation or application of assumptions. Grant Samuel considers that, based on the inquiries it has undertaken and only for the purposes of its analysis for this report (which do not constitute, and are not as extensive as, an audit or accountant’s examination), there are reasonable grounds to

believe that the forward looking information has been prepared on a reasonable basis. In forming this view, Grant Samuel has taken into account that the FY15 Budget:

- was prepared through a detailed budgeting process involving preparation of “ground up” forecasts by the management of the individual firms and review by senior management;
- was endorsed by the Directors of Crowe Horwath; and
- is subject to review in light of the impact of actual performance or likely future performance. In this regard, revenue for the first quarter to 30 September 2014 was less than 1% lower than in the prior year (after adjusting for the sale of 50% of First Financial Pty Limited⁵ (“First Financial”) and changes in foreign exchange rates) and behind FY15 Budget.

The directors of Crowe Horwath have decided not to include the FY15 Budget in the Scheme Booklet and therefore it has not been disclosed in this report. In order to provide an indication of the expected financial performance of Crowe Horwath, Grant Samuel has considered brokers’ forecasts for Crowe Horwath (see Appendix 1). Grant Samuel has used the brokers’ forecasts in its analysis but has not relied upon them for the purposes of this report.

Grant Samuel has no reason to believe that the forward looking information reflects any material bias, either positive or negative. However, the achievability of the FY15 Budget is not warranted or guaranteed by Grant Samuel. Future profits and cash flows are inherently uncertain. They are predictions by management of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of the company or its management. Actual results may be significantly more or less favourable.

As part of its analysis, Grant Samuel has reviewed the sensitivity of net present values to changes in key variables. The sensitivity analysis isolates a limited number of assumptions and shows the impact of variations to those assumptions. No opinion is expressed as to the probability or otherwise of those variations occurring. Actual variations may be greater or less than those modelled. In addition to not representing best and worst outcomes, the sensitivity analysis does not, and does not purport to, show the impact of all possible variations to the business model. The actual performance of the business may be negatively or positively impacted by a range of factors including, but not limited to:

- changes to the assumptions other than those considered in the sensitivity analysis;
- greater or lesser variations to the assumptions considered in the sensitivity analysis than those modelled; and
- combinations of different variations to a number of different assumptions that may produce outcomes different to the combinations modelled.

In forming its opinion, Grant Samuel has also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the assessments by Crowe Horwath and its advisers with regard to legal, regulatory, tax and accounting matters relating to the transaction are accurate and complete;
- the information set out in the Scheme Booklet sent by Crowe Horwath to its shareholders is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading;
- the Scheme will be implemented in accordance with its terms; and
- the legal mechanisms to implement the Scheme are correct and will be effective.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue.

⁵ 50% of part of Melbourne’s Financial Service operations were sold on 5 February 2014 as First Financial to principals of the business.

3 Profile of Crowe Horwath

3.1 Background

Crowe Horwath was formed in 1986 as an engineering/surveying consulting business and listed on the ASX as WBCM Consultants Limited in July 1987. It changed its name to Investor Group Limited in March 1988 following its move into the financial services sector and divestment of its previous consulting activities. By 2003 it had developed into a leading mid tier accounting firm in Australia and in FY01 started expanding into New Zealand. In October 2005 it changed its name to WHK Group Limited to leverage the benefits of a national brand. In July 2013, to further increase brand awareness and to maximise the benefits of its membership of Crowe Horwath International⁶, its name was changed to Crowe Horwath.

Crowe Horwath grew strongly in the four years to 30 June 2008, acquiring a number of accounting practices and financial advisory businesses that delivered around \$180 million of annualised revenue, and enjoying the benefits of positive economic conditions. The economic downturn that followed the global financial crisis of 2007/2008 resulted in challenging trading conditions. Following a change in senior management, in late 2011 Crowe Horwath commenced implementation of a range of initiatives targeted at improving operating performance.

In October 2012, Crowe Horwath announced that it was in merger discussions with SFG Australia Limited (“SFGA”) which resulted in an indicative non-binding proposal for a merger of equals in February 2013. On 29 April 2013, Crowe Horwath advised that trading conditions remained difficult and, as a result, FY13 EBITA⁷ was expected to be around 28% below FY12. As a consequence, SFGA withdrew its proposal and suspended discussions with Crowe Horwath.

Following the appointment of a new Managing Director in November 2013, Crowe Horwath focussed on its business and its strategic initiatives. Nevertheless, it remained a target of corporate activity. In early 2014, Crowe Horwath received privatisation approaches from a number of parties (including private equity firm Anchorage Capital Partners Pty Ltd (“Anchorage”) and Findex) and on 4 June 2014 entered into exclusivity arrangements with Findex.

3.2 Business Operations

Overview

Crowe Horwath provides business and financial services across Australia and New Zealand with a strong emphasis on small to medium size enterprises (“SME”). It is headquartered in Melbourne and at 30 June 2014 employed around 2,600 people⁸ (including 272 principals).

Crowe Horwath primarily operates under the *Crowe Horwath*TM brand⁹. Its network of 110 offices is arranged into 14 geographically based “firms” that comprise varying numbers of offices (e.g. the New Zealand firm comprises 23 offices while the Sydney firm comprises two offices). Crowe Horwath has activities in each Australian capital city except Darwin and its competitive strength lies in its regional firms, which account for around 60% of revenue. In New Zealand, Crowe Horwath has offices in Auckland and Wellington with 21 other offices across both islands.

The principals of the 14 Crowe Horwath “firms” play a key role in managing client relationships, delivering client services and ensuring the profitability of the business. The principals include former partners/owners of the various businesses acquired by Crowe Horwath. Retirements and other principal turnover mean that many of the current principals have been promoted from within the business or recruited from other accounting and financial services firms. Principals are employees of Crowe Horwath (rather than partners as in a traditional accounting practice) and are incentivised by a profit sharing model under which they share a proportion (typically 50%) of the

⁶ Crowe Horwath International is the ninth largest international network of independent accounting and advisory services firms, with 191 member firms in 118 countries. Crowe Horwath joined Crowe Horwath International in May 2007.

⁷ EBITA is earnings before finance costs, tax, amortisation of other intangibles, share of profits of equity accounted associates and significant and non-recurring items.

⁸ Full time equivalent basis.

⁹ In particular, its financial services firm in Adelaide operates as *Prescott Securities*.

growth in earnings of the firm of which they are a member (i.e. they do not share in the overall profit of Crowe Horwath). The terms of employment for principals include non-compete restraints upon leaving. Retention and incentivisation of the principals is key to the profitability and growth of the Crowe Horwath business.

Crowe Horwath operates a fully integrated business model with significant cross referral activity between service lines. For management and regulatory purposes it recognises:

- two operating divisions, **Business Services** and **Financial Services**, although these services are usually provided within the same office and/or firm; and
- **Corporate** division.

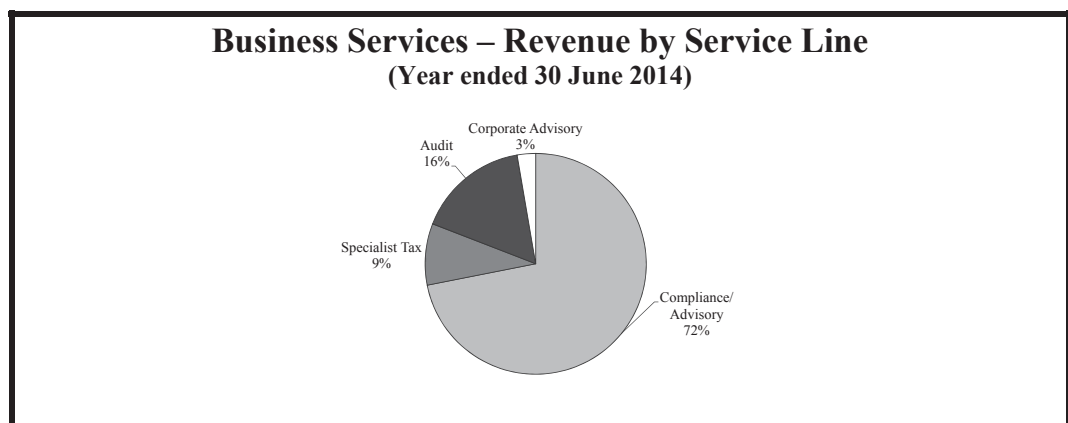
Most of Crowe Horwath's firms provide its full range of business and financial services to clients, although in some firms service line specialists may service a number of offices and financial services is a relatively new activity in the New Zealand firm. Crowe Horwath corporate office provides firms with administrative expertise including finance, human resources and information technology ("IT") as well as the compliance services required under Crowe Horwath's various Australian Financial Services Licences ("AFSLs"). Membership of Crowe Horwath International provides access to further specialised services, methodologies and know how, as well as inbound referrals.

Between 75-80% of Crowe Horwath's revenue is derived from the Business Services division with Australia contributing over 80% of revenue. Crowe Horwath's divisions are described in the following sections and their operating performance discussed in Section 3.3 of this report.

Business Services Division

Business Services encompasses traditional accounting, taxation, audit and assurance services as well as corporate and business advisory services. It is Crowe Horwath's core business activity, providing a stable client base and a large client referral platform for the Financial Services division. There are currently 239 principals and around 1,660 employees in Business Services¹⁰. The Business Services division is represented in all of Crowe Horwath's firms, except Adelaide.

Revenue is derived primarily on a "fee for service" basis and the majority of revenue is derived from recurring non-discretionary compliance work. The contribution to revenue of each service line has been relatively consistent in recent years. The contribution to divisional revenue of each major service line in FY14 was:



Source: Crowe Horwath

Based on current annualised fee levels, Crowe Horwath's Business Services division is estimated to be the 5th largest accounting firm in Australasia. The Australian accounting services sector is estimated to generate around \$16 billion in revenue per annum. It is highly fragmented, with the four global accounting firms (PricewaterhouseCoopers, EY, KPMG and Deloitte Touche

¹⁰ A further 150 employees are classified as "firm indirect" and support both operating divisions.

Tohmatsu) in aggregate accounting for around 20% of the market. Crowe Horwath is estimated to have a 2% market share and its major peers are Grant Thornton and BDO.

Over time, the accounting services sector has diversified revenue by moving into advisory and consulting services, which are generally more profitable than the mandatory compliance services of accounting, audit and taxation and which also assist in developing strong client relationships. Over the last 30 years, the top four firms have generally focussed on larger businesses and left the SME market to the next tier of accounting services providers.

Performance in the accounting services sector is driven primarily by general economic conditions and business confidence. In this regard:

- with the downturn in economic activity following the global financial crisis, the demand for advisory and consulting services has declined and increases in hourly charge out rates have been difficult to achieve. The result of this has been that overall revenue growth in the sector has been constrained over the last 5-6 years; and
- employees represent around 65% of total costs and there is limited ability to reduce employee numbers while retaining sufficient expertise to appropriately service clients. In a revenue growth constrained environment, this and the continual upward pressure on employee costs, negatively impacts profit margins.

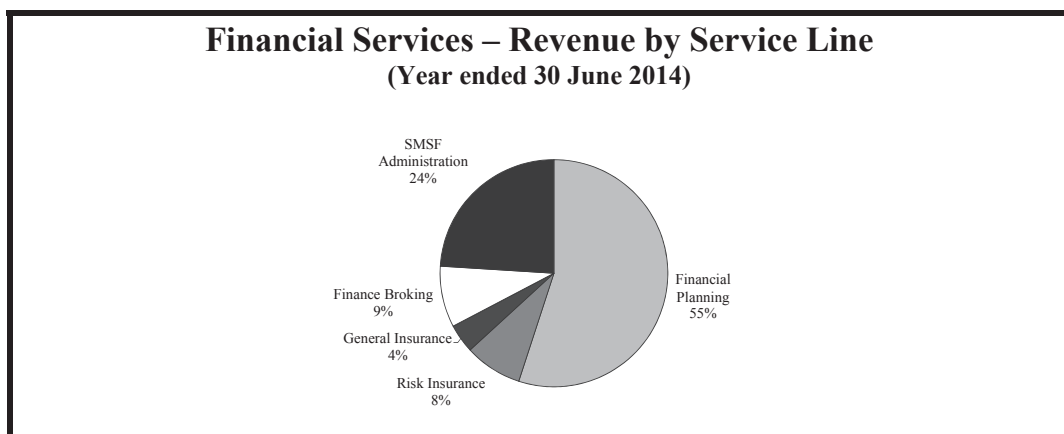
Given continuing weak economic conditions, the outlook for growth in revenue in the accounting sector is uncertain but is generally expected to average 3% per annum over the next five years.

Financial Services Division

Financial Services encompasses financial planning, superannuation advice and services, risk insurance, general insurance and finance broking and advice services (but not funds management services). At 30 June 2014, Financial Services had \$6.5 billion funds under advice and contract administration (“FUA”) and \$2.4 billion of loans under administration (“LUA”).

There are currently 33 principals and around 420 employees in Financial Services¹⁰. All of Crowe Horwath’s firms have Financial Services operations except for Perth which has traditionally accessed external financial planning relationships. In addition, Melbourne does not offer the full range of financial services and therefore maintains a relationship with First Financial. The Financial Services operations in Adelaide trade as *Prescott Securities* given the strong brand awareness for that name in Adelaide and the absence of any Crowe Horwath Business Services operations in that city. Financial Services are not considered material to Crowe Horwath’s activities in New Zealand.

Revenue is derived in various ways (including fee for services, percentage of FUA, upfront and transaction fees and trailing commissions) depending on the service line but “fees for service” accounts for the majority of revenue. The contribution to divisional revenue of each service line in FY14 was:



Source: Crowe Horwath

The revenue contribution of each service line has been relatively consistent in recent years although the contribution of the self managed super funds (“SMSF”) administration activity has grown steadily over the period. Financial planning is the largest contributor to earnings for Financial Services (53%) with SMSF administration the next largest contributor. Crowe Horwath is estimated to be the second largest provider of SMSF administration services (in terms of number of funds administered) and a project to automate this activity is underway to increase profit contribution.

The compliance framework for Financial Services is provided by Corporate.

The Australian financial planning and investment advice sector is a distribution channel for the wealth management industry and generates revenue of around \$5 billion per annum. The sector is dominated by networks owned by, and advisers and dealer groups aligned with, the four large Australian commercial banks (CBA, Westpac, NAB and ANZ) and the large wealth management companies (AMP, Perpetual and IOOF). In aggregate these networks are estimated to account for around 80% of the market based on FUA. Crowe Horwath’s Financial Services division is one of the largest non-aligned providers of financial planning services in Australia (based on FUA) and its major non-aligned peers include Findex and Centrepont Alliance.

Performance in the sector is driven by a range of economic, demographic and regulatory factors as well as consumer sentiment. In this regard:

- the significant decline in investment markets associated with the global financial crisis and the subsequent downturn in consumer confidence and economic conditions, constrained real growth in industry revenue over the five years to June 2014 to around 2.5% per annum (in contrast to real growth of around 6% per annum prior to the global financial crisis);
- demographic trends in Australia (such as an ageing population and increased lifespan) mean that demand for financial planning services will increase, given legislated compulsory superannuation contributions;
- the popularity of SMSF’s (which are complex and regulated investment vehicles) has increased the need for SMSF administration services, as well as investment advice;
- the sector is highly regulated, which imposes significant compliance costs on businesses (e.g. advisers must hold an AFSL or be a representative of an AFSL holder). As a consequence, financial advisers have sought the benefits of scale available from the platforms provided by the wealth management industry; and
- the regulatory framework for the sector is continuing to evolve. Compliance costs and educational requirements are expected to increase and there are likely to be continuing restrictions on the forms of revenue available to advisers.

The outlook for growth in the financial planning and investment advice sector is uncertain given continued volatility in global investment markets and the changing regulatory environment. Nevertheless, real growth in revenue of around 3% per annum is expected, although profit margins may be impacted by increased compliance costs.

Corporate Division

The activities of Corporate division comprise:

- corporate office which includes the costs associated with the executive office (such as costs associated with the Managing Director and Chief Financial Officer, company secretarial and legal, taxation, acquisitions and divestments, financing, risk management and AFSL compliance, etc.) and the costs of being a listed company; and
- group shared services which include a range of services provided to the firms (such as payroll, management accounting, accounts payable, human resources, IT support etc.) which are fully allocated to the operating divisions for public reporting purposes although not all of these costs are charged to the firms.

The Corporate division also recognises other income and expenses relating to corporate rather than operating matters (e.g. corporate initiatives). There are around 100 corporate division employees including 65 employees providing group shared services.

3.3 Financial Performance

After a period of expansion in positive economic conditions, Crowe Horwath has faced difficult trading conditions over the last five years. These conditions, together with disruption to the business caused by implementation of the strategic initiatives in FY12 and FY13 and higher than normal principal turnover, resulted in a 6% decrease in revenue over the period. As a consequence, notwithstanding the removal of costs from the business (including a reduction in the number of employees and principals), profit margins have eroded. In addition, the overlay of non-recurring costs associated with the strategic initiatives, corporate restructuring and corporate activity, has resulted in a substantial decline in NPAT (even before the impact of the FY14 impairment of goodwill) and decrease in interest cover (particularly in FY14):

Crowe Horwath - Financial Performance ¹¹ (\$ millions)					
	Year ended 30 June				
	2010 actual	2011 actual	2012 actual	2013 actual	2014 actual
<i>Number of offices</i>	122	110	110	113	110
<i>Number of principals</i>	323	302	291	290	272
<i>Number of employees (full time equivalent)</i>	2,941	2,771	2,887	2,691	2,622
Revenue¹²	413.2	406.4	413.7	405.9	394.0
EBITDA¹³	53.9	48.2	45.2	32.1	21.9
Depreciation and software amortisation	(7.9)	(7.2)	(8.6)	(5.7)	(6.1)
EBITA	46.0	40.9	36.6	26.4	15.8
Amortisation of other intangibles	(4.3)	(4.6)	(2.6)	(2.7)	(2.9)
EBIT¹⁴	41.8	36.3	33.9	23.7	13.0
Finance costs	(6.4)	(5.1)	(5.0)	(4.7)	(4.7)
Share of profit of equity accounted associates	-	-	-	-	0.4
Significant and non-recurring items	(2.0)	(5.4)	(12.9)	(7.2)	(95.0)
Operating profit before tax	33.4	25.9	16.1	11.8	(86.2)
Income tax expense	(10.0)	(8.1)	(5.9)	(4.8)	(2.0)
NPAT¹⁵ attributable to Crowe Horwath shareholders	23.4	17.8	10.2	7.0	(88.2)
Statistics					
<i>Basic earnings per share</i>	8.9¢	6.7¢	3.8¢	2.6¢	(32.4¢)
<i>Cash earnings per share¹⁶</i>	10.8¢	9.8¢	4.8¢	3.7¢	2.0¢
<i>Dividends per share</i>	6.0¢	7.0¢	7.0¢	5.0¢	-¢
<i>Dividend payout ratio¹⁷</i>	56%	71%	85%	90%	nmf ¹⁸
<i>Amount of dividend franked</i>	100%	100%	100%	100%	nmf
<i>Revenue growth</i>	(2.0%)	(1.7%)	1.8%	(1.9%)	(2.9%)
<i>EBITDA growth</i>	(2.0%)	(10.8%)	(5.9%)	(29.1%)	(31.6%)
<i>EBITA growth</i>	(2.1%)	(11.2%)	(10.5%)	(27.8%)	(40.0%)
<i>EBIT growth</i>	(7.1%)	(13.1%)	(6.5%)	(30.3%)	(45.2%)
<i>EBITDA margin</i>	13.0%	11.8%	10.9%	7.9%	5.6%
<i>EBITA margin</i>	11.1%	10.1%	8.8%	6.5%	4.0%
<i>EBIT margin</i>	10.1%	8.9%	8.2%	5.8%	3.3%
<i>Interest cover¹⁹</i>	6.5x	7.2x	6.8x	5.1x	2.8x

Source: Crowe Horwath and Grant Samuel analysis

- ¹¹ As reported by Crowe Horwath except in FY14 where share of profits of First Financial is excluded from EBIT, EBITA and EBITDA.
- ¹² Revenue includes net fees and commissions, interest received and other revenue.
- ¹³ EBITDA is earnings before finance costs, tax, depreciation and amortisation, share of profits of equity accounted associates and significant and non-recurring items.
- ¹⁴ EBIT is earnings before finance costs, tax, share of profits of equity accounted associates and significant and non-recurring items.
- ¹⁵ NPAT is net profit after tax.
- ¹⁶ Cash earnings is NPAT plus amortisation of other intangibles and impairment of goodwill.
- ¹⁷ Calculated as cash earnings per share divided by dividends per share. In FY12 and FY13 the dividend payout ratio is calculated by reference to cash earnings per share adjusted for non-recurring costs.
- ¹⁸ nmf = not meaningful
- ¹⁹ Interest cover is EBIT divided by net interest.



Depreciation expense relates to leasehold improvements, office furniture and equipment and capitalised software development costs. Amortisation of other intangibles primarily relates to the amortisation (over periods of 8-15 years) of the amounts paid for client relationships on the acquisition of accounting and financial services businesses.

Share of profit of equity accounted associates in FY14 represents a 50% share of the NPAT of First Financial from 5 February 2014.

Significant and non-recurring items reported by Crowe Horwath are summarised below:

Crowe Horwath – Significant and Non-Recurring Items (\$ millions)					
	Year ended 30 June				
	2010 actual	2011 actual	2012 actual	2013 actual	2014 actual
Non cash onerous lease	(2.0)	-	-	-	(1.1)
Impairment of trade receivables	-	(2.8)	-	-	-
Project costs	-	-	(11.9)	-	-
Investigation costs	-	-	(1.0)	-	-
Transaction costs	-	-	-	(1.2)	(0.5)
Redundancy costs	-	-	-	(6.0)	(1.6)
Rebranding costs	-	-	-	-	(1.0)
Impairment of goodwill	-	-	-	-	(90.8)
Total	(2.0)	(5.4)	(12.9)	(7.2)	(95.0)

Crowe Horwath has historically aimed to pay dividends of at least 70% of cash earnings per share. Due to the decline in profitability, no dividends were declared in relation to FY14.

Although Crowe Horwath operates on a fully integrated basis, its recent operating performance can be analysed by division as follows:

■ **Business Services**

The operating performance of Business Services for the five years ended 30 June 2014 is summarised below:

Business Services – Operating Performance (\$ millions)					
	Year ended 30 June				
	2010 actual	2011 actual	2012 actual	2013 actual	2014 actual
Revenue	311.7	308.3	321.3	311.0	301.4
Operating expenses	(267.6)	(268.9)	(280.5)	(286.1)	(282.7)
EBITDA	44.1	39.4	40.8	24.9	18.7
Depreciation and software amortisation	(5.7)	(5.3)	(6.2)	(3.8)	(4.1)
EBITA	38.4	34.1	34.6	21.1	14.6
Statistics					
Revenue growth	(2.1%)	(1.1%)	4.2%	(3.2%)	(3.1%)
EBITDA growth	(8.2%)	(10.6%)	3.7%	(39.1%)	(24.8%)
EBITA growth	(8.7%)	(11.2%)	1.3%	(39.0%)	(30.5%)
EBITDA margin	14.2%	12.8%	12.7%	8.0%	6.2%
EBITA margin	12.3%	11.1%	10.8%	6.8%	4.9%

Source: Crowe Horwath and Grant Samuel analysis (see Appendix 1)

Over the five years from FY09 revenue of the Business Services division has fallen by around 5%. However, over the same period, EBITA (which is after profit share by principals and full allocation of group shared services) has fallen by 65% as margins have reduced from 15% to 6%. This reflects:

- the decline in revenue resulting from both a reduction in client demand for discretionary services and the loss of clients associated with high principal turnover; and

- continued cost pressure in the business, particularly in relation to employee costs. In this regard, notwithstanding cost reductions over the last five years in the vicinity of \$30 million (including \$14.5 million in the last two years), operating expenses have increased by around 1% per annum.

While almost all the Crowe Horwath firms have experienced earnings pressure, reflecting the response of clients to general economic conditions, certain firms have faced severe pressure reflecting regional factors, individual circumstances and other issues.

■ Financial Services

The operating performance of Financial Services for the five years ended 30 June 2014 is summarised below:

Financial Services – Operating Performance (\$ millions)					
	Year ended 30 June				
	2010 actual	2011 actual	2012 actual	2013 actual	2014 actual
<i>FUA</i>	7,880	7,045	6,315	6,990	6,527
<i>LUA</i>	2,840	2,899	2,830	2,722	2,363
Revenue	100.8	97.4	91.6	94.6	92.4
Operating expenses	(83.1)	(80.2)	(76.8)	(78.6)	(77.1)
EBITDA	17.7	17.3	14.7	16.0	15.3²⁰
Depreciation and software amortisation	(1.4)	(1.4)	(1.6)	(0.9)	(0.8)
EBITA	16.3	15.8	13.1	15.1	14.5²⁰
<i>Statistics</i>					
<i>Revenue growth</i>	(1.6%)	(3.3%)	(6.0%)	3.3%	(2.3%)
<i>EBITDA growth</i>	14.9%	(2.5%)	(14.5%)	8.2%	(3.8%)
<i>EBITA growth</i>	20.6%	(2.8%)	(17.2%)	15.1%	(3.6)
<i>EBITDA margin</i>	17.6%	17.7%	16.1%	16.9%	16.6%
<i>EBITA margin</i>	16.2%	16.2%	14.3%	15.9%	15.7%

Source: Crowe Horwath and Grant Samuel analysis (see Appendix 1)

Over the five years from FY09 revenue of the Financial Services division has decreased by around 10% while EBITA (which is after profit share by principals and full allocation of group shared services) has increased by around 8% as a consequence of cost control. However, when reviewing this performance the following factors need to be taken into account:

- the decline in FUA in FY11 primarily reflects a change in the definition of FUA adopted for reporting purposes;
- new financial planning business written annually has been relatively constant over the period while the net market movement was negative in the years prior to FY13 but positive subsequently; and
- the divestment of a 50% interest in First Financial in February 2014 resulted in:
 - a \$1.1 billion reduction in FUA and \$0.4 billion reduction in LUA in FY14; and
 - a reduction in revenue of around \$5 million and EBITA of around \$0.9 million.

On an annualised basis this divestment reduces the EBITA of Financial Services by around \$1.7 million, although this reduction is partially offset by Crowe Horwath's 50% share of the NPAT of First Financial.

²⁰ Excludes share of profits of First Financial (\$0.4 million) which was reported in Financial Services by Crowe Horwath.



■ **Corporate**

In recent years unallocated corporate costs have fluctuated (even after adjustment to exclude other income and other revenue by Grant Samuel as set out in Appendix 1) as set out below:

Corporate – Operating Performance (\$ millions)					
	Year ended 30 June				
	2010 actual	2011 actual	2012 actual	2013 actual	2014 actual
Adjusted EBITDA	(9.6)	(13.7)	(12.4)	(9.3)	(14.5)
Depreciation and software amortisation	(0.8)	(0.5)	(0.8)	(1.0)	(1.2)
Adjusted EBITA	(10.4)	(14.2)	(13.2)	(10.3)	(15.7)
Amortisation of other intangibles	(4.3)	(4.6)	(2.6)	(2.7)	(2.9)
Adjusted EBIT	(14.7)	(18.8)	(15.8)	(13.0)	(18.6)

Source: Crowe Horwath and Grant Samuel analysis (see Appendix 1)

On an ongoing basis, Crowe Horwath expects unallocated corporate costs will be around \$14.5 million per annum (EBITA level), including listed company costs of approximately \$1 million.

Business Initiatives

The decline in Crowe Horwath's profitability has placed Crowe Horwath under substantial financial pressure. Following the appointment of a new Managing Director in November 2013, Crowe Horwath has focussed on stabilising and strengthening the business. The key initiatives have been to:

- reduce principal turnover by increasing principal engagement and alignment (e.g. decentralisation of decision making, clearer company vision and strategy) as principals represent the platform for future growth of the business;
- simplify the operating structure while increasing interaction across the group;
- leverage Crowe Horwath's regional footprint, leading position in SMSF administration and large SME client base as well as membership of the Crowe Horwath International network; and
- explore ways to improve profitability, including automation of SMSF administration and improvements in the delivery of centralised functions.

Crowe Horwath is also exploring ways to strengthen its balance sheet, increase alignment between the interests of principals and shareholders and improve earnings by increased efficiency and cost reductions.

3.4 Financial Position

The financial position of Crowe Horwath as at 30 June 2014 is summarised below:

Crowe Horwath – Financial Position (\$ millions)	
	As at 30 June 2014
Trade receivables, other receivables and prepayments	86.4
Work in progress	22.1
Trade payables, other payables and employee provisions	(63.6)
Net working capital	44.9
Property, plant and equipment (net)	21.9
Goodwill	141.1
Other intangible assets (net)	12.0
Deferred tax assets (net)	7.4
Investment in First Financial (50%)	4.9
Deferred consideration (net)	(0.1)
Employee loans	0.2
Shares in unlisted entities	²¹
Non-current payables (net)	(3.2)
Non current employee provisions	(3.4)
Provision for onerous property lease contracts	(2.1)
Derivative financial instruments (net)	(0.2)
Total funds employed	223.4
Cash at bank and in hand	9.7
Bank loans, hire purchases liabilities and finance leases	(56.0)
Net borrowings	(46.3)
Net assets attributable to Crowe Horwath shareholders	177.1
<i>Statistics</i>	
Shares on issue at period end (million)	273.0
Net assets per share	64.9¢
NTA ²² per share	8.8¢
Book gearing ²³	26.1%
Market gearing ²⁴	40.4%

Source: Crowe Horwath and Grant Samuel analysis

Work in progress represents the costs incurred and profit recognised on client assignments and services that are in progress but not invoiced at period end. It is valued at net realisable value. Other current payables includes \$8.6 million in principal FY14 profit share which was paid after year end.

Property, plant and equipment (net) comprises leasehold improvements (\$11.3 million) and office plant and equipment (\$10.6 million). Goodwill relates to the acquisition of fees or firms over time (in particular Crowe Horwath undertook significant acquisition activity in the three years prior to 30 June 2009). Goodwill is allocated between operating segments as follows:

Crowe Horwath – Goodwill	
	\$ million
Business Services - Australia	87.0
Business Services - New Zealand (including Financial Services)	9.8
Business Services	96.8
Financial Services - Australia	44.3
Total	141.1

Source: Crowe Horwath and Grant Samuel analysis

²¹ Book value of investment is \$3,000.

²² NTA is net tangible assets, which is calculated as net assets less goodwill and other intangible assets (net).

²³ Book gearing is net borrowings divided by net assets. This is the calculation used by Crowe Horwath.

²⁴ Market gearing is net borrowings divided by market capitalisation at year end.

During FY14 the carrying value of goodwill was reduced by an impairment charge of \$90.8 million based on forecast revenue being below both expectations and prior year earnings. Around 80% of the impairment related the Business Services segment, with a significant proportion of that impairment (NZ\$38.6 million) relating to the New Zealand activities.

Other intangible assets (net) include acquired client relationships (\$11.1 million) and capitalised software development costs (\$0.9 million). Acquired client relationships are amortised over periods of 8-15 years and software is amortised over 2-3 years.

Investment in First Financial relates to a 50% interest in Crowe Horwath's former Melbourne Financial Services business. With effect from 5 February 2014 50% of the business was sold to the senior principals of the business. The 50% interest is accounted for as an equity accounted investment and therefore book value at 30 June 2014 of \$4.9 million represents a 50% interest in the net assets of First Financial. The ownership and operations of First Financial are governed by a Shareholders' Agreement which contains restrictions on the transfer of shares as well as change of control provisions.

Deferred consideration (net) represents the difference between deferred consideration receivable (on sale of businesses) and deferred consideration payable (on acquisition of businesses). Shares in unlisted entities are recognised at fair value (\$3,000).

Employee loans represent loans to assist in the purchase of shares in Crowe Horwath. The loans are interest bearing and secured by a holding lock over the shares and retention of dividend payments. The loans are repayable on cessation of employment and are reduced by any dividends in excess of commercial interest rates.

Non current payables (net) include a liability for property operating lease contracts (\$4.5 million) which represents the recognition of rental costs on a straight line basis over the term of the contract when there is a fixed annual rental increase.

The provision for onerous property lease contracts (\$2.1 million) represents the future lease payments under two non-cancellable operating leases less any offsetting rental income. At 30 June 2014, the unexpired terms of the two lease contracts were 15 months and five years.

Crowe Horwath uses derivative financial instruments to manage its exposure to fluctuations in interest rates and foreign exchange rates. At 30 June 2014, Crowe Horwath had a net derivative liability of \$0.2 million relating to interest rate swap contracts.

At 30 June 2014, Crowe Horwath had net borrowings totalling \$46.3 million comprising cash at bank of \$9.7 million and interest bearing liabilities of \$56 million:

Crowe Horwath – Net Borrowings at 30 June 2014 (\$ millions)			
Facility	Amount Committed	Amount Drawn	Maturity
Bank loan (secured, amortising)	11.5	11.5	31 July 2016
Bank loan (secured, non amortising)	75.0	39.5	31 July 2016
Bank loan (NZ\$10 million, secured)	9.3	1.5	Annual renewal
Finance and hire purchase facilities (secured)	1.1	1.1	Various < 3 years
Asset finance facilities (secured)	4.5	0.5	Annual renewal
Asset finance facilities (secured)	2.5	2.0	Annual renewal
	103.9	56.1	
Capitalised borrowing costs	-	(0.1)	
Total interest bearing liabilities	103.9	56.0	
Cash at bank and on hand		(6.7)	
Restricted cash (trust account)		(3.0)	
Total cash		(9.7)	
Net borrowings		46.3	

Source: Crowe Horwath

The bank facilities are secured by fixed and floating charges over the assets of the consolidated Crowe Horwath group and are subject to various covenants which are subject to review on a

quarterly basis. Repayments of \$2.5 million are required on or before 1 January and 1 July each year under the amortising bank facility (\$2.5 million was paid on 30 June 2014) with additional repayments permitted at Crowe Horwath's discretion. Hire purchase and finance lease liabilities and the asset finance facilities are secured over the subject assets.

Cash at bank includes \$3 million of trust cash held by Crowe Horwath Insurance Brokers Pty Ltd that is not available for use other than for payments to underwriters or refunds to policy holders.

Notwithstanding principal repayments of around \$8 million during FY14, Crowe Horwath's book gearing increased from 19.9% to 26.1%, primarily due to the impairment of goodwill²⁵. This level of gearing is approaching Crowe Horwath's target maximum gearing of 30% and headroom under its main bank facility has been eroded.

At 30 June 2014, Crowe Horwath disclosed the following contingent liabilities:

- a statement of claim in the High Court of New Zealand in relation to an audit undertaken by a member firm as at 31 March 2007. The amount of the claim was NZ\$45.4 million plus A\$35.4 million, any other additional losses as assessed by the court and interest and costs;
- other outstanding professional indemnity notifications of circumstances and claims for which no provision has been made. The individual amounts involved are not considered material;
- fee financing arrangements with a third party whereby that party pays Crowe Horwath for the invoice value of the debts owed by the clients but Crowe Horwath retains the liability for any outstanding principal debt should a default occur in the repayment arrangements entered into by the clients with the third party. At 30 June 2014 fee financing arrangements were in place in relation to debts of \$2.8 million; and
- a contingent fee payable in relation to the Scheme should a transaction be successfully executed.

On 17 September 2014, Crowe Horwath announced that the legal claim in New Zealand had been settled at a cost to it of NZ\$6.25 million (\$5.7 million). This amount was paid in September 2014.

Under the Australian tax consolidation regime, Crowe Horwath and its wholly owned Australian resident entities have elected to be taxed as a single entity. At 30 June 2014, Crowe Horwath was estimated to have:

- no carried forward Australian income tax losses;
- carried forward New Zealand income tax losses of approximately NZ\$1.7 million (NZ\$0.5 million tax shield), all of which were recognised in the balance sheet;
- carried forward Australian capital losses of approximately \$12 million;
- \$45.5 million in accumulated franking credits (including in relation to franking credits that will arise from the payment of income tax for FY14); and
- NZ\$8.7 million of imputation credits.

3.5 Cash Flow

Following the expansion of the business in the four years to 30 June 2008, Crowe Horwath focussed on achieving operational efficiencies and strengthening its balance sheet and reduced net borrowings by over \$40 million prior to 30 June 2010. However, notwithstanding improvements in the timing of cash receipts and the suspension of dividend payments in FY14, the downturn in Crowe Horwath's operating performance and costs associated with implementation of strategic initiatives since FY11 have resulted in increased net borrowings:

²⁵ When measured against the market capitalisation of Crowe Horwath's gearing has increased from 29.1% to 40.4% in the same period (as the share price has declined).

Crowe Horwath - Cash Flow (\$ millions)					
	Year ended 30 June				
	2010 actual	2011 actual	2012 actual	2013 actual	2014 actual
EBITDA	53.9	48.1	45.2	32.1	21.9
Changes in working capital and other adjustments	2.0	(2.8)	(16.1)	(16.4)	(3.4)
Capital expenditure (net)	(1.2)	(6.6)	(2.9)	(1.7)	(4.2)
Operating cash flow	54.7	38.7	26.3	13.9	14.3
Tax paid	(8.7)	(10.5)	(7.3)	(3.0)	(2.2)
Finance costs paid	(5.0)	(3.8)	(4.5)	(4.2)	(4.3)
Dividends paid	(6.8)	(18.4)	(18.5)	(15.6)	(3.5)
Business acquisitions (net)	(4.8)	(1.6)	(5.9)	(3.0)	1.8
Other ²⁶	(0.8)	3.7	0.3	0.1	0.2
Net cash generated (used)	28.6	8.0	(9.6)	(11.8)	6.3
<i>Net cash (borrowings) – opening</i>	<i>(67.8)</i>	<i>(39.2)</i>	<i>(31.2)</i>	<i>(40.9)</i>	<i>(52.6)</i>
<i>Net cash (borrowings) – closing</i>	<i>(39.2)</i>	<i>(31.2)</i>	<i>(40.9)</i>	<i>(52.6)</i>	<i>(46.3)</i>

Source: Crowe Horwath and Grant Samuel analysis

3.6 Capital Structure and Ownership

Crowe Horwath has the following securities on issue:

- 273,005,429 ordinary shares; and
- 1,000,000 performance rights over unissued ordinary shares.

At 20 October 2014 there were 3,879 registered shareholders in Crowe Horwath. The top 20 registered shareholders accounted for approximately 68% of shares on issue and, other than Alceon, are principally institutional nominee or custodian companies. Crowe Horwath's registered shareholders are predominantly Australian based investors and over 64% hold less than 10,000 shares although this represents less than 3% of shares on issue. Crowe Horwath has suspended its dividend reinvestment plan as a consequence of the announcement of the Scheme.

Crowe Horwath has received notices from the following substantial shareholders:

Crowe Horwath– Substantial Shareholders			
Shareholder	Date of Notice	Number of Shares	Percentage
Alceon	15 May 2014	54,237,342	19.87%
Findex	7 October 2014	54,237,342	19.87%
Morgan Stanley	5 November 2014	13,659,066	5.00%
Mitsubishi UFJ Financial Group, Inc ²⁷	6 November 2014	13,659,066	5.00%

Source: Crowe Horwath

Alceon's shareholding was acquired in the period February to May 2014 and on 18 June 2014, Trevor Loewensohn, Alceon's founder and Managing Director, was appointed to Crowe Horwath's board.

Findex's relevant interest arises as a consequence of the call option deed dated 3 October 2014 with Alceon.

Under the Crowe Horwath Australasia Ltd Exempt Share Plan ("Share Plan") eligible employees may receive up to \$1,000 of shares on a tax free basis via salary sacrifice arrangements. Shares allocated to employees under the plan are acquired on market by the plan trustee and may not be sold until the earlier of three years after allocation or cessation of employment. Approximately 0.8% of the shares on issue are held under the Share Plan.

The 1,000,000 performance rights entitle the Managing Director to 1,000,000 ordinary shares subject to achievement of a range of performance criteria over a three year period to 30 June 2017.

²⁶ Includes share buyback in FY10, proceeds on disposal of investment in FY11 and repayment of employee share loans.

²⁷ Relevant interest in the same shares as Morgan Stanley as Mitsubishi UFJ Financial Group, Inc has voting power of over 20% in Morgan Stanley, Inc.

Should the Managing Director's employment terminate prior to 30 June 2017 (other than termination for proper cause) then a pro rata portion of the rights may vest at the board's discretion. In the event of a change of control or the sale of Crowe Horwath's principal business to a third party, the board may exercise its discretion and determine if any performance rights should vest.

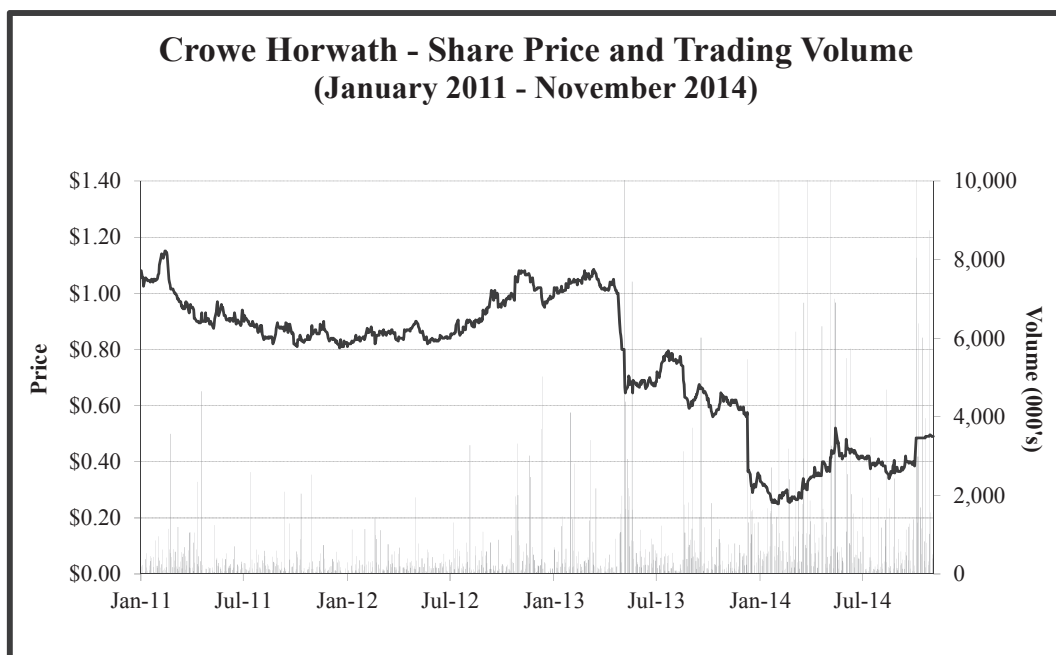
3.7 Share Price Performance

After reaching a record high price of \$2.77²⁸ in late May 2007, Crowe Horwath shares followed the sharemarket down with the onset of the global financial crisis in late 2007, to a low of \$0.72 in November 2008. The share price recovered and the shares traded broadly in the range \$0.80-1.20 (at a volume weighted average price ("VWAP") of \$1.02) during 2009 and 2010. A summary of the price and trading history of Crowe Horwath since 2010 is set out below:

Crowe Horwath - Share Price History					
	Share Price (cents)			Average Weekly Volume (000's)	Average Weekly Transactions
	High	Low	Close		
Year ended 31 December					
2011	117.5	78.5	82.5	1,580	437
2012	108.5	79.5	98.5	1,779	562
2013	110.0	28.0	34.5	3,268	1,004
Quarter ended					
31 March 2014	37.0	24.0	34.0	6,949	666
30 June 2014	52.5	33.3	42.0	6,866	500
30 September 2014	43.0	31.5	40.0	2,786	274
Month ended					
31 October 2014	49.5	37.5	49.5	17,606	529
30 November 2014 (to 5 November)	49.5	49.0	49.0	2,537	353

Source: IRESS

This trading can be illustrated as follows:



Source: IRESS

Note: (1) On five days in this period more than 10 million shares traded but are not shown on the graph (on 8 May 2013 following withdrawal of SFGA's proposal and on 5 February 2014, 28 March 2014 and 7 May 2014 as Alceon built its 19.87% interest and 6 October 2014 on announcement of the Scheme).

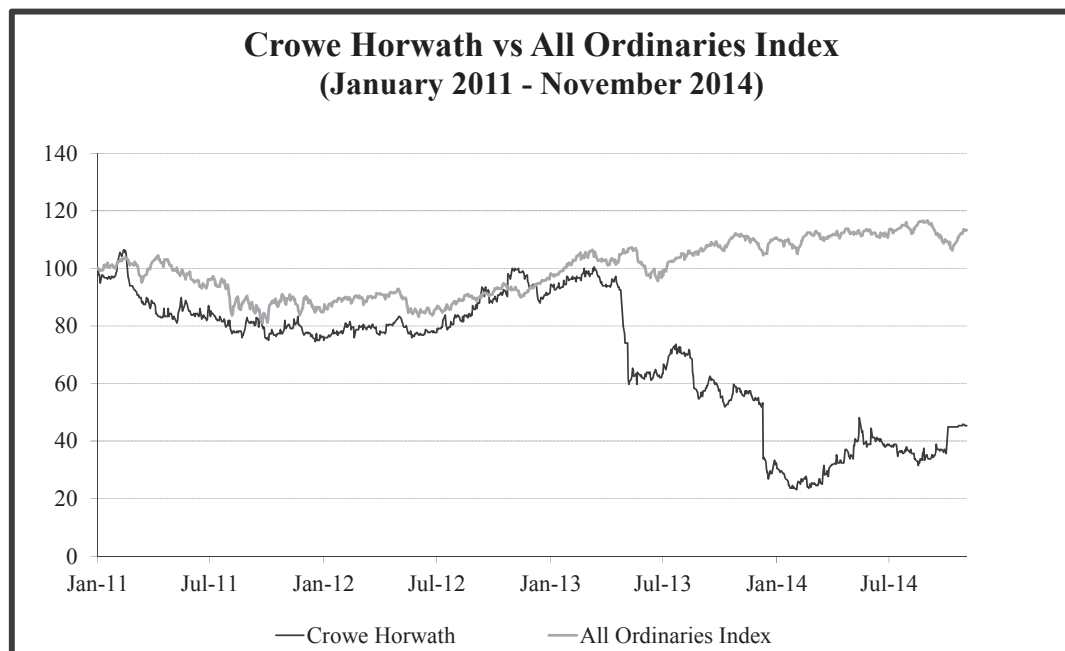
²⁸ Adjusted basis reflecting a 3:1 share split in November 2006. On an unadjusted basis, the record high was \$6.37 on 25 October 2006.

During 2011 and 2012 Crowe Horwath shares traded broadly in a range around 95 cents but rose to around \$1.00 on the back of SFGA's approach in October 2012. Following Crowe Horwath's profit warning of 29 April 2013, the share price dropped by around 20% and by around a further 20% on 7 May 2013 on the withdrawal of SFGA's proposal (a 35% decline in two weeks). For the remainder of 2013, the Crowe Horwath share price gradually declined to around 60 cents. However, following guidance on 12 December 2013 that normalised EBITA for the first half of FY14 would be around 30% lower than FY13, the share price fell by 35% and by a further 5% to around 35 cents by 31 December 2013. The share price continued to decline and traded in a 25-30 cent range until the announcement of a privatisation proposal from Anchorage on 20 March 2014, after which the share price increased above 30 cents.

From 20 March 2014 until the announcement of the Scheme on 6 October 2014, Crowe Horwath shares traded in the range 29-52.5 cents (at a VWAP of 39.5 cents) and closed at 38.5 cents on 3 October 2014 (the last trading day prior to announcement). In the six months to 30 June 2014 the average weekly volume of trading in Crowe Horwath shares increased, reflecting the corporate activity. It has since declined to pre 2014 levels (although the average trade size has remained higher). Since the announcement of the Scheme, Crowe Horwath shares have traded in the range 48-49.5 cents (at a VWAP of 48.7 cents) and closed at 49 cents on 5 November 2014.

Crowe Horwath has been a reasonably liquid stock, although its free float since May 2014 has been only approximately 80%. Average weekly volume over the twelve months prior to the announcement of the Scheme represented approximately 1.8% of average shares on issue or annual turnover of around 92% of total average issued capital.

Crowe Horwath is a member of the All Ordinaries Index with a weighting of approximately 0.01%. Movements in the Crowe Horwath share price generally mirrored the wider market until the profit warning on 29 April 2013. The shares then underperformed for the remainder of 2013 but have subsequently overperformed as a result of the corporate activity around the company:



Source: IRESS

4 Valuation of Crowe Horwath

4.1 Summary

Grant Samuel has valued Crowe Horwath in the range \$118.5-148.5 million which corresponds to a value of 43-54 cents per share. The valuation is summarised below:

Crowe Horwath – Valuation Summary (\$ millions)			
	Report Section Reference	Value Range	
		Low	High
Business operations (net of listed company cost savings)	4.3	180.0	210.0
Other assets and liabilities	4.4	(6.5)	(6.5)
Net borrowings	4.6	(55.0)	(55.0)
Value of equity		118.5	148.5
Fully diluted shares on issue (millions)		274.0	
Value per share		43 cents	54 cents

The valuation represents the estimated full underlying value of Crowe Horwath assuming 100% of the company was available to be acquired and includes a premium for control. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect Crowe Horwath shares to trade on the ASX in the absence of a takeover offer.

The value of Crowe Horwath is subject to considerable uncertainty as a result of various factors affecting the business:

- Crowe Horwath’s historical financial performance has been disappointing, with underlying earnings falling steadily over the past five years;
- the external economic environment facing the business remains challenging. Demand for business advisory services from Crowe Horwath’s client base in the small to medium business segment remains subdued;
- Crowe Horwath is dependent on the principals of its firms to develop and maintain client relationships and to generate revenue. Its competitors are principally accounting partnerships, in which the partners are entitled to 100% of the earnings. In this context, recruitment and retention of principals has been an ongoing issue for Crowe Horwath. Arguably, the fundamental premise of Crowe Horwath’s business model – the operation of an accounting practice within a listed public company structure – remains to be confirmed. In this regard, Crowe Horwath’s most comparable listed peer, Countplus Limited (“Countplus”), announced in late 2013 that it was to change its business model to part ownership of its firms to provide stronger alignment between individual firm performance and the overall performance of Countplus; and
- much of Crowe Horwath’s historic growth was achieved by way of debt funded acquisitions of accounting and financial services businesses. Although the earnings from these acquisitions have been substantially eroded, a significant debt legacy remains. Given its modest earnings and the terms of its debt facility, Crowe Horwath has little financial flexibility and only limited capacity to respond to any further deterioration in trading performance.

In these circumstances, it is not possible to project future earnings for Crowe Horwath over the medium term or even the short term (e.g. FY15) with any degree of confidence. In addition, it is difficult to infer reliable valuation evidence from comparable acquisitions and comparable listed companies, given the unique characteristics of Crowe Horwath, its history of falling earnings and its uncertain trading outlook. These issues mean that any valuation conclusions need to be treated with considerable caution.

The value estimated by Grant Samuel is an overall judgement having regard to a number of valuation methodologies and parameters, including capitalisation of earnings or cash flows (multiples of EBITDA, EBITA and NPAT).



The earnings multiples implied by the valuation of Crowe Horwath's operating business and the value the equity of Crowe Horwath are summarised below:

Crowe Horwath – Implied Valuation Parameters			
	Variable (\$ million)	Range of Parameters	
		Low	High
Multiple of EBITDA			
FY14 (actual, adjusted)	19.5 ²⁹	9.2	10.8
FY15 (broker median) ³⁰	22.6	8.0	9.3
FY16 (broker median) ³⁰	23.7	7.6	8.9
Multiple of EBITA			
FY14 (actual, adjusted)	13.4 ²⁹	13.4	15.7
FY15 (broker median) ³⁰	16.3	11.0	12.9
FY16 (broker median) ³⁰	17.2	10.5	12.2
Multiple of NPAT			
FY14 (actual)	(88.2)	nmf ³¹	nmf
FY14 (actual before non recurring items, as reported)	5.5	21.6	27.0
FY14 (actual before non recurring items, adjusted)	3.8 ²⁹	31.0	38.8
FY15 (broker median) ³⁰	6.9	17.2	21.5
FY16 (broker median) ³⁰	7.6	15.6	19.5

In Grant Samuel's view, the multiples implied by its valuation of Crowe Horwath are appropriate. The factors taken into account in forming this view are discussed in Section 4.4.2 of this report.

4.2 Methodology

The most reliable evidence as to the value of a business is the price at which the business or a comparable business has been bought and sold in an arm's length transaction. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies that are commonly used for valuing businesses:

- capitalisation of earnings or cash flows;
- discounting of projected cash flows;
- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved.

In determining a value for Crowe Horwath's business, Grant Samuel has placed particular reliance on the EBITDA and EBITA multiples implied by the valuation range compared to the EBITDA and EBITA multiples derived from an analysis of comparable listed companies and transactions involving comparable businesses but has also considered price earnings multiples.

Detailed forecasts have not been prepared for Crowe Horwath for the period beyond FY15 and the short to medium term outlook for Crowe Horwath is highly uncertain. The FY15 Budget projects a significant turnaround but external trading conditions and concerns over the fundamental premise of its business model means that it is not possible to project future earnings for Crowe

²⁹ After adjusting FY14 earnings to remove non recurring other income (\$2.2 million before tax) and other revenue (\$0.2 million before tax).

³⁰ The directors of Crowe Horwath have decided not to include the FY15 Budget in the Scheme Booklet. To provide an indication of the expected financial performance, Grant Samuel has considered brokers' forecasts for Crowe Horwath (see Appendix 2). However, Grant Samuel has not relied on these forecasts for the purposes of this report.

³¹ nmf = not meaningful

Horwath over the medium term or even the short term (FY15) with any degree of confidence. Therefore, the discounting of cash flows methodology has not been utilised for the purposes of valuing the operating business.

Grant Samuel is not aware of any commonly used industry rules of thumb that would be appropriate to value the business of Crowe Horwath. Professional services firms are generally acquired based on multiples of earnings, however, prices paid are also cross checked based on multiples of revenue (particularly when fee parcels are acquired). The appropriate revenue multiple depends on quantum, quality and nature of fees acquired. In this regard, accounting services fees are often acquired for revenue multiples in the range of 0.8 to 1.2 times but more often towards or below the bottom of that range. Given the blend of Crowe Horwath's businesses, an implied revenue multiple is not a meaningful rule of thumb. In any event, it should be recognised that such rules of thumb are usually relatively crude and prone to misinterpretation.

Valuations based on an estimate of the aggregate proceeds from an orderly realisation of assets are commonly applied to businesses that are not going concerns. They effectively reflect liquidation values and typically attribute no value to any goodwill associated with ongoing trading. Such an approach is not appropriate in Crowe Horwath's case.

Capitalisation of earnings or cash flows is the most commonly used method for valuation of industrial businesses. This methodology is most appropriate for industrial businesses with a substantial operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential. This methodology is not particularly suitable for start-up businesses, businesses with an erratic earnings pattern or businesses that have unusual capital expenditure requirements. This methodology involves capitalising the earnings or cash flows of a business at a multiple that reflects the risks of the business and the stream of income that it generates. These multiples can be applied to a number of different earnings or cash flow measures including EBITDA, EBITA, EBIT or NPAT. These are referred to respectively as EBITDA multiples, EBITA multiples, EBIT multiples and price earnings multiples. Price earnings multiples are commonly used in the context of the sharemarket. EBITDA, EBITA and EBIT multiples are more commonly used in valuing whole businesses for acquisition purposes where gearing is in the control of the acquirer but are also used extensively in sharemarket analysis.

Where an ongoing business with relatively stable and predictable cash flows is being valued, Grant Samuel uses capitalised earnings or operating cash flows as a primary reference point. Application of this valuation methodology involves:

- estimation of earnings or cash flow levels that a purchaser would utilise for valuation purposes having regard to historical and forecast operating results, non-recurring items of income and expenditure and known factors likely to impact on operating performance; and
- consideration of an appropriate capitalisation multiple having regard to the market rating of comparable businesses, the extent and nature of competition, the time period of earnings used, the quality of earnings, growth prospects and relative business risk.

The choice between parameters is usually not critical and should give a similar result. All are commonly used in the valuation of industrial businesses. EBITDA can be preferable to EBITA or EBIT if depreciation or non-cash charges distort earnings or make comparisons between companies difficult. On the other hand, EBIT can better adjust for differences in relative capital expenditure intensity.

Determination of the appropriate earnings multiple is usually the most judgemental element of a valuation. Definitive or even indicative offers for a particular asset or business can provide the most reliable support for selection of an appropriate earnings multiple. In the absence of meaningful offers it is necessary to infer the appropriate multiple from other evidence.

The usual approach used by valuers is to determine the multiple that other buyers have been prepared to pay for similar businesses in the recent past. A pattern may emerge from transactions involving similar businesses with sales typically taking place at prices corresponding to earnings multiples within a particular range. This range will generally reflect the growth prospects and

risks of those businesses. Mature, low growth businesses will, in the absence of other factors, attract lower multiples than those businesses with potential for significant growth in earnings.

An alternative approach in valuing businesses is to review the multiples at which shares in listed companies in the same industry sector trade on the sharemarket. This gives an indication of the price levels at which portfolio investors are prepared to invest in these businesses. However, share prices reflect trades in small parcels of shares (portfolio interests) rather than whole companies and it is necessary to adjust for this factor.

In interpreting and evaluating such data it is necessary to recognise that:

- multiples based on listed company share prices do not include a premium for control and are therefore often (but not always) less than multiples that would apply to acquisitions of similar companies. However, while the premium paid to obtain control in takeovers is observable (typically in the range 20-35%) it is inappropriate to simply add a premium to listed multiples. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by sharemarket investors;
- acquisition multiples from comparable transactions are therefore usually seen as a better guide when valuing 100% of a business but the data tends to be less transparent and information on forecast earnings is often unavailable;
- the analysis will give a range of outcomes from which averages or medians can be determined but it is not appropriate to simply apply such measures to the company being valued. The most important part of valuation is to evaluate the attributes of the specific company being valued and to distinguish it from its peers so as to form a judgement as to where on the spectrum it appropriately belongs;
- acquisition multiples are a product of the economic and other circumstances at the time of the transaction. However, each transaction will be the product of a unique combination of factors, including:
 - economic factors (e.g. economic growth, inflation, interest rates) affecting the markets in which the company operates;
 - strategic attractions of the business - its particular strengths and weaknesses, market position of the business, strength of competition and barriers to entry;
 - the company's own performance and growth trajectory;
 - rationalisation or synergy benefits available to the acquirer;
 - the structural and regulatory framework;
 - investment and sharemarket conditions at the time; and
 - the number of competing buyers;
- acquisitions and listed companies in different countries can be analysed for comparative purposes, but it is necessary to give consideration to differences in overall sharemarket levels and ratings between countries, economic factors (economic growth, inflation, interest rates) and market structures (competition etc.) and the regulatory framework. It is not appropriate to adjust multiples in a mechanistic way for differences in interest rates or sharemarket levels;
- acquisition multiples are based on the target's earnings but the price paid normally reflects the fact that there were synergies available to the acquirer (at least if the acquirer is a "trade buyer" with existing businesses in the same or a related industry). If the target's earnings were adjusted for these synergies, the effective multiple paid by the acquirer would be lower than that calculated on the target's earnings; and

- while EBITDA multiples are commonly used benchmarks they are an incomplete measure of cash flow. The appropriate multiple is affected by, among other things, the level of capital expenditure (and working capital investment) relative to EBITDA. In this respect:
 - EBITA or EBIT multiples can in some circumstances be a better guide because (assuming depreciation is a reasonable proxy for average capital expenditure) they effectively adjust for relative capital intensity and present a better approximation of free cash flow. However, capital expenditure is often lumpy and depreciation expense may not be a reliable guide to the normalised level of capital expenditure. In addition, there can be differences between companies in the basis of calculation of depreciation; and
 - businesses that generate higher EBITDA margins than their peer group companies will, all other things being equal, warrant higher EBITDA multiples because free cash flow will, in relative terms, be higher (as capital expenditure is a smaller proportion of earnings).

The analysis of comparable transactions and sharemarket prices for comparable companies will not always lead to an obvious conclusion as to which multiple or range of multiples will apply. There will often be a wide spread of multiples and the application of judgement becomes critical. Moreover, it is necessary to consider the particular attributes of the business being valued and decide whether it warrants a higher or lower multiple than the comparable companies. This assessment is essentially a judgement.

4.3 Approach for Crowe Horwath

Grant Samuel's valuation of Crowe Horwath has been estimated by aggregating the estimated market value of its operating business (on a "control" basis) together with the realisable value of non-trading assets and deducting external borrowings and non-trading liabilities. The value of the operating business has been estimated on the basis of fair market value as a going concern, defined as the maximum price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information.

In valuing the operating business, the primary focus was on earnings multiples analyses. The value range selected is a judgement derived through an iterative process. The objective is to determine a value that is both consistent with the market evidence as to multiples.

Specific aspects of the methodology adopted by Grant Samuel include the following:

- Crowe Horwath has been valued as a single business (i.e. the Business Services, Financial Services and Corporate divisions have not been valued separately and then aggregated). There are a number of reasons for adopting this approach:
 - the Financial Services division is dependent on the Business Services division for client referrals and corporate office represents the costs of running an integrated accounting/financial services business. It is unlikely that the Financial Services division as a whole could easily be separated from Crowe Horwath, although individual firms or offices could be divested;
 - the economic drivers of the two divisions are similar, albeit Financial Services is less exposed to weak economic conditions due to demographic trends and legislated compulsory superannuation contributions;
 - evidence of transactions involving substantial accounting businesses is limited;
 - a number of the financial services businesses included in the comparable evidence also have accounting services activities and these earnings are reflected in their blended multiples; and
 - there are no listed companies comparable to the accounting services business. The nearest "peer" is Countplus but its sharemarket trading does not provide meaningful valuation guidance for a number of reasons including difference in scale and mix of activities, thin trading, lack of broker coverage and its announced intention to fundamentally change its business model (see Section 4.4.2);

- Crowe Horwath holds restricted (trust account) cash in relation to its insurance activities in the Financial Services division which is only available for payments to insurance underwriters or refunds to policyholders. It is not surplus cash and is not available for general use in the business. Accordingly, for valuation purposes;
 - it has not been treated as a surplus asset;
 - interest income earned by Crowe Horwath on the balances held is included in EBITDA and EBITA of the Financial Services division and therefore for the purposes of assessing multiples; and
- synergies achievable by acquirers of Crowe Horwath have been considered but it needs to be recognised that:
 - normal valuation practice is to include a value for synergies that are common across multiple acquirers but to exclude those that are unique to a particular acquirer; and
 - where earnings multiples from comparable transactions are a primary reference point adding synergies to earnings would potentially double count them as the multiples from the other transactions are usually based on “standalone” earnings (either reported or forecast) and the value of synergies is therefore reflected in the multiple (i.e. the transaction multiple would be lower if based on earnings including synergy benefits).

4.4 Value of Business Operations

4.4.1 Overview

Grant Samuel estimates the value of Crowe Horwath’s business operations to be in the range \$180-210 million.

The value of Crowe Horwath is subject to considerable uncertainty as a result of various factors affecting the business as discussed in Section 4.1. In these circumstances, it is not possible to project future earnings for Crowe Horwath over the medium term or even the short term (e.g. FY15) with any degree of confidence. In addition, it is difficult to infer reliable valuation evidence from comparable acquisitions and comparable listed companies, given the unique characteristics of Crowe Horwath, its history of falling earnings and its uncertain trading outlook. These issues mean that any valuation conclusions need to be treated with considerable caution.

4.4.2 Earnings Multiples Analysis

Transaction Evidence

Appendix 3 contains an analysis of the multiples implied by selected acquisitions of professional, financial advisory and other services businesses since 2008 for which there is sufficient information to calculate meaningful valuation parameters. Transactions prior to that date have not been considered due to the substantial changes to economic conditions.

The following table summarises the historical and forecast revenue, EBITDA and EBITA multiples for these transactions:



Recent Transaction Evidence								
Date	Target	Consideration (millions)	Revenue Multiple (times)		EBITDA Multiple (times)		EBITA Multiple (times)	
			Historical	Forecast	Historical	Forecast	Historical	Forecast
Accounting Services (Australasia)								
Feb 13	Lachlan Partners	A\$23-32	1.4-2.0	na	5.5-7.7	na	na	na
Dec 10	Countplus (IPO)	A\$154	1.7	na	10.5	na	11.5	na
Accounting Services (North America)								
Aug 11	RSM McGladrey Inc	US\$610	0.7	0.7	6.2	6.0	7.0	7.3
Financial Services (Australasia)								
May 14	SFGA	A\$626	4.1	3.8	13.5	11.3	14.0	11.8
Jan 14	Centric Wealth	A\$82	2.1	2.1	12.7	na	13.6	na
Jul 12	Plan B Group	A\$49	1.1	na	6.0	na	7.0	na
Aug 11	Count Financial	A\$373	2.1	1.9	10.4	9.9	10.5	10.0
Jun 11	DKN Financial Group	A\$115	3.9	3.8	9.5	7.6	9.8	8.3
May 11	Shadforth Financial	A\$206	2.3	2.2	6.6	7.1	6.8	7.3
Other Services (Australasia)								
Aug 14 (pending)	Oakton Limited	A\$171	1.0	1.0	14.7	10.0	19.9	12.5

Source: Grant Samuel analysis (see Appendix 3)

In considering this transaction evidence the following factors should be taken into consideration:

- none of the businesses is directly comparable to Crowe Horwath in terms of scale and mix of activities. In particular, the evidence primarily relates to financial advisory rather than accounting services businesses, some of which have significant funds management activities as well as financial advisory services (e.g. SFGA);
- a number of the transactions do not reflect control values including:
 - the Countplus initial public offering, where only 12% of the company was offered to the public with principals of its firms being offered a further 47%;
 - the merger of Shadforth Financial Group Holdings Limited and Snowball Group Limited was structured as a “nil premium merger”;
- the multiples paid for Centric Wealth Limited by Findex are high and may reflect potential synergies and the scale and nature of the business;
- the multiples offered for Oakton Limited (“Oakton”) are high, reflecting Oakton’s participation in the IT sector (albeit on a “fee for service” basis) and expectation of continued growth in its earnings; and
- the only international transaction (RSM McGladrey Inc) involved the sale of an underperforming tax, consulting and accounting business by H&R Block back to McGladrey & Pullen LLP. The multiples implied by the transaction are relatively low considering the size and scale of the firm (revenue of US\$830 million, operating in 85 cities in 25 states) but likely reflected the existing operating arrangements between RSM McGladrey Inc. and McGladrey & Pullen LLP.

To the extent that meaningful conclusions can be drawn, multiples paid for “pure” accounting services businesses are lower than for blended accounting/financial advisory businesses (Countplus) and large scale businesses focussed primarily on financial services (Count Financial). The multiples paid for financial services businesses with significant funds management activities (SFGA) are higher.

It should also be noted that:

- recent acquisitions of legal firms by Slater & Gordon Limited (“Slater & Gordon”) and Shine Corporate Limited (“Shine”) have been completed based on multiples in the range of 3.5-5 times EBITDA but these were relatively small bolt on transactions; and
- acquisitions of small accounting services firms are generally believed to be undertaken at EBITA multiples in the range of 4-5 times with fee acquisitions in the range of 0.8-1.2 times revenue (but generally below the low end of the range for sole trader acquisitions).

Sharemarket Evidence

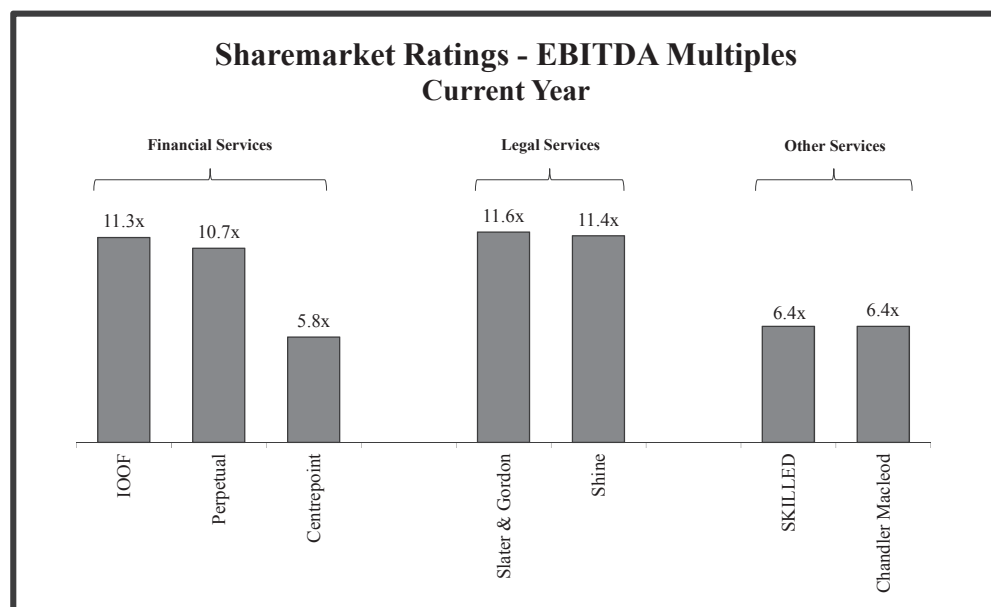
Appendix 3 also contains analysis of the earnings multiples implied by share prices as at 5 November 2014.

During the late 1980s and 1990s a push to limit firm and personal liability resulted in the introduction of other ownership forms for professional services firms (such as incorporation and limited liability partnerships). The late 1990s saw a trend to the public ownership of accounting firms in the United States for non audit accounting services (e.g. H&R Block and CBIZ Inc.). In 1998 in Australia Crowe Horwath (then named Investor Group) acquired its first accounting firm and in the period 2000-2003 four other companies with a primary focus on accounting services listed on the ASX but all had collapsed by 2006. In December 2010, another aggregation network of accounting and financial services firms, Countplus, listed on the ASX. Similarly, in the United Kingdom four accounting firms were listed in the early 2000s but three have since collapsed and only the business recovery specialist Begbies Traynor Group plc remains listed.

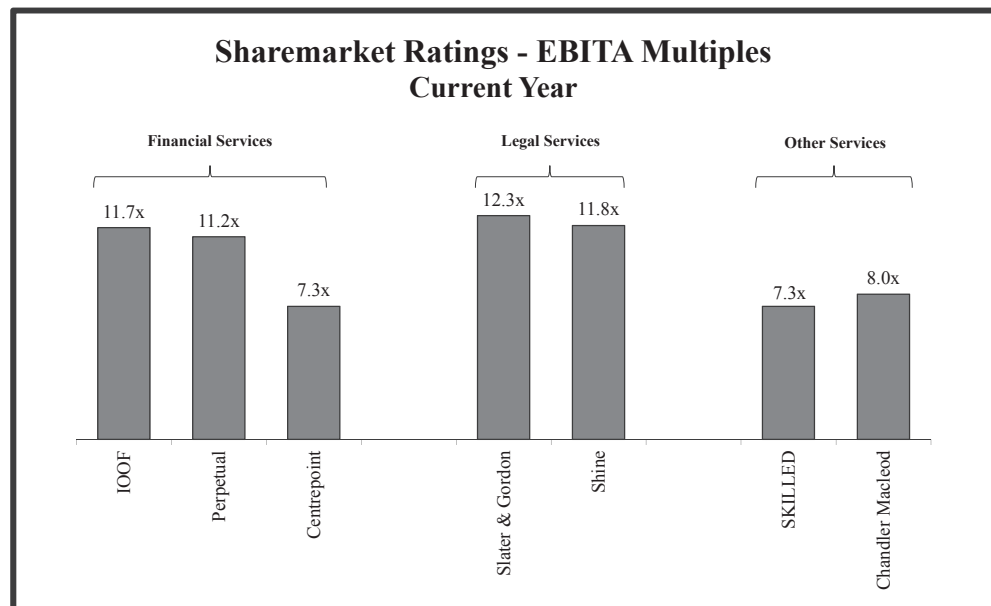
Therefore, the number of publicly listed accounting firms is limited. Except in Australia, the remaining listed accounting firms tend to provide specialist accounting services (e.g. corporate recovery or tax return preparation) rather than a full range of accounting services. Given the paucity of stockmarket trading evidence for accounting firms, Grant Samuel's review of comparable companies has included Australian companies providing other professional, financial advisory or similar services, the performance of which is impacted by general economic conditions and business confidence. In particular, regard has been had to:

- listed financial services firms with a focus on financial advisory services;
- listed legal firms; and
- other listed companies which primarily provide services based on a "fee for service" revenue model.

The following charts summarise the EBITDA and EBITA multiples for the current (FY15) year for those companies for which there are broker forecasts:



Source: Grant Samuel analysis (Appendix 3)



Source: Grant Samuel analysis (Appendix 3)

The following factors are relevant to consideration of the sharemarket evidence:

- the multiples are based on share prices as at 5 November 2014 and do not include a premium for control;
- Countplus is Crowe Horwath's most comparable listed peer and its financial results have also been affected by the continuing difficult trading environment. However, its sharemarket trading does not provide meaningful valuation guidance for a number of reasons:
 - it has a restricted free float (estimated at around 40%) and is thinly traded. Its share price is unlikely to be reflective of the underlying value of its business;
 - accounting services represents around 50% of revenue in comparison to 75-80% for Crowe Horwath;
 - no brokers follow Countplus and, until profit guidance is given at its annual general meeting in November 2014, there are no FY15 earnings projections available; and
 - most importantly, Countplus announced a change to its business in late 2013. It has decided to adopt a part ownership model to provide stronger alignment between individual firm performance and return on investment. This restructure is to be first offered to key employees of existing firms and will form the basis for all future acquisitions. Because Countplus will effectively sell down partial interests in its member firms to key employees, this change will have an initial negative impact on earnings (from FY15), the scale of which will depend on the rate of take up by existing employees. Although the proceeds on divestment will be used to fund new acquisitions to replace the earnings from divested business interests, there will be a time lag. Consequently, the outlook for Countplus' earnings will change significantly over the next 3-5 years;
- the multiples for the legal services companies reflect expectation of further growth given the fragmentation of the legal sector and the opportunities for expansion internationally (e.g. Slater & Gordon expanded into the United Kingdom in 2012 and currently 44% of its revenue is sourced in the United Kingdom). In addition, both Slater & Gordon and Shine are focussed on consumer and personal injury law rather than general commercial law and derive relatively high margins;
- the principal activities of IOOF and Perpetual are in funds management although they also have significant financial advisory businesses;

- prior to the announcement of the Scheme, Crowe Horwath was trading at multiples of FY15 EBITDA and EBITA of 6.5 and 9.0 times respectively; and
- the international listed companies (H&R Block, CBIZ Inc. and Begbies Traynor Group plc) for which broker forecasts are available, are currently trading at multiples in the range 7-8 times forecast EBITDA and 8-9 times forecast EBITA³².

Implied Multiples for Crowe Horwath

Crowe Horwath has decided not to include the FY15 Budget in the Scheme Booklet and therefore it has not been disclosed in this report. In order to provide an indication of the expected financial performance, Grant Samuel has considered brokers forecasts for FY15 and FY16 for Crowe Horwath (see Appendix 2 for details). However, it needs to be recognised that:

- the broker forecasts are lower than Crowe Horwath's FY15 Budget;
- the uncertain trading conditions and other issues impacting Crowe Horwath's business make it difficult for any party to forecast earnings with a high degree of confidence; and
- only three brokers follow Crowe Horwath and the range of forecasts is wide. Considerable caution is therefore warranted in using the broker median forecasts.

Accordingly, the broker forecasts cannot be relied on for the purposes of valuation but they do provide some useful insights into the valuation parameters.

The multiples implied by Grant Samuel's valuation are summarised below:

Crowe Horwath Business Operations – Implied Valuation Parameters			
	Variable³³ (\$ million)	Range of Parameters	
		Low	High
Value Range (\$ million)		180.0	210.0
Multiple of EBITDA (times)			
FY14 (actual)	19.5	9.2	10.8
FY15 (broker median) ³⁴	22.6	8.0	9.3
FY16 (broker median) ³⁴	23.7	7.6	8.9
Multiple of EBITA (times)			
FY14 (actual)	13.4	13.4	15.7
FY15 (broker median) ³⁴	16.3	11.0	12.9
FY16 (broker median) ³⁴	17.2	10.4	12.2

Analysis and Commentary

In Grant Samuel's view, the multiples implied by its valuation of Crowe Horwath are appropriate. In forming this view the following factors have been taken into account:

- there is limited direct market evidence to provide meaningful valuation guidance for Crowe Horwath. Nevertheless, the evidence indicates that companies providing services primarily on a "fee for service" basis:
 - are trading on multiples of 6-7 times forecast EBITDA and 7-8 times forecast EBITA; and
 - have generally been sold at multiples of 7-9 times forecast EBITDA and 7.5-10 times forecast EBITA;

³² Source: S&P Capital IQ as at 5 November 2014.

³³ After adjusting FY14 earnings to remove non recurring other income (\$2.2 million before tax) and other revenue (\$0.2 million before tax).

³⁴ The directors of Crowe Horwath have decided not to include the FY15 Budget in the Scheme Booklet. In order to provide an indication of the expected financial performance, Grant Samuel has considered brokers' forecasts for Crowe Horwath (see Appendix 2). However, Grant Samuel has used the median brokers' forecasts in its analysis but has not relied upon them for the purposes of this report.



- the short to medium term outlook for Crowe Horwath is highly uncertain. Difficult trading conditions combined with high principal turnover have resulted in a sharp fall in profits, notwithstanding the removal of \$30 million from the cost structure in the last five years. The FY15 Budget projects a significant turnaround, reflecting the expected benefits of current business initiatives (including cost savings). Broker median forecasts indicate a less dramatic improvement; and
- the Financial Services division is one of the largest non-aligned providers of financial planning services in Australia, with significant funds under advice, a large adviser base, national reach and a growing business in the attractive self managed superannuation fund segment. It has delivered consistent profitability in recent years, notwithstanding the distractions offered by the poor performance of the Business Services division. It provides an opportunity for an acquirer to develop a leading Australian non-aligned financial advisory business;
- Crowe Horwath has a number of positive attributes. It has a substantial presence in the small and medium business sector, with a particular strength in regional areas. However, it faces significant challenges, particularly in its core business:
 - earnings from the Business Services division have fallen significantly since 2009, reflecting a decline in revenue and costs pressures;
 - earnings pressure has been in part caused by, but has also exacerbated, significant turnover of the principals that are key to the success of the business. Crowe Horwath has put in place revised profit sharing arrangements and other business initiatives to address this issue. However, the long term premise of the business model (i.e. the operation of accounting practices within a publicly listed company structure) remains to be confirmed;
 - there can be no assurance that external business conditions will improve to any material extent in the short to medium term. Crowe Horwath has limited financial flexibility, whether in terms of access to additional equity or debt, and therefore little capacity to respond to any further deterioration in business performance.

These factors suggest that a cautious approach to valuation (in terms of multiples of current earnings) is warranted.

In assessing the appropriateness of the multiples it is also necessary to take potential synergies into account. Grant Samuel has allowed for savings in listed company costs (\$0.8 million in FY14 and \$1 million per annum in FY15 and beyond) as these would be saved by any acquirer. Broader potential operating synergies for an industry buyer of Crowe Horwath include leveraging its market position and cost savings in senior management, administration, marketing and IT. However, it is difficult to make an accurate assessment of the level of common synergies available to more than one acquirer. In this regard:

- Findex has provided no information on its detailed operating plans for Crowe Horwath or the quantum of synergies it expects. In addition, as Findex has a relatively small existing operation, substantial savings in senior management are arguably limited;
- the “Big 4” accounting firms are probably the only parties that could extract the full extent of synergies but they are unlikely acquirers. They would likely face competition issues in acquiring Crowe Horwath and, in any event, they have specifically moved away from the SME and regional markets over the last 30 years.

Grant Samuel believes that the valuation of the operating business of \$180-210 million incorporates an appropriate allowance for any commonly available synergy benefits.

4.5 Other Assets and Liabilities

Crowe Horwath's other assets and liabilities have been attributed a value of (\$6.5) million and comprise:

- the 50% interest in First Financial (including the FY14 dividend receivable) (\$5.7 million). This value was assessed having regard to historical and forecast earnings, book value at 30 June 2014 and the sale of a 50% interest in First Financial on 5 February 2014 to the senior principals in the business;
- the amount paid by Crowe Horwath in September 2014 in relation to the commercial settlement of the legal claim in the High Court of New Zealand (\$5.7 million); and
- the following items based on book value at 30 June 2014:
 - deferred consideration (net);
 - employee loans;
 - shares in unlisted entities;
 - liability for property lease contracts; and
 - provision for onerous lease contracts.

No separate value has been attributed to Crowe Horwath's carried forward Australian capital losses (\$12 million), carried forward New Zealand income tax losses (NZ\$1.7 million) and New Zealand imputation credits (NZ\$8.7 million).

4.6 Corporate Office

Corporate office costs form part of the operating business of Crowe Horwath and include costs associated with the executive office (such as costs associated with the Managing Director and Chief Financial Officer, company secretarial and legal, taxation, acquisitions and divestments, financing etc.) and the costs of being a listed company. On an ongoing basis, Crowe Horwath expects unallocated corporate costs will be around \$14.5 million per annum (EBITA level), including listed company costs of approximately \$1 million.

Any acquirer of 100% of Crowe Horwath would be able to save the costs associated with being a listed company which are estimated to be around \$1 million per annum (2014 dollars). The potential savings are reflected in the value attributed to Crowe Horwath's business operations (Section 4.4.1).

4.7 Net Borrowings

The deduction for net borrowings excludes the restricted cash (insurance trust account) that is not available for general use in the Crowe Horwath business (\$3 million at 30 June 2014). This cash is only available for payments to insurance underwriters or refunds to policyholders. The interest income relating to this cash balance is included in the earnings of the Financial Services business.

Crowe Horwath's other net borrowings fluctuate over the course of the year reflecting seasonality in some of the Business Services division's service lines (e.g. audit and tax accounting) as well as the impact of the Christmas/New Year period generally, profit share payments which occur after year end, dividend payments (if any) and tax payments. Net borrowings are at their lowest level across the financial year at 30 June.

The level of net borrowings used for valuation purposes therefore represents an estimate of normalised borrowings across the year. In making this assessment, Grant Samuel reviewed quarterly net borrowings (actual and forecast) for the year to 30 September 2014 (assuming no dividends are paid and excluding the commercial settlement of the New Zealand legal claim which is reflected in other assets and liabilities). Based on this review and after discussions with Crowe Horwath management, an average net borrowings level of \$55 million has been assumed. Grossing up net interest expense (excluding restricted cash balances) for the year at Crowe Horwath's average cost of finance also gives a similar result. The amount of \$55 million exceeds Crowe Horwath's net borrowings (excluding restricted cash) of \$49.3 million at 30 June 2014 but compares to net borrowings at 30 September 2014 of \$57 million.

4.8 Franking Credits

Under Australia's dividend imputation system, domestic equity investors receive a taxation credit (franking credit) for tax paid by a company. The franking credit attaches to any dividends paid by a company and the franking credit offsets personal tax for Australian investors. To the extent that personal tax has been fully offset the individual will receive a refund of the balance of the franking credit. Franking credits therefore have value to the recipient.

However, in Grant Samuel's opinion, while acquirers are attracted by franking credits there is no clear evidence that they will actually pay extra for a company with them (at any rate the sharemarket evidence used by Grant Samuel in valuing the Crowe Horwath business will already reflect the value impact of the existence of franking credits). Further, franking credits are not an asset of the company in the sense that they can be readily realised for a cash sum that is capable of being received by all shareholders. The value of franking credits can only be realised by shareholders themselves when they receive distributions. Importantly, the value of franking credits is dependent on the tax position of each individual shareholder. To some shareholders (e.g. overseas shareholders) they may have very little or no value. Similarly, if they are attached to a distribution which would otherwise take the form of a capital gain taxed at concessional rates there may be minimal net benefit (in fact, there may be some categories of shareholders who are worse off in this situation; e.g. shareholders with a capital loss on disposal of the shares).

Accordingly, while franking credits may have value to some shareholders they do not affect the underlying value of the company itself. No value has therefore been attributed to Crowe Horwath's accumulated franking credit position (\$45.5 million at 30 June 2014) in the context of the value of Crowe Horwath as a whole. To the extent that a special dividend is declared by Crowe Horwath prior to the date of the second court hearing for the Scheme, depending on the individual circumstances of shareholders, some may realise additional value from the franking credits (i.e. they would be better off in after tax terms than they would have been had the same amount been paid as part of the acquisition price and been received as a capital gain).

5 Evaluation of the Scheme

5.1 Conclusion

In Grant Samuel's opinion, the Scheme is fair and reasonable and, therefore, in the best interests of Crowe Horwath shareholders, in the absence of a superior proposal.

5.2 Fairness

Grant Samuel has estimated the full underlying value in Crowe Horwath, including a premium for control, to be in the range 43-54 cents per share. The offer of 50 cents per share falls well within the range. Accordingly, the Scheme is fair.

In considering the fairness of the Scheme, shareholders should also take the following into account:

- given Crowe Horwath's earnings track record in recent years, the future earnings of Crowe Horwath on a standalone basis are subject to considerable uncertainty. In this context, theoretical estimates of the value of Crowe Horwath are equally uncertain. The Scheme provides a meaningful premium over objective equity market assessments of value;
- the Scheme follows a six month period during which Crowe Horwath has been "in play" (and arguably it has been in play since the collapse of the merger discussions with SFGA in May 2013). Accordingly, it is likely that the price of 50 cents represents the maximum arm's length value that could be realised for Crowe Horwath at the present time;
- Alceon owns 19.87% of the issued share capital of Crowe Horwath, which it acquired on market during the period from February to May 2014. A sophisticated and informed investor, it has agreed to sell that interest at a price of 50 cents per share subject to certain conditions; and
- for the Scheme to be "not fair", Crowe Horwath would need to deliver a significant improvement in financial performance relative to its FY14 results. There are indications that business initiatives adopted by management during 2014 are having a positive impact. On the other hand, the external environment remains challenging and the business remains exposed to a variety of material risks. In Grant Samuel's view, it is reasonable to remain cautious about the extent and timing of any turnaround in Crowe Horwath's business.

5.3 Reasonableness

As the Scheme is fair, it is also reasonable. In any event, there are a number of other factors that support the reasonableness of the Scheme and which Crowe Horwath shareholders should consider in determining whether or not to vote for the Scheme. These factors are set out in the following sections.

5.3.1 Premium for Control

The consideration of 50 cents per share represents a 29.9% premium to the price at which Crowe Horwath shares last traded prior to the announcement of the Scheme. The premium is lower (21%) when compared to volume weighted average prices for the six months prior to the announcement but higher (34%) when compared to prices over the longer term:

Crowe Horwath – Premiums Implied by the Scheme Consideration		
Period	Crowe Horwath Price/VWAP	Premium
3 October 2014 – Pre-Scheme price	38.5¢	29.9%
1 week prior to 3 October 2014 (VWAP)	39.5¢	26.6%
1 month prior to 3 October 2014 (VWAP)	38.9¢	28.4%
3 months prior to 3 October 2014 (VWAP)	38.0¢	31.5%
6 months prior to 3 October 2014 (VWAP)	41.2¢	21.4%
12 months prior to 3 October 2014 (VWAP)	37.4¢	33.7%
19 March 2014 – Pre Anchorage announcement price	32.5¢	53.8%
12 December 2013 to 19 March 2014 (VWAP)	28.8¢	73.6%

Source: IRESS and Grant Samuel analysis

The level of premiums observed in takeovers varies depending on the circumstances of the target and other factors (such as the potential for competing offers) but tends to fall in the range 20-35%. However, it is important to recognise that:

- premiums for control are an outcome not a determinant of value; and
- they vary widely depending on individual circumstances. In fact, some studies show that the majority of transactions actually fall outside this “standard” range.

The premiums based on Crowe Horwath share prices of periods six months or less may understate the extent of the premium offered by the Scheme. It is likely that the share price over this period already incorporated some element of control premium given the level of corporate activity over the period, including Alceon’s on market acquisition of shares representing a 19.87% interest (February-May 2014), privatisation approaches by various parties (including Anchorage and Findex) and Findex’s exclusivity period to undertake due diligence.

On the other hand, premiums based on share prices for the period prior to 12 December 2013, when Crowe Horwath announced materially lower profit guidance for FY14 also need to be assessed with caution. Arguably, the most relevant premiums are those based on prices following Crowe Horwath’s profit guidance (12 December 2013) and before the announcement of Anchorage’s privatisation proposal (19 March 2014). These premiums are high.

Regardless of the periods for which premiums are calculated, the premiums implied by the Scheme are consistent with (and potentially higher than) those normally seen in takeover offers.

5.3.2 Major Shareholder

An acquisition proposal by a third party could not succeed without the agreement of Crowe Horwath’s major shareholder, Alceon. In this regard, Alceon has entered into a call option deed which, subject to certain conditions, enables Findex to acquire Alceon’s 19.87% interest at the price of 50 cents per share (subject to adjustment by Findex if within twelve months after completion of the sale of the call option shares, a higher price is paid to acquire Crowe Horwath).

5.3.3 Share Trading in the absence of the Scheme

The Scheme enables shareholders to realise their investment in Crowe Horwath at a cash price which incorporates a premium for control. In the absence of the Scheme or a similar transaction, shareholders could only realise their investment by selling on market at a price which does not include any premium for control and would incur transaction costs (e.g. brokerage).

Judgements regarding the price at which Crowe Horwath shares might trade in the absence of the Findex proposal are inherently subjective.

The short term earnings outlook for Crowe Horwath is uncertain. While Crowe Horwath has not publicly released earnings forecasts for FY15 or beyond, Crowe Horwath’s FY14 results illustrate the challenging trading conditions that it faces. There is little expectation that these conditions will improve materially in the short term. Crowe Horwath is implementing a range of initiatives with the aim of strengthening its business but there is significant uncertainty as to if and when the benefits from these initiatives will emerge. In the meantime, demand for business advisory services from its SME client base remains subdued.

In these circumstances and in the absence of the Scheme or speculation regarding a similar transaction, it is likely that Crowe Horwath shares, under current market conditions, would trade at prices well below 50 cents. It is conceivable that its shares could trade at prices

around or below the levels at which the shares were trading prior to the announcement of the Anchorage privatisation proposal (circa 30 cents).

Crowe Horwath's medium term prospects are also uncertain. Crowe Horwath is dependent on the principals of its firms to develop and maintain client relationships and to generate revenue. Its competitors are principally accounting partnerships, in which the partners are entitled to 100% of the earnings. In this context, recruitment and retention of principals has been an ongoing issue for Crowe Horwath. Arguably, the long term premise of Crowe Horwath's business model – the operation of an accounting firm within a listed public company structure – remains to be confirmed.

5.3.4 Alternative Proposals

Crowe Horwath has agreed to no-shop, no-talk and no-due diligence provisions and Findex has a last right to match a competing proposal. Nonetheless, it is theoretically possible for an alternative acquisition proposal to be put by any other party. The \$1.3 million break fee (<0.48 cents per share) is not of a magnitude to represent a barrier to alternative proposals.

However, while Findex has no shareholding in Crowe Horwath, it has been granted call options over 19.87% of issued shares in Crowe Horwath by Alceon and has a last right to match any competing proposal. While the existence of the call option and the last right do not prevent an alternative proposal from being made, they will limit the extent of any competitive process for Crowe Horwath.

Moreover, it must be recognised that the Scheme is the culmination of a lengthy period during which Crowe Horwath has clearly been in play. Arguably, Crowe Horwath has been in play since the collapse of the merger discussions with SFGA in May 2013. Interested parties have had every opportunity to put forward proposals. Other than the Findex proposal, there has been no proposal made that was capable of acceptance. Accordingly, it is reasonable to assume that there is little likelihood of a counter bidder emerging with a superior proposal at this stage. In any event, there will continue to be an opportunity for any interested third party to put forward a superior proposal until the scheme meeting.

It would be open to shareholders to vote against the Scheme in the hope that Findex would make a subsequent higher offer. However, there is no evidence that Findex would be prepared to pay a higher price (particularly given the process that occurred prior to the announcement of the Scheme). That the transaction involves a scheme of arrangement demonstrates Findex's unwillingness to acquire an interest in Crowe Horwath unless shareholder approval is obtained for it to acquire all of the issued shares.

Rejecting the Scheme involves significant risk that shareholders would not be able to realise a price as high as 50 cents if they wished to sell at a later date.

5.3.5 Financial Flexibility

Crowe Horwath's financial position is also relevant to an assessment of whether the Scheme is reasonable. As a result of the erosion in earnings in recent years and a material impairment in goodwill at 30 June 2014, gearing has increased to around 26%. With this level of gearing approaching Crowe Horwath's target maximum gearing of 30%, headroom under its main bank facility has been reduced. Crowe Horwath has not declared any dividend in relation to FY14.

This situation limits Crowe Horwath's financial flexibility to, for example, fund any major business initiative or respond to any major demand shift or adverse change in trading conditions. Crowe Horwath's financial risk profile is clearly relevant to a shareholder's assessment of the Scheme. The value certainty provided by the cash consideration under the Scheme is clearly attractive in the context of the uncertainties facing Crowe Horwath.

5.3.6 Other Matters

Taxation Consequences

If the Scheme receives shareholder approval and is implemented, shareholders will be treated as having disposed of their Crowe Horwath shares for tax purposes. A capital gain or loss may arise on disposal depending on the cost base for the Crowe Horwath shares, the length of time held, whether the shares are held on capital or revenue account and whether the shareholder is an Australian resident for tax purposes. Details of the taxation consequences are set out in Section 9 of the Scheme Booklet. Shareholders should consult their own professional adviser in relation to the taxation consequences.

Transaction Costs

If the Scheme is not approved by shareholders or otherwise not implemented, it is estimated that Crowe Horwath will meet costs (including legal and other adviser's fees as well as printing and mailing costs) of \$1.3 million (0.5 cents per share). In certain circumstances, Crowe Horwath will also be liable to pay Findex a \$1.3 million break fee. On the other hand, if the Scheme Implementation Agreement is validly terminated by Crowe Horwath as a consequence of Findex being in material breach of the agreement, Crowe Horwath will be entitled to receive a break fee of \$1.3 million which would partially offset these costs. If the Scheme is approved, all transaction costs will effectively be borne by Findex.

Special Dividend

The consideration under the Scheme (50 cents per share) will be reduced by the amount of any special dividend declared by Crowe Horwath prior to the date of the second court hearing for the Scheme. If a special dividend is declared, depending on the individual circumstances of shareholders, some may realise additional value from the franking credits (i.e. they would be better off in after tax terms than they would have been had the same amount been paid as part of the acquisition price and been received as a capital gain).

Current Share Price

Crowe Horwath shares have traded below 50 cents since the announcement of the Scheme on 3 October 2014. Consequently, shareholders are unlikely to achieve a cash price in excess of 50 cents by selling on market rather than waiting until implementation of the Scheme which is expected in early January 2015. Shareholders who sell their shares on market will incur transaction costs. Moreover, they will lose the value of franking credits that may be available to them (if their tax position enables them to utilise the credits effectively) should a special dividend be declared prior to the date of the second court hearing for the Scheme and would give up the opportunity to receive any higher price that might be offered.

5.4 Shareholder Decision

Grant Samuel has been engaged to prepare an independent expert's report setting out whether in its opinion the Scheme is in the best interests of shareholders and to state reasons for that opinion. Grant Samuel has not been engaged to provide a recommendation to shareholders in relation to the Scheme, the responsibility for which lies with the directors of Crowe Horwath.

In any event, the decision whether to vote for or against the Scheme is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. If in any doubt as to the action they should take in relation to the Scheme, shareholders should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Crowe Horwath. These are investment decisions upon which Grant Samuel does not offer an opinion and independent of a decision on whether to vote for or against the Scheme. Shareholders should consult their own professional adviser in this regard.

6 Qualifications, Declarations and Consents

6.1 Qualifications

The Grant Samuel group of companies provide corporate advisory services (in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally) and provides marketing and distribution services to fund managers. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 500 public independent expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Stephen Cooper BCom (Hons) ACA(SA) ACMA and Caleena Stilwell BBus FCA F Fin. Each has a significant number of years of experience in relevant corporate advisory matters. Nick Zur BCom and Bronwyn Skinner BEc MBA assisted in the preparation of the report. Each of the above persons is a representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

6.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether the Scheme is in the best interests of shareholders. Grant Samuel expressly disclaims any liability to any Crowe Horwath shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Grant Samuel has had no involvement in the preparation of the Scheme Booklet issued by Crowe Horwath and has not verified or approved any of the contents of the Scheme Booklet. Grant Samuel does not accept any responsibility for the contents of the Scheme Booklet (except for this report).

6.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Crowe Horwath or Findex or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Scheme.

Grant Samuel commenced analysis for the purposes of this report in September 2014 prior to the announcement of the Scheme. This work did not involve Grant Samuel participating in setting the terms of, or any negotiations leading to, the Scheme.

Grant Samuel had no part in the formulation of the Scheme. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of \$225,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Scheme. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011.

6.4 Declarations

Crowe Horwath has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a

court to be primarily caused by any conduct involving gross negligence or wilful misconduct by Grant Samuel. Crowe Horwath has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Any claims by Crowe Horwath are limited to an amount equal to the fees paid to Grant Samuel. Where Grant Samuel or its employees and officers are found to have been grossly negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action.

Advance drafts of this report were provided to Crowe Horwath and its advisers. Advance drafts of Sections 1, 2, 3 and 6 of this report were also provided to Findex. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

6.5 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Scheme Booklet to be sent to shareholders of Crowe Horwath. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

6.6 Other

The accompanying letter dated 11 November 2014 and the Appendices form part of this report.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

GRANT SAMUEL & ASSOCIATES PTY LIMITED

11 November 2014

Grant Samuel & Associates



Appendix 1

Financial Performance by Segment

The table below reconciles Crowe Horwath's reported financial performance to the divisional performance presented in Section 3.3 of this report. Divisional performance presented is after adjusting for non-recurring other income and other revenue. It should be noted that the adjustments made only impact the Corporate division.

Crowe Horwath – Financial Performance by Segment (\$ millions)					
	Year ended 30 June				
	2010 actual	2011 actual	2012 actual	2013 actual	2014 actual
Revenue					
Business Services	311.7	308.3	321.3	311.0	301.4
Financial Services	100.8	97.4	91.6	94.6	92.4
Corporate	0.7	0.7	0.8	0.4	0.2
Total Revenue	413.2	406.4	413.7	405.9	394.0
<i>Adjustments to Corporate:</i>					
Other revenue	(0.7)	(0.7)	(0.8)	(0.4)	(0.2)
Adjusted Total Revenue	412.5	405.7	412.9	405.5	393.8
EBITDA					
Business Services	44.1	39.4	40.8	24.9	18.7
Financial Services	17.7	17.3	14.7	16.0	15.3 ¹
Corporate	(7.9)	(8.5)	(10.3)	(8.8)	(12.1)
Total EBITDA	53.9	48.2	45.2	32.1	21.9
<i>Adjustments to Corporate:</i>					
Other income	(1.0)	(4.5)	(1.3)	(0.1)	(2.2)
Other revenue	(0.7)	(0.7)	(0.8)	(0.4)	(0.2)
Adjusted Total EBITDA	52.2	43.0	43.1	31.6	19.5
Depreciation and software amortisation					
Business Services	(5.7)	(5.3)	(6.2)	(3.8)	(4.1)
Financial Services	(1.4)	(1.4)	(1.6)	(0.9)	(0.8)
Corporate	(0.8)	(0.5)	(0.8)	(1.0)	(1.2)
Total depreciation and software amortisation	(7.9)	(7.2)	(8.6)	(5.7)	(6.1)
EBITA					
Business Services	38.4	34.1	34.6	21.1	14.6
Financial Services	16.3	15.8	13.1	15.1	14.5 ¹
Corporate	(8.7)	(9.1)	(11.1)	(9.7)	(13.3)
Total EBITA	46.0	40.9	36.6	26.5	15.8
<i>Adjustments to Corporate:</i>					
Other income	(1.0)	(4.5)	(1.3)	(0.1)	(2.2)
Other revenue	(0.7)	(0.7)	(0.8)	(0.4)	(0.2)
Adjusted Total EBITA	44.3	35.7	34.5	26.0	13.4
Amortisation of other intangibles					
Business Services	-	-	-	-	-
Financial Services	-	-	-	-	-
Corporate	(4.3)	(4.6)	(2.6)	(2.7)	(2.9)
Total amortisation of other intangibles	(4.3)	(4.6)	(2.6)	(2.7)	(2.9)
EBIT					
Business Services	38.4	34.1	34.6	21.1	14.7
Financial Services	16.3	15.8	13.1	15.1	14.5 ¹
Corporate	(13.0)	(13.6)	(13.7)	(12.5)	(16.2)
Total EBIT	41.8	36.3	33.9	23.8	13.0
<i>Adjustments to Corporate:</i>					
Other income	(1.0)	(4.5)	(1.3)	(0.1)	(2.2)
Other revenue	(0.7)	(0.7)	(0.8)	(0.4)	(0.2)
Adjusted Total EBIT	40.1	31.1	31.8	23.3	10.6

¹ Excluding 50% interest in net profits of First Financial.



Appendix 2

Broker Consensus Forecasts

Crowe Horwath has not publicly released earnings forecasts for FY15¹ or beyond. Accordingly, the prospective multiples implied by the valuation of Crowe Horwath in the Grant Samuel report are based on median broker forecasts.

Set out below is a summary of forecasts prepared by brokers that follow Crowe Horwath in the Australian stockmarket:

Crowe Horwath – Broker Forecasts for the year ending 30 June (\$ millions)													
Broker	Report Date	Revenue			EBITDA ²			EBITA ³			NPAT ⁴		
		FY15	FY16	FY17	FY15	FY16	FY17	FY15	FY16	FY17	FY15	FY16	FY17
Broker 1	6 Oct 14	397.6	408.2	422.3	22.6	23.7	25.6	16.3	17.2	19.0	6.9	7.6	9.0
Broker 2	1 Sep 14	389.7	395.3	405.7	17.5	20.9	21.8	11.5	14.8	18.0	3.2	5.8	8.2
Broker 3	7 Oct 14	397.1	413.4	429.4	23.3	24.3	27.3	16.5	19.8	22.4	6.9	8.8	10.6
<i>Median</i>		<i>397.1</i>	<i>408.2</i>	<i>422.3</i>	<i>22.6</i>	<i>23.7</i>	<i>25.6</i>	<i>16.3</i>	<i>17.2</i>	<i>19.0</i>	<i>6.9</i>	<i>7.6</i>	<i>9.0</i>

Source: Brokers' reports, Grant Samuel analysis

When reviewing this data the following should be noted:

- the brokers presented represent the latest available broker forecasts for Crowe Horwath;
- as far as Grant Samuel is aware, Crowe Horwath is currently followed by three brokers. Research updates by these brokers are relatively infrequent and usually after the announcement of financial results. All have published research following release of Crowe Horwath's results for the year ended 30 June 2014;
- the broker forecasts are not prepared on a consistent basis, particularly in relation to the treatment of share of profits of equity accounted associates and amortisation of other intangible assets. Grant Samuel has attempted to present the broker forecasts on a common basis by adjusting EBITDA and EBIT to treat these items on a consistent basis; and
- as far as is possible to identify from a review of the brokers' reports, Grant Samuel believes that the earnings forecasts do not incorporate any one-off adjustments or non-recurring items.

Given the trends underlying the FY14 results, broker growth expectations indicate limited growth in revenue and only marginal improvement in profitability out to FY17. In addition, in considering the median broker forecasts caution is warranted as:

- there are only three brokers and the range in the available forecasts is wide (e.g. 25-33% at EBITDA in FY15); and
- they are lower than Crowe Horwath's FY15 Budget even having regard to a shortfall to budget in the three months to 30 September 2014.

Accordingly, the broker forecasts should not be relied upon for the purposes of valuation but they may provide some useful insights into the valuation parameters.

¹ FYXX = financial year ended 30 June 20XX.

² EBITDA is earnings before net finance costs, tax, depreciation and amortisation, share of profits of equity accounted associates and significant and non-recurring items.

³ EBITA is earnings before net finance costs, amortisation of other intangibles, tax, share of profits of equity accounted associates and significant and non-recurring items.

⁴ NPAT is net profit after tax



Appendix 3

Market Evidence

Crowe Horwath Australasia Ltd (“Crowe Horwath”) is a publicly listed network of accounting/business services firms in Australia and New Zealand with an associated network of financial advisory firms. It operates a fully integrated business model with significant cross referral activity between service lines. Countplus Limited (“Countplus”) is the most directly comparable listed company to Crowe Horwath in Australia. However, for reasons discussed below, its sharemarket trading does not provide meaningful valuation guidance for Crowe Horwath. Therefore, Grant Samuel’s review of evidence of valuation parameters for Crowe Horwath has encompassed:

- transactions and listed companies involved in providing professional and similar services to clients primarily on a “fee for service” basis in Australia; and
- transactions and listed companies in the financial services sector with a focus on financial planning services rather than funds management activities.

Although Crowe Horwath’s operating performance is primarily driven by economic conditions in Australia and New Zealand, Grant Samuel has also undertaken a high level review of international evidence to assess whether it provides any further meaningful guidance for the valuation of Crowe Horwath.

1 Valuation Evidence from Transactions

Set out below is a summary of transactions that Grant Samuel considers are relevant to the valuation of Crowe Horwath. Only transactions since the commencement of the economic downturn in 2008 for which there is sufficient information to calculate meaningful valuation parameters have been presented. The transactions are categorised by major activity and geography:

Recent Transaction Evidence											
Date	Target	Transaction	Consideration ¹ (millions)	Revenue Multiple ² (times)		EBITDA Multiple ³ (times)		EBITA Multiple ⁴ (times)		Price Earnings Multiple ⁵ (times)	
				Historical ⁶	Forecast ⁶	Historical	Forecast	Historical	Forecast	Historical	Forecast
Accounting Services (Australasia)											
Feb 13	Lachlan Partners Pty Limited	Acquisition by SFG Australia Limited	A\$23-32	1.4-2.0	na	5.4-7.7	na	na	na	na	na
Dec 10	Countplus	Initial public offering	A\$154	1.7	na	10.5	na	11.5	na	15.7	na
Accounting Services (North America)											
Aug 11	RSM McGladrey Inc	Acquisition by McGladrey & Pullen LLP	US\$610	0.7	0.7	6.2	6.0	7.0	7.3	8.7	na
Financial Services (Australasia)											
May 14	SFG Australia Limited	Acquisition by IOOF	A\$626	4.1	3.8	13.5	11.3	14.0	11.8	22.6	16.7
Jan 14	Centric Wealth Limited	Acquisition by Findex	A\$82	2.1	2.1	12.7	na	13.6	na	47.1	na
Jul 12	Plan B Group Holdings Limited	Acquisition by IOOF	A\$49	1.1	na	6.0	na	7.0	na	12.2	na
Aug 11	Count Financial Limited	Acquisition by CBA	A\$373	2.1	1.9	10.4	9.9	10.5	10.0	14.5	17.3

¹ Implied equity value if 100% of the company or business had been acquired.

² Represents gross consideration divided by revenue. Gross consideration is the sum of the equity and/or cash consideration plus borrowings net of cash.

³ Represents gross consideration divided by EBITDA. EBITDA is earnings before net interest, tax, depreciation, amortisation and significant and non-recurring items.

⁴ Represents gross consideration (the sum of the equity and/or cash consideration plus borrowings net of cash) divided by EBITA. EBITA is earnings before net interest, amortisation of intangibles, tax, investment income and significant and non-recurring items.

⁵ Represents equity and/or cash consideration divided by net profit after tax (before significant and non-recurring items) (“NPAT”).

⁶ Historical multiples are based on the most recent publicly available full year earnings prior to the transaction announcement date. Forecast multiples are based on company published earnings forecasts or brokers’ reports available at transaction announcement date.



Recent Transaction Evidence											
Date	Target	Transaction	Consideration ¹ (millions)	Revenue Multiple ² (times)		EBITDA Multiple ³ (times)		EBITA Multiple ⁴ (times)		Price Earnings Multiple ⁵ (times)	
				Historical ⁶	Forecast ⁶	Historical	Forecast	Historical	Forecast	Historical	Forecast
Jun 11	DKN Financial Group Limited	Acquisition of 81.51% by IOOF	A\$115	3.9	3.8	9.5	7.6	9.8	8.3	16.2	14.4
May 11	Shadforth Financial Group Holdings	Acquisition by Snowball Group	A\$206	2.3	2.2	6.6	7.1	6.8	7.3	10.9	12.2
Other Services (Australasia)											
Aug 14 (pending)	Oakton Limited	Acquisition by NTT Corporation	A\$171	1.0	1.0	14.7	10.0	19.9	12.5	20.6	16.3

Source: Grant Samuel analysis⁷

A brief summary of each transaction is set out below:

Lachlan Partners Pty Ltd / SFG Australia Limited

SFG Australia Limited (“SFGA”) announced the acquisition of Lachlan Partners Pty Ltd (“Lachlan Partners”) on 22 February 2013 for upfront consideration of \$23 million, consisting of \$20 million cash and \$3 million in shares. Deferred consideration of \$9.2 million (to be paid in shares) is payable over three years subject to the achievement of business performance milestones. Lachlan Partners operates as an integrated accounting, tax, business advisory and financial advice firm with over 55 accountants and advisers as well as 33 management and support staff across Sydney, Melbourne and Brisbane. It has \$606 million in funds under advice (“FUA”). In FY12 Lachlan Partners had revenue of \$16.2 million and EBITDA of \$4.2 million, with 61% of revenue derived from fees for the provision of accounting advisory services.

Initial Public Offering of Countplus Limited

On 22 December 2010, Countplus listed on the Australian Securities Exchange (“ASX”). During the initial public offering (“IPO”), the public was offered 13.3 million shares at \$1.50 per share while 50.5 million shares were offered to the existing principals of the firm at \$1.42 per share. Countplus owned 16 accounting firms, one financial planning dealer group, and a majority interest in one financial planning firm. The offer to the principals was 100% subscribed whilst the public offer was 93% subscribed with Count Financial Limited (“Count Financial”) taking up the shortfall.

RSM McGladrey Inc. / McGladrey & Pullen LLP

On 30 November 2011, McGladrey & Pullen LLP (“McGladrey & Pullen”) announced that it had reached an agreement to acquire all the assets of RSM McGladrey Inc. (“RSM”) from H&R Block for US\$610 million. McGladrey & Pullen is a licenced partner owned CPA firm specialising in audit services while RSM is a leading professional services firm that provides tax, consulting and accounting services. H&R Block acquired RSM from McGladrey & Pullen in 1999 but from then, through separate and independent legal entities, McGladrey & Pullen and RSM worked together to service clients under the “McGladrey” brand. In the year to 30 April 2011, RSM represented 22% of H&R Block’s revenue but had experienced declining revenue and profitability as a consequence of continued weak economic conditions. The combined firm became the fifth largest provider of assurance, tax and consulting services in the United States with 7,000 employees in 80 offices.

SFG Australia Limited / IOOF Holdings Limited

In May 2014, IOOF Holdings Limited (“IOOF”) announced the acquisition of SFGA by way of a scheme of arrangement for \$625 million. SFGA is a leading provider of financial advice and wealth management products and services to clients across Australia. SFGA’s financial advisory business operated under the Shadforth Financial Group name and included Lachlan Partners which was acquired in early 2013. The majority of SFGA’s revenue was derived from financial advice fees generated on client funds under advice, administration, management and management (“FUMAS”) as well as portfolio construction and administration fees for clients. The acquisition by IOOF added \$13.8 billion in FUA and increased financial adviser numbers by 200 to 1,200

⁷ Grant Samuel analysis based on data obtained from IRESS, S&P Capital IQ, company announcements, transaction documentation and, in the absence of company published financial forecasts, brokers’ reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each transaction depends on analyst coverage, availability and corporate activity.

overall, establishing IOOF as the third largest financial planning group in Australia with total FUA of \$45 billion. The transaction is expected to deliver more than \$20 million in synergies by the end of FY16.

Centric Wealth Limited / Financial Index Wealth Australia

On 12 January 2014, Financial Index Wealth Australia (“Findex”) announced the acquisition of Centric Wealth Limited (“Centric”) for \$82 million (8.9 cents cash per share). Centric is a wealth advisory firm with offices located in Sydney, Melbourne, Brisbane, Canberra and Newcastle. It has 52 advisers across financial planning, risk insurance, corporate benefit services, lending services, general insurance and family office services and other financial advisory services and has \$4.1 billion in assets under advice and over \$1.3 billion of loans under advice. Findex was partnered in the acquisition by KKR Asset Management, an affiliate of KKR & Co. The deal confirmed Findex as one of Australia’s largest non-aligned financial advisory businesses with over \$7.6 billion in FUA. Centric is relatively highly geared having debt funded a number of acquisitions over time.

Plan B Group Holdings Limited / IOOF Holdings Limited

On 9 October 2012, IOOF completed the acquisition of Perth based wealth management and administrative services firm Plan B Group Holdings Limited (“Plan B”) for a total cash consideration of \$49.1 million. Plan B was founded in 1986 and offered portfolio administration, financial planning, wealth protection and estate planning services. The acquisition of Plan B’s funds management platform added \$2.2 billion to IOOF’s FUA and provided IOOF with a presence in the growing New Zealand retirement savings market.

Count Financial Limited / Commonwealth Bank of Australia

On 30 August 2011, Count Financial Limited (“Count Financial”) announced that it had entered into a scheme implementation deed with a wholly owned subsidiary of Commonwealth Bank of Australia (“CBA”) under which CBA would acquire 100% of its issued capital for \$373 million (\$1.40 per share) via a scheme of arrangement. Count Financial principal activities involve financial planning services and advisory services in areas such as personal insurance, superannuation, home and investment loans and business loans. It had a franchised network of approximately 300 firms in Australia and held a 39.1% interest in ASX listed Countplus.

DKN Financial Group Limited / IOOF Holdings Limited

On 14 June 2011, DKN Financial Group Ltd (“DKN”) announced that it had received an unsolicited offer from IOOF to acquire the 81.51% of DKN that it did not already own via a scheme of arrangement. On 27 June 2011, DKN and IOOF entered into a scheme implementation agreement under which IOOF would acquire the remaining shares for \$0.80 per share, a 56.9% premium on the closing price of DKN shares on the last ASX trading day prior to the announcement. DKN provides financial planning and investment advisory services throughout Australia. The majority of its revenue is generated from its Platform Solutions business (64% in FY10) which acts as a wholesaler of platforms to its financial planning clients. DKN had FUA at 30 June 2011 of approximately \$8.0 billion.

Shadforth Financial Group Holdings Limited / Snowball Group Ltd

On 26 May 2011, Shadforth Financial Group Holdings (“Shadforth”) and Snowball Group Limited (“Snowball”) announced a “nil premium merger” aimed at enhancing the scale, diversification and market position of the businesses. Both companies operate similar advice centric business models to primarily high net worth clients, providing financial advice, portfolio administration, portfolio management, general and risk insurance and finance broking services. Snowball had \$5.7 billion in FUA and 91 financial advisers while Shadforth had \$8.6 billion in FUA with 141 financial advisers across 13 offices. Following the merger, the holding company name was changed to SFG Australia Limited.

Oakton Limited / Nippon Telegraph and Telephone Corporation

On 12 August 2014, Oakton Limited (“Oakton”) announced a board recommended \$1.90 cash per share offer from Dimension Data Australia Pty Limited (a wholly owned subsidiary of NTT Corporation) for 100% of Oakton. Oakton is a Melbourne based specialist consulting and information technology (“IT”) firm that has evolved from being an installer and integrator of hardware and software, to providing a broader range of IT services that clients pay for on a consumption basis. Its business is subject to changes in Australian economic conditions and its FY14 results reflected challenging trading conditions across all industry sectors with project deferral and delays by clients (although performance improved in the second half). The acquisition provides Dimension Data with a significantly increased presence in the Australian market. The scheme process is continuing and is expected to complete in November 2014.

2 Valuation Evidence from Sharemarket Prices

Since the 1980s there has been a trend in large professional services firms to move from the professional partnership structure to other forms of ownership such as private corporations and publicly listed companies⁸. Accounting firms traditionally were restricted to partnership and sole trader structures due to legislation and professional association regulation. However, during the late 1980s and 1990s a push to limit firm and personal liability resulted in the introduction of other ownership forms for these businesses such as incorporation and limited liability partnerships.

The late 1990s saw a trend to the public ownership of accounting firms in the United States for non audit accounting services (e.g. H&R Block and CBIZ Inc.) In 1998 in Australia Crowe Horwath (then named Investor Group) acquired its first accounting firm and in the period 2000-2003 four other companies with a primary focus on accounting services listed on the Australian Securities Exchange (“ASX”) (Stockford Limited, Harts Australasia Limited, Garrisons Accounting Group Ltd and Knights Insolvency Administration Limited) but all had collapsed by 2006. In December 2010, another aggregation network of accounting and financial services firms, Countplus, listed on the ASX. Similarly, in the United Kingdom four accounting firms were listed in the early 2000s (i.e. Numerica plc, Vantis plc, RSM Tenon plc and Begbies Traynor Group plc (“Begbies Traynor”)) but three have since collapsed and only business recovery specialist Begbies Traynor remains listed.

Therefore, the number of publicly listed accounting firms is limited and, except in Australia, tend to provide specialist accounting services (e.g. corporate recovery or tax return preparation) rather than a full range of accounting services. Where broker forecasts are available the international listed companies (H&R Block, CBIZ Inc. and Begbies Traynor) are currently trading at multiples in the range 7-8 times forecast EBITDA and 8-9 times forecast EBITA⁹ which are broadly in line with the trading multiples of major global consulting firms, Accenture plc and Cap Gemini S.A.

Given the paucity of stockmarket trading evidence for accounting firms, Grant Samuel’s review of comparable companies for Crowe Horwath was extended to include companies providing other professional, financial advisory or similar services, the performance of which is impacted by general economic conditions and business confidence. In particular, regard has been had to:

- listed financial services firms with an emphasis on financial advisory services, although it is noted that these companies typically have significant funds management operations which means they are less comparable to Crowe Horwath;
- listed legal firms. In recent times there has also been a move to the public listing of legal services with Australian firm Slater & Gordon Limited (“Slater & Gordon”) becoming the first listed law firm in the world when it listed in May 2007. Since then Shine Corporate Limited (“Shine”) and ILH Group Limited (“ILH”) have listed on the ASX (although ILH is under significant financial pressure and is revisiting its business model) and it is understood that a leading intellectual property law firm is currently investigating a possible IPO ;and
- other listed companies which primarily provide services based on a “fee for service” revenue model including SKILLED Group Limited (“SKILLED”), Chandler Macleod Group Limited (“Chandler Macleod”).

The sharemarket ratings of the selected listed companies are set out below.

⁸ Information on trends in ownership of professional services firms has been sourced from a review of media articles and academic papers including M.E. Pickering, “Partnership versus public ownership of accounting firms: exploring relative performance, performance measurement and measurement issues”, Australasian Accounting, Business and Finance Journal, Volume 6, Issue 3 (2012), M.E. Pickering, “Benefits expected by accounting firm partners selling their firms to publicly listed companies”, Australian Accounting Review. No. 55 Vol. 20, Issue 4 (2010) and A. von Nordenflycht, “Does the emergence of publicly traded professional services firms undermine the theory of the professional partnership? A cross-industry historical analysis”, Journal of Professions and Organization, July 2014.

⁹ Source: S&P Capital IQ as at 5 November 2014.



Sharemarket Ratings of Selected Listed Companies																	
Company	Market Capitalisation ¹⁰ (millions)	Revenue Multiples (times)				EBITDA Multiple ¹¹ (times)				EBITA Multiple ¹² (times)				Price Earnings Multiple ¹³ (times)			
		FY14 Historical	FY15 Forecast	FY16 Forecast	FY17 Forecast	FY14 Historical	FY15 Forecast	FY16 Forecast	FY17 Forecast	FY14 Historical	FY15 Forecast	FY16 Forecast	FY17 Forecast	FY14 Historical	FY15 Forecast	FY16 Forecast	FY17 Forecast
Accounting Services																	
Countplus	\$123	1.4	na ¹⁴	na	na	8.2	na	na	na	9.0	na	na	na	14.9	na	na	na
Financial Services																	
IOOF	\$2,710	3.8	2.9	2.7	2.6	15.0	11.3	9.8	9.7	17.8	11.7	10.1	9.7	21.7	15.6	13.7	12.8
Perpetual	\$2,190	4.6	4.1	3.8	3.5	12.9	10.7	9.4	8.9	13.6	11.2	9.6	8.9	21.4	17.3	14.8	13.5
Centrepont	\$76	1.1	1.2	1.2	1.1	9.8	5.8	5.7	5.3	15.3	7.3	7.1	6.6	24.1	13.6	13.1	12.1
Fiducian	\$53	1.8	na	na	na	6.5	na	na	na	6.7	na	na	na	13.2	na	na	na
Legal Services																	
Slater & Gordon	\$1,294	3.5	2.8	2.6	2.5	14.7	11.6	10.7	10.0	15.6	12.3	11.3	10.5	21.2	17.1	15.3	13.9
Shine	\$462	4.2	3.4	3.1	2.8	14.3	11.4	10.2	9.3	14.9	11.8	10.6	9.7	20.8	16.4	14.6	13.2
Other Services																	
SKILLED	\$519	0.4	0.3	0.3	0.3	8.4	6.4	6.2	6.0	9.8	7.3	7.1	6.8	11.7	9.0	8.8	8.3
Chandler Macleod	\$189	0.2	0.2	0.2	0.2	7.1	6.4	5.9	5.4	9.1	8.0	7.2	6.6	13.9	11.2	9.3	8.6

Source: Grant Samuel analysis¹⁵

The multiples shown above are based on sharemarket prices as at 5 November 2014 and do not reflect a premium for control. All of the companies have a 30 June year end.

A brief description of each company is set out below:

Countplus Limited

Countplus is a national aggregation network of 20 independent professional services businesses, including 17 accounting/business advisory firms, a financial planning specialist, a property services group and a financial planning dealer group of 95 advisers. Established in 2006, Countplus operates out of 41 offices across Australia in 23 towns and cities with over 600 employees. Around 50% of gross revenue is derived from accounting services. Countplus was listed in December 2010 and is 36.78% owned by Count Financial which was acquired by Commonwealth Bank of Australia in December 2011. With a further 20% of issued share capital believed to be held by employees and management, Countplus' free float is estimated to be only around 40%. During FY14 it sold its interest in one firm for \$7.3 million and made six acquisitions for a total cost of \$3 million. On 20 August 2014, Countplus announced a reduction in its dividend payout ratio due to internal restructuring, that no further loyalty payments would be received from Count Financial and to enable it to take advantage of investment opportunities that may arise. It reduced its quarterly dividend from 3 cents to 2 cents per share (33% reduction) and in response the share price fell by over 20%.

Although Countplus is Crowe Horwath's most comparable listed peer and its operating performance has also been impacted by the continuing difficult trading environment, its sharemarket trading does not provide meaningful valuation benchmarks for a number of reasons:

- it has a restricted free float (estimated at around 40%) and is thinly traded. As a consequence, its share price is unlikely to be reflective of the underlying value of its business;
- accounting services account for around 50% of Countplus' revenue while this business line represents 75-80% of Crowe Horwath's revenue. Financial advisory revenue and profitability is less dependent on

¹⁰ Market capitalisation based on sharemarket prices as at 5 November 2014.

¹¹ Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by EBITDA.

¹² Represents gross capitalisation divided by EBITA.

¹³ Represents market capitalisation divided by NPAT.

¹⁴ na = not available

¹⁵ Grant Samuel analysis based on data obtained from IRESS, S&P Capital IQ, company announcements and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.



general economic conditions and business confidence (given legislated compulsory superannuation contributions);

- no brokers currently follow Countplus and therefore, until the company provides profit guidance at its annual general meeting in November 2014, there are no earnings projections available for FY15; and
- in late 2013, Countplus announced a change to its business model to adopting a part ownership model to provide stronger alignment between individual firm performance and return on investment. This restructure will first be offered to key employees of existing firms over the three years starting FY15 and then be extended to form the basis for all future acquisitions. The restructuring is expected to have an initial negative impact on earnings, the scale of which will depend on the rate of take up. Proceeds from the process will be used to fund new acquisitions on the same basis, which should replace the sold earnings (although there may be some time lag involved). Consequently, the outlook for Countplus' earnings will change significantly over the next 3-5 years.

IOOF Holdings Limited

IOOF is one of Australia's leading providers of financial services with funds under management, administration, advice and supervision of \$121.9 billion at 30 June 2014. On 20 August 2014, IOOF completed the transformative acquisition of SFGA at a cost of \$625 million. This acquisition added \$13.8 billion in FUA and increased financial adviser numbers by 200 to 1,200 to establish IOOF as the third largest financial planning group in Australia with total FUA of \$45 billion. It also added around \$17 billion of funds under administration, funds under management and managed portfolios and more than \$20 million in synergies is expected to be achieved by FY16. Today, IOOF operates in four segments, financial advice and distribution, platform management and administration, investment management and trustee services and its multiples reflect a blend of activities. The FY14 multiples are not meaningful as they do not reflect the acquisition of SFGA and the FY15 multiples are relatively high reflecting only ten months contribution from SFGA.

Perpetual Limited

Perpetual Limited ("Perpetual") is a diversified financial services group with three core businesses: funds investment management, financial advisory and trustee services, operating primarily in Australia. In total Perpetual has around \$526 billion in funds under management, administration, advice and supervision, the vast majority of its funds of corporate trust clients (\$484 billion). Investment management accounts for funds under management ("FUM") of around \$29.8 billion and financial advisory for around \$29.8 billion of FUA.

Perpetual's financial advisory division manages assets for around 6,500 private clients and 3,200 business owners. It contributes approximately 30% of Perpetual's revenue and around 20% of EBITDA. In comparison, the investment management division contributes around 50% of revenue and EBITDA. Therefore, the multiples for Perpetual reflect a blend of activities. On 18 December 2013 Perpetual acquired the ASX listed The Trust Company Limited ("Trust Co") for \$278 million and on 7 April 2014 it sold Trust Co's New Zealand business (Guardian Trust) for \$64 million. Therefore, the FY14 multiples are not meaningful. Over the last three years Perpetual has implemented initiatives to simplify and strengthen its business and is now focussing on growth.

Centrepont Alliance Limited

Centrepont Alliance Limited ("Centrepont") is a financial services company with two businesses: Centrepont Funding which provides finance primarily to corporate clients to fund insurance premiums and provides aggregation and licensing services to mortgage brokers and Centrepont Wealth which provides a range of financial advice support services (including licensing, systems, compliance, training and technical advice) and wealth solutions (platforms and managed funds) to financial planners, accountants and their clients across Australia. Centrepont Wealth has two separately branded financial planning dealer groups: Professional Investment Services (with approximately 1000 advisers/accountants) and Associated Advisory Practices (approximately 160 advisers/accountants). A third dealer group, Alliance Wealth commenced operating in June 2014 and is aimed at attracting independent advisers who wish to relinquish their own licence.

The multiples for Centrepont reflect a blend of its activities and are not meaningful in FY14 as during the year it divested its Malaysian activities, acquired the outstanding minority 45% of the Associated Advisory Practices and undertook a capital raising to simplify and strengthen the business. Furthermore, although its largest shareholder (Thorney Group) owns around 24%, Centrepont is thinly traded as the board and management and planners in its financial advisory networks control a substantial portion of the register.

***Fiducian Portfolio Services Limited***

Fiducian Portfolio Services Limited (“Fiducian”) is a specialist financial services company with a vertically integrated business model that operates across five key areas, funds management, advice services, portfolio administration, information technology, and business services. At 30 June 2014, Fiducian had FUA of \$1.37 billion and funds under administration of \$1.03 billion. In FY14 it reported revenue of \$23 million and EBITDA of \$6 million, with the funds management and administration segment contributing around 67% of EBITDA. The founder of Fiducian holds around 28% of shares on issue.

Slater & Gordon Limited

Slater & Gordon became the first law firm in the world to be listed on a stock exchange when it was quoted on the ASX in May 2007. It operates in three main segments of consumer law: personal injury, general law and class actions. Slater & Gordon is one of the leading consumer law firms in Australia with 70 office locations and 1,200 employees and, following expansion into the United Kingdom which commenced in FY12, now employs 1,300 employees in 18 locations in the United Kingdom. During FY14 Slater & Gordon invested over \$200 million in acquiring practices (primarily in the United Kingdom) based on pricing in the range of 3.5-4.5 times EBITDA. As a consequence of these acquisitions, FY14 multiples are not meaningful as they do not reflect a full year contribution from these acquisitions. The United Kingdom now contributes around 50% of group earnings. Since 30 June 2014, Slater & Gordon has announced two Australian acquisitions representing annual revenue of \$39 million.

Shine Corporate Limited

Shine is one of Australia’s largest litigation law firms with over 600 employees and 30 office locations. Shine specialises in damages based plaintiff legal services, primarily those relating to personal injury, which accounted for 85% of revenue in FY14. It also has a 33% interest in Risk Worldwide New Zealand Limited, which is involved in insurance policy recovery consulting in New Zealand. Shine was listed on the ASX in May 2013. Two current partners of Shine each hold 29.37% interests and its free float is estimated at around 41% (although the shares of these partners were released from post listing escrow in August 2014). Shine acquired two practices effective 1 July 2014 based on pricing in the range of 4-5 times EBITDA.

SKILLED Group Limited

SKILLED is the largest provider of workforce solutions in Australia, employing approximately 50,000 people per year. It specialises in providing blue-collar labour hire services including both onshore and offshore total workforce management, flexible labour solutions and project-based workforce solutions including shut-downs, installations and relocations to its clients across a range of industries. SKILLED operates out of 100 local and regional offices throughout Australia, New Zealand, United Kingdom, Malta and the United Arab Emirates. Australia remains the largest contributor to SKILLED’s earnings notwithstanding the growth its offshore activities. Therefore, its operating performance is still primarily driven by economic conditions in Australia and FY14 was impacted by the slowdown in the mining and resources sector and overall weaker employment growth. The impact of these weaker trading conditions was offset by two relatively large acquisitions during FY14. The FY14 multiples are relatively high as they do not reflect a full year contribution from these acquisitions.

Chandler Macleod Group Limited

Chandler Macleod is a leading provider of integrated human resource services, products and technologies with over 1,100 full-time employees across eight countries (although Australia remains the major contributor to profits). It offers end-to-end human resource services, including temporary and permanent staffing solutions and psychometric testing and assessment services for a broad range of industries. Staffing services is Chandler Macleod’s main business segment, contributing over 75% of total revenue in FY14. Its business is subject to changes in economic conditions in Australia and in recent times reduced demand from the mining and resources sector has placed pressure on margins.

Annexure B – Scheme Implementation Agreement

See over the page.

Scheme Implementation Agreement

between

Findex Australia Pty Ltd
ABN 40 128 588 714
(**Bidder**)

and

Crowe Horwath Australasia Ltd
ABN 93 006 650 693
(**Target**)

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This agreement is made on 3 October 2014

between **Findex Australia Pty Ltd** ABN 40 128 588 714 of Level 23, 600 Bourke Street, Melbourne, Victoria 3000 (**Bidder**)

and **Crowe Horwath Australasia Ltd** ABN 93 006 650 693 of Level 17, 181 William Street, Melbourne, Victoria 3000 (**Target**)

Recitals

- A Bidder proposes to acquire all of Target's issued ordinary shares pursuant to a members' scheme of arrangement under Part 5.1 of the Corporations Act.
- B Bidder and Target have agreed to implement the Scheme subject to and in accordance with the provisions of this agreement.

Now it is agreed as follows:

1 Definitions and interpretation

1.1 Definitions

In this agreement:

Announcement means any press release or other public announcement (including any announcement to the ASX);

ASIC means the Australian Securities and Investments Commission;

ASX means ASX Limited ACN 008 624 691 or as the context requires the securities exchange which it operates;

ASX Listing Rules means the official listing rules of the ASX;

Bidder Board means the board of directors of Bidder;

Bidder Break Fee means \$1.3 million;

Bidder Group means Bidder and its Subsidiaries prior to implementation of the Scheme;

Bidder Scheme Booklet Information means all information regarding the Bidder Group that is provided by or on behalf of Bidder to Target or any of its Representatives to enable the Scheme Booklet to be prepared and completed in accordance with clause 5.3 and any updates to that information prepared by or on behalf of Bidder. For the avoidance of doubt, Bidder Scheme Booklet Information does not include information about the Target Group (except to the extent it relates to any statement of intention relating to the Target Group following the Effective Date);

Business Day means:

- (a) for the purposes of receiving a Notice, a day which is not a Saturday, Sunday, public holiday or bank holiday in the city in which the Notice is to be received; and
- (b) for any other purposes, a day on which the banks are open for business in both Sydney and Melbourne other than a Saturday, Sunday or public holiday in either Sydney or Melbourne;

Competing Proposal means any proposed or possible transaction or arrangement pursuant to which, if ultimately completed, a Third Party would:

- (a) directly or indirectly, acquire a Relevant Interest in or become the holder of:

- (i) more than 20% of the shares on issue in Target;
- (ii) the whole or a substantial part or a material part of the business or assets of Target or the Target Group;
- (b) acquire control of Target, within the meaning of section 50AA of the Corporations Act; or
- (c) otherwise acquire or merge with Target (including but not limited to by a reverse takeover bid, reverse scheme of arrangement or dual-listed companies structure);

Conditions Precedent means each of the conditions precedent set out in clause 3.1;

Confidentiality Deed means the Confidentiality Deed between Bidder and Target dated 11 April 2014;

Corporations Act means the *Corporations Act 2001* (Cth);

Court means the Supreme Court of Victoria or such other court of competent jurisdiction as agreed in writing between the parties;

Deed Poll means a deed poll to be executed by Bidder in favour of the Scheme Participants, substantially in the form set out in Annexure B or in such other form agreed between Bidder and Target in writing;

Discretionary Special Dividend means any dividend per Target Share which may be declared at Target's discretion prior to the Second Court Date in favour of Target Shareholders provided that:

- (a) the dividend is paid out of Target's retained earnings as at 30 June 2014; and
- (b) any franking of the dividend does not result in a franking deficit in Target's franking accounts;

Dividend Reinvestment Plan means the dividend reinvestment plan of Target, under which eligible Target Shareholders may elect to increase their shareholding in Target by reinvesting all, or part of, their dividends in additional Target Shares;

Effective means, when used in relation to the Scheme, the coming into effect pursuant to section 411(10) of the Corporations Act of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme;

Effective Date means the date on which the Scheme becomes Effective;

End Date means the date that is 6 months after the date of this agreement or such later date as Bidder and Target may agree in writing;

Exempt Share Plan means the exempt share plan under which eligible employees of Target may be offered Target Shares;

Exclusivity Period means the period commencing on the date of this agreement and ending on the earliest to occur of:

- (a) the End Date;
- (b) the date this agreement is terminated in accordance with its terms; and
- (c) the Implementation Date;

Fairly Disclosed means disclosed in sufficient detail so as to enable a reasonable and sophisticated person to identify the nature and scope of the relevant matter, event or circumstance;

First Court Date means the first day of hearing of an application made to the Court by Target for orders pursuant to section 411(1) of the Corporations Act convening the Scheme Meeting

or, if the hearing of such application is adjourned or if the application is subject to appeal for any reason, means the first day of the adjourned hearing or the first day on which the appeal is heard (as the case may be);

Governmental Agency means any government, governmental, semi-governmental, administrative, fiscal or judicial body department, commission, authority, tribunal, agency or entity including ASIC, the ASX, the Takeovers Panel, the Australian Taxation Office and the Australian Competition and Consumer Commission;

GST means goods and services tax or similar value added tax levied or imposed in Australia under the GST Law or otherwise on a supply;

GST Act means *A New Tax System (Goods and Services Tax) Act 1999* (Cth);

GST Law has the same meaning as in the GST Act;

Implementation Date means the date that is 5 Business Days after the Record Date, or such other date as Target and Bidder may agree in writing or as may be required by the ASX;

Independent Expert means an independent expert to be engaged by Target to express an opinion on whether the Scheme is in the best interests of Target Shareholders;

Independent Expert's Report means the report from the Independent Expert commissioned by Target for inclusion in the Scheme Booklet, and any update to such report that the Independent Expert issues prior to the Scheme Meeting;

Insolvency Event means the occurrence of any one or more of the following events in relation to any party to this agreement:

- (a) a meeting has been convened, resolution proposed, petition presented or order made for the winding up of that party;
- (b) a receiver, receiver and manager, provisional liquidator, liquidator, or other officer of the court, or other person of similar function has been appointed regarding all or any material asset of the party;
- (c) a security holder, mortgagee or chargee has taken attempted or indicated an intention to exercise its rights under any security of which the party is the security provider, mortgagor or chargor;
- (d) it is subject to any arrangement, assignment, moratorium or composition, protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the other parties to this agreement);
- (e) an application or order has been made (and in the case of an application, it is not stayed, withdrawn or dismissed within 30 days), resolution passed, proposal put forward, or any other action taken, in each case in connection with that person, which is preparatory to or could result in any of (b) or (d) above;
- (f) it is otherwise unable to pay its debts when they fall due; or
- (g) an event has taken place with respect to the party which would make, or deem it to be, insolvent under any law applicable to it;

Material Adverse Event means any event, occurrence or circumstance that individually, or when aggregated with all such events, occurrences or circumstances:

- (a) diminishes, or could reasonably be expected to diminish, the consolidated net assets of the Target Group by \$26.56 million or more; or
- (b) results or could reasonably be expected to result in a reduction of \$3.03 million or more to the consolidated EBITA for the Target Group (on an annualised basis),

other than any event, occurrence or circumstance that:

- (c) is required or expressly permitted to be done or procured by Target pursuant to the Transaction Documents;
- (d) arises from general changes after the date of this agreement in economic, political or business conditions or the financial or securities markets in Australia or New Zealand, to the extent that those changes do not have a materially disproportionate effect on Target relative to other participants in Target's industry or Australian or New Zealand companies generally;
- (e) arises from changes that affect the industry in which the Target Group conducts business to the extent that those changes do not have a materially disproportionate effect on Target relative to other participants in Target's industry or Australian or New Zealand companies generally;
- (f) comprises a change in any applicable law, regulation or policy required by law after the date of this agreement;
- (g) is Fairly Disclosed in the Target Disclosed Information, or is otherwise known to Bidder or its Representatives at the date of this agreement; or
- (h) is done with the prior written approval of Bidder;

Notice has the meaning given to that expression in clause 15.1(a);

Policy means the Target Group directors and officers insurance policies in effect at the date of this agreement;

Prescribed Occurrence means the occurrence of any of the following:

- (a) Target converting all or any of its securities into a larger or smaller number of securities;
- (b) Target resolving to reduce its capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its securities;
- (c) Target:
 - (i) entering into a buy-back agreement; or
 - (ii) resolving to approve the terms of a buy-back agreement under the Corporations Act;
- (d) Target making or declaring, or announcing an intention to make or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie) other than the Discretionary Special Dividend;
- (e) a member of the Target Group issuing or agreeing to issue securities or convertible instruments, or granting an option (including a performance right) over its securities, or agreeing to make such an issue or grant such an option (including a performance right), other than pursuant to or consistently with arrangements between Target and the Managing Director of Target announced to ASX on 28 April 2014 and subject to approval by Target Shareholders at the annual general meeting of Target convened on 17 October 2014;
- (f) a member of the Target Group issuing or agreeing to issue debt securities or securities convertible into debt securities;
- (g) Target making any change or amendment to its constitution;
- (h) a member of the Target Group creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over the whole, or a substantial part, of its business or property other than in the ordinary course of business;

- (i) Target or a member of the Target Group acquires or disposes, or agrees to acquire or dispose, assets in excess of \$1 million in value;
- (j) other than an extension of trading terms granted in the ordinary course of business, a member of the Target Group providing financial accommodation other than to members of its group irrespective of what form that financial accommodation takes; or
- (k) an Insolvency Event occurring in relation to a member of the Target Group,

provided that a Prescribed Occurrence will not include a matter:

- (l) which is required or expressly permitted to be done or procured by the Target Group pursuant to the Transaction Documents;
- (m) that is done with the prior written approval of Bidder; or
- (n) that has been Fairly Disclosed in writing by Target to Bidder as part of the Target Disclosed Information;

Record Date means 5.00pm on the date that is 5 Business Days after the Effective Date, or such other date as may be agreed in writing between Bidder and Target or as may be required by the ASX;

Regulator's Draft means the draft of the Scheme Booklet in a form acceptable to both parties which is provided to ASIC for approval pursuant to section 411(2) of the Corporations Act;

Regulatory Approvals means those regulatory approvals referred to in clause 3.1(a);

Related Body Corporate has the meaning given to that expression in the Corporations Act;

Regulatory Review Period means the period commencing on the date on which the Regulator's Draft is submitted to ASIC and ending on the earlier of:

- (a) the date on which ASIC confirms that it does not intend to make any submissions at the Court hearing on the First Court Date or otherwise object to the Scheme; or
- (b) the First Court Date;

Relevant Interest has the meaning given to that expression in sections 608 and 609 of the Corporations Act;

Representatives means, in relation to an entity:

- (a) each of the entity's Related Bodies Corporate; and
- (b) each of the entity's directors, officers, employees, contractors, advisers (including legal, financial and other expert advisers) and agents, but excluding the Independent Expert;

Scheme means a scheme of arrangement under Part 5.1 of the Corporations Act between Target and the Scheme Participants substantially in the form set out in Annexure A to this agreement or as otherwise agreed by Bidder and Target in writing, subject to any alterations or conditions:

- (a) agreed to by Bidder and Target prior to the First Court Date; or
- (b) made or required by the Court and agreed to by Bidder and Target;

Scheme Booklet means the explanatory material to be prepared in respect of the Scheme in accordance with the terms of this agreement and to be despatched by Target to Target Shareholders, including the Independent Expert's Report, the Scheme, the Deed Poll, and the notice convening the Scheme Meeting;

Scheme Consideration means \$0.50 for each Scheme Share held by a Scheme Participant at the Record Date, less the amount of any Discretionary Special Dividends, payable by

Bidder to Scheme Participants in consideration for the transfer to Bidder of their Scheme Shares in accordance with the Transaction Documents;

Scheme Meeting means the meeting of Target Shareholders to be ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act in relation to the Scheme, and includes any adjournment of that meeting;

Scheme Participant means a person who is registered in the Target Register as a holder of Scheme Shares as at the Record Date;

Scheme Share means each Target Share on issue as at the Record Date;

Second Court Date means the first day of hearing of an application made to the Court by Target for orders pursuant to section 411(4)(b) of the Corporations Act approving the Scheme or, if the hearing of such application is adjourned or if the application is subject to appeal for any reason, means the first day of the adjourned hearing or the first day on which the appeal is heard (as the case may be);

Subsidiary has the meaning given to that expression in the Corporations Act;

Superior Proposal means a Competing Proposal, which the Target Board determines, acting in good faith and after having taken advice from its legal and financial advisers:

- (a) is capable of being valued and completed, taking into account all aspects of the Competing Proposal, including its conditions; and
- (b) would, if completed substantially in accordance with its terms and viewed in aggregate, be more favourable to the Target Shareholders than the Scheme, taking into account all the terms and conditions of the Competing Proposal,

after taking into account a qualitative assessment of the identity, reputation and financial standing of the party making the Competing Proposal;

Takeovers Panel means the panel established by section 171 of the *Australian Securities and Investments Commission Act 1989* (Cth);

Target Board means the board of directors of Target;

Target Break Fee means \$1.3 million;

Target Disclosed Information means:

- (a) the contents of the electronic data room maintained by Macquarie Capital on behalf of Target; and
- (b) information publicly disclosed by Target on its ASX announcement platform,

in each case as at 5.00pm on the date that is 2 Business Days prior to the date of this agreement;

Target Group means Target and its Subsidiaries;

Target Register means the register of members of Target maintained by or on behalf of Target in accordance with section 168(1)(a) of the Corporations Act;

Target Scheme Booklet Information means all information that is prepared by or on behalf of Target or any of its Representatives to enable the Scheme Booklet to be prepared and completed in accordance with clause 5.3 and any updates to that information prepared by or on behalf of Target, other than the Bidder Scheme Booklet Information and the Independent Expert's Report;

Target Share means a fully paid ordinary share in the capital of Target;

Target Shareholder means a person who is registered in the Target Register as a holder of Target Shares from time to time;

Transaction Costs means the total costs incurred by the Target Group in connection with the Scheme (including fees and disbursements payable to financial advisers, independent experts and legal counsel and other associated service providers);

Timetable means the indicative timetable for the implementation of the Scheme set out in Schedule 1, subject to any amendments as the parties may agree in writing;

Third Party means:

- (a) a person other than any member of the Bidder Group or its Representatives; or
- (b) a consortium, partnership, limited partnership, syndicate or other group in which no member of the Bidder Group has agreed in writing to be a participant; and

Transaction Documents means:

- (a) this agreement;
- (b) the Scheme; and
- (c) the Deed Poll.

1.2 Interpretation

In this agreement, unless the context otherwise requires:

- (a) a reference to:
 - (i) one gender includes the others;
 - (ii) the singular includes the plural and the plural includes the singular;
 - (iii) a recital, clause, schedule or annexure is a reference to a clause of or recital, schedule or annexure to this agreement and references to this agreement include any recital, schedule or annexure;
 - (iv) any contract (including this agreement) or other instrument includes any variation or replacement of it and as it may be assigned or novated;
 - (v) a statute, ordinance, code or other law includes subordinate legislation (including regulations) and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
 - (vi) a person or entity includes an individual, a firm, a body corporate, a trust, an unincorporated association or an authority;
 - (vii) a person includes their legal personal representatives (including executors), administrators, successors, substitutes (including by way of novation) and permitted assigns;
 - (viii) a group of persons is a reference to any 2 or more of them taken together and to each of them individually;
 - (ix) an entity which has been reconstituted or merged means the body as reconstituted or merged, and to an entity which has ceased to exist where its functions have been substantially taken over by another body, means that other body;
 - (x) a reference to a day or a month means a calendar day or calendar month; and

- (xi) money (including '\$', 'AUD' or 'dollars') is to Australian currency;
- (b) unless expressly stated, no party enters into this agreement as agent for any other person (or otherwise on their behalf or for their benefit);
- (c) the meaning of any general language is not restricted by any accompanying example, and the words 'includes', 'including', 'such as', 'for example' or similar words are not words of limitation;
- (d) headings and the table of contents are for convenience only and do not form part of this agreement or affect its interpretation;
- (e) if the last day for doing an act is not a Business Day, the act must be done instead on the next Business Day; and
- (f) a provision of this agreement must not be construed to the disadvantage of a party merely because that party was responsible for the preparation of this agreement or the inclusion of the provision in this agreement.

2 Agreement to propose the Scheme

2.1 Proceed with Scheme

Target and Bidder agree to implement the Scheme upon and subject to the terms and conditions of this agreement.

2.2 Proposal of Scheme

- (a) Target agrees to propose and implement the Scheme on and subject to the terms of this agreement.
- (b) Bidder will assist Target to propose and implement the Scheme on and subject to the terms of this agreement.

3 Conditions Precedent

3.1 Conditions Precedent

Subject to this clause 3, Target's obligations under clause 5.1(n) and Bidder's obligation to provide the Scheme Consideration in accordance with the Deed Poll and clause 4.1 are not binding, until each of the following Conditions Precedent are either satisfied (or waived in accordance with clause 3.2):

1	2	3	4	5
Condition Precedent	Party responsible for satisfaction of the Condition Precedent (clause 3.3(a)(i))	Party entitled to benefit of the Condition Precedent (clauses 3.2(a) and 3.6(b)(iii))	Party entitled to exercise right to waive the Condition Precedent (clause 3.2(b))	Party whose certificate must refer to the Condition Precedent (clauses 3.7(a) and 3.7(b))
(a) Regulatory approvals:	Target and Bidder	Target and Bidder	Target and Bidder	Target and Bidder
(i) ASIC and the ASX: before 8.00am on the				

1	2	3	4	5
Condition Precedent	Party responsible for satisfaction of the Condition Precedent (clause 3.3(a)(i))	Party entitled to benefit of the Condition Precedent (clauses 3.2(a) and 3.6(b)(iii))	Party entitled to exercise right to waive the Condition Precedent (clause 3.2(b))	Party whose certificate must refer to the Condition Precedent (clauses 3.7(a) and 3.7(b))
<p>Second Court Date, ASIC and the ASX have issued or provided (and not withdrawn, revoked or varied) such consents, waivers, relief, modifications and/or approvals or have done such other acts which are necessary or reasonably desirable to implement the Scheme. If such consents, waivers, relief, modifications and/or approvals are subject to conditions those conditions must be acceptable to Bidder and Target;</p> <p>(ii) FIRB approval: prior to the Second Court Date, the Treasurer (or his delegate) has provided written advice that there are no objections in terms of Australia's foreign investment policy to the proposed Scheme, either on an unconditional basis or subject to conditions reasonably acceptable to Bidder; and</p> <p>(iii) Other Governmental Agencies: before 8.00am on the Second Court Date, all other approvals of a Governmental Agency which are necessary or reasonably desirable to implement any material aspect of the Scheme are obtained and those approvals are given</p>				

1	2	3	4	5
Condition Precedent	Party responsible for satisfaction of the Condition Precedent (clause 3.3(a)(i))	Party entitled to benefit of the Condition Precedent (clauses 3.2(a) and 3.6(b)(iii))	Party entitled to exercise right to waive the Condition Precedent (clause 3.2(b))	Party whose certificate must refer to the Condition Precedent (clauses 3.7(a) and 3.7(b))
either unconditionally or on conditions that are acceptable to Bidder and Target;				
(b) Orders Convening Meeting: prior to the Second Court Date, the Court makes orders under section 411(1) of the Corporations Act convening the Scheme Meeting;	Target and Bidder	Target and Bidder	None – Condition Precedent cannot be waived	None
(c) Independent Expert's Report: the Independent Expert's Report states that in the Independent Expert's opinion the Scheme is in the best interests of Target Shareholders, and the Independent Expert does not change its conclusion or withdraw the Independent Expert's Report by notice in writing to Target prior to 8.00am on the Second Court Date;	Target	Target	Target	Target
(d) Target Shareholder approval: before 8.00am on the Second Court Date, the Scheme is approved by the requisite majorities of Target Shareholders under section 411(4)(a)(ii) of the Corporations Act;	Target	Target and Bidder	None – Condition Precedent cannot be waived	Target
(e) Court approval: the Scheme is approved by the Court in accordance with section 411(4)(b) of the Corporations Act;	Target and Bidder	Target and Bidder	None – Condition Precedent cannot be waived	None
(f) No Governmental Agency challenge: no Governmental Agency has commenced, or is threatening to commence, any action, lawsuit, or other legal proceeding seeking to obtain, pursuant to any law, a judgment, order, decree,	Target and Bidder	Target and Bidder	Target and Bidder	Target and Bidder – to the best of their respective knowledge

1	2	3	4	5
Condition Precedent	Party responsible for satisfaction of the Condition Precedent (clause 3.3(a)(i))	Party entitled to benefit of the Condition Precedent (clauses 3.2(a) and 3.6(b)(iii))	Party entitled to exercise right to waive the Condition Precedent (clause 3.2(b))	Party whose certificate must refer to the Condition Precedent (clauses 3.7(a) and 3.7(b))
temporary restraining order, preliminary or permanent injunction, restraint or prohibition, that would prohibit, materially restrict, make illegal or restrain the implementation of the Scheme, and no such judgment, order, decree, temporary restraining order, preliminary or permanent injunction, restraint or prohibition is in effect, as at 8.00am on the Second Court Date;				
(g) Target representations and warranties: the representations and warranties given by Target under clause 8.1 are true and correct in all material respects, in each case at the times set out in clause 8.3;	Target	Bidder	Bidder	Target
(h) No Material Adverse Event: no Material Adverse Event occurs between the date of this agreement and 8.00am on the Second Court Date;	Target	Bidder	Bidder	Target
(i) No Prescribed Occurrence: no Prescribed Occurrence occurs between the date of this agreement and 8.00am on the Second Court Date;	Target	Bidder	Bidder	Target
(j) Bidder representations and warranties: the representations and warranties given by Bidder under clause 8.2 are true and correct in all material respects, in each case at the times set out in clause 8.3; and	Bidder	Target	Target	Bidder
(k) No termination: this agreement has not been terminated in accordance with clause 13.	Target and Bidder	Target and Bidder	Target and Bidder	Target and Bidder

3.2 Waiver

- (a) Each Condition Precedent is for the benefit of the party listed alongside that Condition Precedent in column 3 of clause 3.1.
- (b) Any breach or non-fulfilment of a Condition Precedent may only be waived with the written consent of the party or parties listed alongside that Condition Precedent in column 4 of clause 3.1 and a waiver will be effective only to the extent specifically set out in that waiver and a waiver will be effective only to the extent specifically set out in that waiver.
- (c) A party entitled to waive the breach or non-fulfilment of a Condition Precedent pursuant to this clause 3.2 may do so in its absolute discretion.
- (d) If a waiver by a party of a Condition Precedent is itself expressed to be conditional and the other party accepts the conditions, the terms of the conditions apply accordingly. If the other party does not accept the conditions, the relevant Condition Precedent has not been waived.
- (e) If a party waives the breach or non-fulfilment of a Condition Precedent, that waiver will not preclude it from suing the other party for any breach of this agreement constituted by the same event that gave rise to the breach or non-fulfilment of the Condition Precedent.
- (f) Waiver of a breach or non-fulfilment in respect of one Condition Precedent does not constitute:
 - (i) a waiver of breach or non-fulfilment of any other Condition Precedent resulting from the same events or circumstances; or
 - (ii) a waiver of breach or non-fulfilment of that Condition Precedent resulting from any other event or circumstance.

3.3 Best endeavours and co-operation

- (a) Without prejudice to any other obligations of the parties under this agreement:
 - (i) each party must use its best endeavours to ensure that the Conditions Precedent for which it is listed in column 2 of clause 3.1 as having responsibility are satisfied as soon as practicable after execution of this agreement and in any event no later than the End Date, and continues to be satisfied at all times until the last time it is to be satisfied (as the case may be and unless otherwise agreed in writing by Bidder and Target); and
 - (ii) neither party will take any action that will or is likely to hinder or prevent the satisfaction of any Condition Precedent, except to the extent that such action is required to be done or procured pursuant to, or is otherwise permitted by, a Transaction Document, or is required by law.
- (b) For the purposes of clause 3.3(a), the 'best endeavours' of a party will require that party to (among other things):
 - (i) observe and comply with this agreement; and
 - (ii) co-operate with the other party or a Governmental Agency or third party in good faith with a view to satisfying the Conditions Precedent, including providing all information reasonably required by the other party in relation to the Target Group or the Bidder Group (as applicable) in order to satisfy the Conditions Precedent and providing all information reasonably required by any Governmental Agency or other third party to such Governmental Agency or third party as appropriate.

3.4 Notifications

Each party must:

- (a) keep the other party promptly and reasonably informed of the steps it has taken and of its progress towards satisfaction of the Conditions Precedent;
- (b) promptly notify the other party in writing if it becomes aware that any Condition Precedent has been satisfied, in which case the notifying party must also provide reasonable evidence that the Condition Precedent has been satisfied; and
- (c) promptly notify the other party in writing of a failure to satisfy a Condition Precedent or of any fact or circumstance that results in that Condition Precedent becoming incapable of being satisfied or that may result in that Condition Precedent not being satisfied in accordance with its terms (having regard to the obligations of the parties under clause 3.3).

3.5 Regulatory Approvals

Without limiting the generality of clauses 3.3 and 3.4:

- (a) each party must promptly apply for all relevant Regulatory Approvals and take all steps it is responsible for as part of the approval process for the Scheme, including responding to requests for information at the earliest practicable time; and
- (b) each party must in good faith and on a timely and pragmatic basis consult with the other in advance in relation to all material communications with any Governmental Agency relating to any Regulatory Approval or implementation of the Scheme.

3.6 Failure of Conditions Precedent

- (a) If:
 - (i) there is a breach or non-fulfilment of a Condition Precedent that is not waived in accordance with clause 3.2 before the End Date; or
 - (ii) a Condition Precedent becomes incapable of satisfaction, having regard to the obligations of the parties under clause 3.3 and the terms of clause 3.7 (and the breach or non-fulfilment of the Condition Precedent that would otherwise occur has not already been waived),

either party may serve notice on the other party (**CP Failure Notice**), and the parties must then consult in good faith with a view to determining whether:

- (iii) the Scheme may proceed by way of alternative means or methods;
 - (iv) to extend the relevant time or date for satisfaction of the Condition Precedent;
 - (v) to change the date of the application to be made to the Court for orders under the Corporations Act approving the Scheme or to adjourn that application (as applicable) to another date agreed by the parties; or
 - (vi) to extend the End Date.
- (b) If the parties are unable to reach agreement under clauses 3.6(a)(iii) to 3.6(a)(vi) by the earlier of:
 - (i) the 10th Business Day after the delivery of the CP Failure Notice; or
 - (ii) 5.00pm on the Business Day before the Second Court Date,

either party (**First Party**) may terminate this agreement by notice in writing to the other party (**Second Party**), provided that:

- (iii) the First Party is named in column 3 of clause 3.1 as having the benefit of the Condition Precedent to which the CP Failure Notice relates (whether or not that Condition Precedent is also for the benefit of the Second Party); and
- (iv) there has been no failure by the First Party to comply with its obligations under this agreement, where that failure directly and materially contributed to the Condition Precedent to which the CP Failure Notice relates becoming incapable of satisfaction, or being breached or not fulfilled before the End Date,

in which case clause 13.1(a) will have effect.

3.7 Certificates in relation to Conditions Precedent

- (a) If Target is listed in column 5 of clause 3.1 alongside a Condition Precedent as having to provide a certificate in respect of that Condition Precedent, then Target must provide to the Court on the Second Court Date a certificate (or such other evidence as the Court may request) confirming (in respect of matters within its knowledge) whether or not as at 8.00am on the Second Court Date that Condition Precedent has been satisfied or waived in accordance with this agreement.
- (b) If Bidder is listed in column 5 of clause 3.1 alongside a Condition Precedent as having to provide a certificate in respect of that Condition Precedent, then Bidder must provide to the Court on the Second Court Date a certificate (or such other evidence as the Court may request) confirming (in respect of matters within its knowledge) whether or not as at 8.00am on the Second Court Date that Condition Precedent has been satisfied or waived in accordance with this agreement.
- (c) Each party must provide to the other party a draft of the relevant certificate to be provided by it pursuant to this clause 3.7 by 5.00pm on the day that is 2 Business Days prior to the Second Court Date, and must provide to the other party on the Second Court Date a copy of the final certificate or other evidence provided to the Court.

4 Scheme

4.1 Outline of Scheme

- (a) The parties agree that the Scheme, if approved by the Court, will be subject to any alterations or conditions that are made or required by the Court and approved in writing by each party.
- (b) If the Scheme becomes Effective, at least 1 Business Day before the Implementation Date, Bidder must pay into an Australian dollar denominated interest bearing account nominated by Target an amount in cleared funds equal to the Scheme Consideration multiplied by the number of Scheme Shares. Those funds will be held on trust by Target for the Scheme Participants for the purposes of provision of the Scheme Consideration.
- (c) If the Scheme becomes Effective, then on the Implementation Date, subject to Bidder having complied with its obligations under clause 4.1(b):
 - (i) all of the Scheme Shares will be transferred to Bidder in accordance with the Scheme and Bidder accepts such transfer; and
 - (ii) the Scheme Participants will receive, from the account described in clause 4.1(b), the Scheme Consideration for each Scheme Share held by them at the Record Date.
- (d) Notwithstanding clause 4.1(c)(ii), where a Scheme Participant owes money to Target pursuant to a loan arrangement entered into prior to the date of this agreement, the

Target may apply the Scheme Consideration towards repayment of that loan arrangement.

4.2 Timetable

- (a) The parties acknowledge the Timetable is an indicative timetable.
- (b) The parties must use their best endeavours to implement the Scheme and perform their respective obligations substantially in accordance with the Timetable.

4.3 Access to people and Target information

Between the date of this agreement and the earlier of 5.00pm on the Business Day immediately before the Second Court Date and the date this agreement is terminated, Target must afford to Bidder and its Representatives reasonable access to information (subject to any existing confidentiality obligations owed to third parties), premises and senior executives of any member of the Target Group as reasonably requested by Bidder at mutually convenient times and afford Bidder reasonable co-operation for the sole purpose of:

- (a) implementation of the Scheme; and
- (b) Bidder obtaining an understanding of the operations of the Target Group's business, financial position, prospects and affairs in order to allow and facilitate the development and the implementation of the plans of Bidder for those businesses following implementation of the Scheme (including the provision of the Target Group's monthly management accounts promptly after they become available).

4.4 Bidder's right to separate representation

- (a) Bidder is entitled to separate representation at all Court proceedings relating to the Scheme.
- (b) Nothing in this agreement is to be taken to give Target any right or power to make or give undertakings to the Court for or on behalf of Bidder.

5 Steps for Scheme implementation

5.1 Target's obligations

Target must use its best endeavours to propose and implement the Scheme as soon as is reasonably practicable after the date of this agreement and otherwise substantially in accordance with the Timetable, and in particular Target must:

- (a) **preparation of Scheme Booklet:** as soon as reasonably practicable after the date of this agreement, prepare the Scheme Booklet in accordance with clause 5.3;
- (b) **Independent Expert:** promptly appoint the Independent Expert (if the Independent Expert has not been appointed prior to the date of this agreement), and provide all assistance and information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report;
- (c) **Independent Expert's Report:** on receipt, provide Bidder with a copy of:
 - (i) the initial draft report received from the Independent Expert for factual checking; and
 - (ii) the draft report received from the Independent Expert for inclusion in the Scheme Booklet to be lodged with ASIC and any further drafts of the report from the Independent Expert and the final report;
- (d) **liaison with ASIC:** as soon as reasonably practicable after the date of this agreement, provide an advanced draft of the Scheme Booklet to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act, and to

Bidder, and keep Bidder reasonably informed of any matters raised by ASIC in relation to the Scheme Booklet (and of any resolution of those matters), and use its best endeavours, in co-operation with Bidder, to resolve any such matters;

- (e) **indication of intent:** apply to ASIC for a letter indicating whether ASIC proposes to make submissions to the Court, or intervene to oppose the Scheme, on the First Court Date;
- (f) **approval of Scheme Booklet:** as soon as practicable after ASIC has provided its indication of intent in accordance with clause 5.1(e), procure that a meeting of the Target Board is convened to approve the Scheme Booklet for despatch to Target Shareholders (and provide Bidder with a copy of an extract of the applicable resolutions from the applicable minutes of meeting, as soon as practicable after those minutes have been prepared and signed);
- (g) **Court documents:** prepare all documents necessary for the Court proceedings (including any appeals) relating to the Scheme (including originating process, affidavits, submissions and draft minutes of Court orders) in accordance with all applicable laws, and provide Bidder in advance with drafts of those documents for review and (acting reasonably and in good faith) take into account, for the purpose of amending those drafts, any comments from Bidder and its Representatives on those drafts;
- (h) **first Court hearing:** lodge all documents with the Court and use its best endeavours to ensure that an application is heard by the Court for orders under section 411(1) of the Corporations Act directing Target to convene the Scheme Meeting;
- (i) **registration of Scheme Booklet:** if the Court directs Target to convene the Scheme Meeting, as soon as practicable after such orders are made, request ASIC to register the explanatory statement included in the Scheme Booklet in relation to the Scheme in accordance with section 412(6) of the Corporations Act;
- (j) **Scheme Meeting:** comply with the orders of the Court, including, as required, despatching the Scheme Booklet to Target Shareholders, convening and holding the Scheme Meeting in accordance with the Court's orders, provided that if this agreement is terminated under clause 13 it may use its best endeavours to ensure the Scheme Meeting is not held;
- (k) **update Scheme Booklet:** if it becomes aware of information after the date of despatch of the Scheme Booklet, that is material for disclosure to Target Shareholders in deciding whether to approve the Scheme or that is required to be disclosed to Target Shareholders under any applicable law, as expeditiously as practicable inform Target Shareholders of the information in an appropriate and timely manner, and in accordance with applicable law;
- (l) **section 411(17)(b) statement:** if the Scheme is approved by the requisite majorities of Target Shareholders under section 411(4)(a)(ii) of the Corporations Act, apply to ASIC for the production of statements in writing pursuant to section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;
- (m) **Court approval:** if the Scheme is approved by the requisite majorities of Target Shareholders under section 411(4)(a)(ii) of the Corporations Act, as soon as practicable after such time apply to the Court for orders approving the Scheme;
- (n) **implementation of the Scheme:** if the Court approves the Scheme:
 - (i) lodge with ASIC an office copy of the orders approving the Scheme in accordance with section 411(10) of the Corporations Act, as soon as practicable after the Court makes those orders;
 - (ii) use its best endeavours to ensure that the ASX suspends trading in Target Shares with effect from the close of trading on the Effective Date;

- (iii) close the Target Register as at the Record Date to determine the identity of Scheme Participants and to determine their entitlements to the Scheme Consideration in accordance with the Scheme;
- (iv) subject to Bidder complying with its obligations under clause 4.1, register all transfers of the Scheme Shares to Bidder in accordance with the Scheme; and
- (v) promptly do all other things contemplated by or necessary to give effect to the Scheme and the orders of the Court approving the Scheme;
- (o) **keep Bidder informed:** from the First Court Date until the Implementation Date, promptly inform Bidder if it becomes aware (or ought reasonably to have become aware, after making all reasonable and diligent enquiries) that the Scheme Booklet contains a statement that, in the form and context in which it appears in the Scheme Booklet, is or has become misleading or deceptive in a material respect or that contains a material omission;
- (p) **Bidder Scheme Booklet Information:** at any time (even after the Bidder Scheme Booklet Information becomes publicly available) only use that information with the prior written consent of Bidder (not to be unreasonably withheld);
- (q) **suspension of Exempt Share Plan:** with effect from the date of this agreement, suspend (to the extent not suspended prior to the date of this agreement) the Exempt Share Plan;
- (r) **suspension of Dividend Reinvestment Plan:** with effect from the date of this agreement, suspend (to the extent not suspended prior to the date of this agreement) the Dividend Reinvestment Plan; and
- (s) **termination of Dividend Reinvestment Plan:** subject to Court approval of the Scheme, but with effect from the Implementation Date or such later date agreed by the parties acting reasonably, terminate the Dividend Reinvestment Plan.

5.2 Bidder's obligations

Bidder must use its best endeavours to implement the Scheme as soon as is reasonably practicable after the date of this agreement and otherwise substantially in accordance with the Timetable, and in particular Bidder must:

- (a) **preparation of Scheme Booklet:** provide all assistance and information reasonably requested by Target with the preparation of the Scheme Booklet in accordance with clause 5.3;
- (b) **Independent Expert information:** provide all assistance and information reasonably requested by Target or by the Independent Expert in connection with the preparation of the Independent Expert's Report;
- (c) **liaison with ASIC:** provide all assistance and information reasonably requested by Target to assist Target to resolve any matter raised by ASIC regarding the Scheme Booklet or the Scheme during ASIC's review of the Scheme Booklet;
- (d) **approval of Scheme Booklet:** as soon as practicable after ASIC has provided its indication of intent as contemplated in clause 5.1(e), procure that a meeting of the Bidder Board (or of a committee of the Bidder Board appointed for this purpose) is convened to approve those sections of the Scheme Booklet that comprise the Bidder Scheme Booklet Information as being in a form appropriate for despatch to Target Shareholders (and provide Target with a copy of an extract of the applicable resolutions from the applicable minutes of meeting, as soon as practicable after those minutes have been prepared and signed);
- (e) **keep Target informed:** from the First Court Date until the Implementation Date, promptly (in any event within one Business Day) inform Target if it becomes aware (or ought reasonably to have become aware, after making all reasonable and diligent

enquiries) that the Bidder Scheme Booklet Information contains a statement that, in the form and context in which it appears in the Scheme Booklet, is or has become misleading or deceptive in any material respect or that contains any material omission, and provide such further or new information as is required to ensure that such information is no longer misleading or deceptive in any material respect or does not contain any material omission;

- (f) **Court representation:** procure that, if requested by Target and reasonably considered necessary by Bidder, it is represented by counsel at the Court hearings convened in connection with the Scheme, at which, through its counsel and if requested by the Court, Bidder will undertake to do all such things and take all steps within its power as are necessary in order to ensure the fulfilment of its obligations under the Transaction Documents;
- (g) **Deed Poll:** at least 2 Business Days prior to the First Court Date, execute the Deed Poll; and
- (h) **Target Scheme Booklet Information:** at any time (even after the Target Scheme Booklet Information becomes publicly available) only use the Target Scheme Booklet Information with the prior written consent of Target (not to be unreasonably withheld).

5.3 Preparing of Scheme Booklet

- (a) **Target to prepare:** Subject to Bidder complying with its obligations under clause 5.3(d), Target must prepare the Scheme Booklet as soon as is reasonably practicable after the date of this agreement and otherwise substantially in accordance with the Timetable (but will provide drafts to and consult with the Bidder in accordance with clauses 5.1(d) and 5.3(e)).
- (b) **Compliance requirements:** Target must use its best endeavours to ensure that the Scheme Booklet complies with the requirements of the Corporations Act, the ASX Listing Rules and all ASIC Regulatory Guides applicable to members' schemes of arrangement under Part 5.1 of the Corporations Act, except that the obligation to do so in respect of the Bidder Scheme Booklet Information is subject to Bidder complying with its obligations under clauses 5.3(d) and 8.2(l).
- (c) **Content of Scheme Booklet:** Without limiting clause 5.3(b), the Scheme Booklet will include or be accompanied by the Scheme, the Deed Poll, the Independent Expert's Report, and the notice convening the Scheme Meeting.
- (d) **Bidder Scheme Booklet Information:** Bidder must provide the Bidder Scheme Booklet Information to Target as soon as is reasonably practicable after the date of this agreement and otherwise substantially in accordance with the Timetable, in a form that, together with the Target Scheme Booklet Information, includes in all material respects the information regarding the Bidder Group that is required by the Corporations Act, the ASX Listing Rules and all ASIC Regulatory Guides applicable to members' schemes of arrangement under Part 5.1 of the Corporations Act, including the information that would be required under sections 636(1)(c), (h), (i), (j), (k), (l) and (m) of the Corporations Act to be included in Bidder's statement if Bidder were offering the Scheme Consideration as consideration under a takeover bid, and must provide to Target such assistance as Target may reasonably request in order to adapt such information for inclusion in the Scheme Booklet.
- (e) **Review by Bidder:** Target must:
 - (i) make available in advance to Bidder a draft of the Scheme Booklet (excluding any draft of the Independent Expert's Report);
 - (ii) take the comments made by Bidder into account in good faith when producing a revised draft of the Scheme Booklet;
 - (iii) implement such changes to those parts of the Scheme Booklet relating to Bidder which are provided in accordance with this clause 5.2(e) as

reasonably requested by Bidder and prior to finalising the Regulator's Draft;
and

- (iv) provide to Bidder a revised draft of the Scheme Booklet within a reasonable time before the Regulator's Draft is finalised and to enable Bidder to review the Regulator's Draft for factual accuracy before its submission.
- (f) **Dispute as to Scheme Booklet:** If, after a reasonable period of consultation and compliance by Target with its obligations under clause 5.3(e), Bidder and Target, acting reasonably and in good faith, are unable to agree on the form or content of the Scheme Booklet, then, subject to applicable law:
 - (i) if the disagreement relates to the form or content of the Bidder Scheme Booklet Information (or any information solely derived from, or prepared solely in reliance on, the Bidder Scheme Booklet Information), Target will, acting in good faith, make such amendments to that information in the Scheme Booklet as Bidder may reasonably require; and
 - (ii) if the disagreement relates to the form or content of the Target Scheme Booklet Information, Target will, acting in good faith, decide the final form of that information in the Scheme Booklet.
- (g) **Consent of Bidder:** Without limiting clause 5.3(f), Target must obtain written consent from Bidder in relation to the form and context in which any Bidder Scheme Booklet Information (and any information solely derived from, or prepared solely in reliance on, the Bidder Scheme Booklet Information) is used, such consent not to be unreasonably withheld by Bidder.
- (h) **Verification:** Target must undertake appropriate verification processes in relation to the Target Scheme Booklet Information included in the Scheme Booklet, and Bidder must undertake appropriate verification processes in relation to the Bidder Scheme Booklet Information included in the Scheme Booklet.
- (i) **Regulatory Review Period:** during the Regulatory Review Period, Target must:
 - (i) promptly provide to Bidder, and include in a revised draft of the Scheme Booklet, any new information not included in the Regulator's Draft that is required by the Corporations Act, Corporations Regulations 2001 (Cth), ASIC Regulatory Guides 60 or 142 or the ASX Listing Rules to be included in the Scheme Booklet; and
 - (ii) keep Bidder informed of any matters raised by ASIC in relation to the Scheme Booklet and use its best endeavours, in co-operation with Bidder, to resolve any such matters.

5.4 Mutual co-ordination

- (a) Target and Bidder must each use their best endeavours and utilise all necessary resources (including management, shareholder, marketing and corporate relations resources, as well as the resources of external advisers) to produce the Scheme Booklet and implement the Scheme as soon as reasonably practicable.
- (b) Each party must procure that its Representatives work (including by attending meetings and by providing information) in good faith and in a timely and co-operative fashion with the other parties to implement the Scheme and to prepare all documents required relating to the Scheme.

5.5 Third party consents

- (a) Promptly following execution of this agreement, Bidder and Target must in good faith identify any material Target Group contract or arrangement for a which a consent or approval is required from a third party as a consequence of the implementation of the Scheme (**Third Party Consents**).

- (b) Without limiting any obligations of either party under this agreement in relation to obtaining the Regulatory Approvals, Target must use its best endeavours to ensure that Target and any other relevant Target Group members:
 - (i) apply to the relevant third parties for the consent or approval as soon as practicable after the date of this agreement;
 - (ii) obtain the consent or approval prior to the Effective Date; and
 - (iii) without limiting clause 5.5(b)(ii), procure that their Representatives work (including by attending meetings and by providing information) with Bidder and its Representatives in good faith and in a timely and co-operative fashion to obtain the Third Party Consents.
- (c) Target must use its reasonable endeavours to involve Bidder in meetings or discussions with third parties relating to the obtaining of the consent or approvals under clause 5.5(a), including by:
 - (i) keeping Bidder informed of relevant progress; and
 - (ii) promptly providing Bidder with copies of any written communications sent to or received from a third party in relation to the consent or approval.
- (d) For the avoidance of doubt, a failure to obtain a Third Party Consent will not of itself provide any party with a right to terminate this agreement in accordance with clause 13.

5.6 Appointment of officers

As soon as practicable after the Implementation Date, Target must use its best endeavours to procure:

- (a) the appointment of the persons nominated by Bidder to the Target Board; and
- (b) if and as requested by Bidder, the resignation of the directors on the Target Board (other than those nominated by Bidder).

6 Target Board recommendations

Target represents and warrants as at the date of this agreement to Bidder, and otherwise undertakes, that it has been advised by each director of Target in office that he or she will:

- (a) recommend that Target Shareholders vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert expressing an opinion that the Scheme is in the best interests of Target Shareholders;
- (b) not subsequently change, withdraw or modify that recommendation before the date the Scheme is approved by Target Shareholders in the absence of a Superior Proposal and subject to the Independent Expert expressing an opinion that the Scheme is in the best interests of Target Shareholders;
- (c) include in Target's Announcement of the signing of this agreement, the Scheme Booklet and any material communications made to the public and the Target Shareholders about the Scheme, a statement to the effect of clause 6(a); and
- (d) not make any public statement or take any other action that contradicts the recommendation of the Scheme by the directors of Target to the effect of the statement in clause 6(a) in the absence of a Superior Proposal, subject to the Independent Expert expressing an opinion that the Scheme is in the best interests of Target Shareholders,

in each case, unless:

- (e) the Independent Expert opines that the Scheme is not in the best interests of Target Shareholders;
- (f) the directors of Target have unanimously:
 - (i) made a determination that Target has received a Superior Proposal; and
 - (ii) publicly recommended that the Superior Proposal is in the interests of the Target Shareholders; or
- (g) after diligently considering any relevant developments, the directors of Target unanimously make a determination in good faith that compliance or continued compliance with clauses 6(a) to 6(d) (inclusive) would involve a breach of Target directors' fiduciary or statutory duties.

7 Public announcements and confidentiality

7.1 Announcements with consent

Subject to clauses 7.2 and 7.3, each party must not make any Announcements in connection with the Scheme without the prior written approval of the other party, with such approval not to be unreasonably withheld.

7.2 Announcements required by law of listing rules

Subject to clause 7.3, where a party is required by applicable law, the ASX Listing Rules or any other applicable stock exchange regulation to make any announcement or to make any disclosure in connection with this agreement (including its termination) or the Scheme, it may do so only after it has given the other party as much notice as is reasonably practicable in the context of any deadlines imposed by law, the ASX Listing Rules or any other applicable stock exchange regulation, but in any event prior notice, and has consulted with the other party as to (and has given the other party a reasonable opportunity to comment on) the form and content of that announcement or disclosure and used its best endeavours to restrict that disclosure to the greatest extent possible. Nothing in this clause 7.2 requires the giving of prior notice or the taking of any action if doing so would lead to a party breaching an applicable law, the ASX Listing Rules or any other stock exchange regulation.

7.3 Disclosure on termination of this agreement

The parties agree that, if this agreement is terminated under clause 13, either party may disclose by way of Announcement to the ASX the fact that this agreement has been terminated, where such disclosure is in the reasonable opinion of that party required to ensure that the market in its securities is properly informed, and provided, where reasonably practicable, that party consults with the other party as to (and gives the other party a reasonable opportunity to comment on) the form and content of the Announcement prior to its disclosure.

7.4 Confidentiality Deed

Except as set out in clause 7.3, the parties acknowledge and agree that:

- (a) they continue to be bound by the Confidentiality Deed after the date of this agreement; and
- (b) the rights and obligations of the parties under the Confidentiality Deed survive termination of this agreement.

7.5 Takeover bid

In the event that:

- (a) there is any proposed or possible transaction or arrangement pursuant to which, if ultimately completed, a Third Party would directly or indirectly acquire an interest or Relevant Interest in or become the holder of more than 50% of Target Shares on issue, or all or substantially all of the business of Target; and
 - (b) Bidder terminates this agreement pursuant to clause 13,
- nothing in this agreement or the Confidentiality Deed precludes Bidder from:
- (c) making a takeover bid for Target at an offer price per Target Share which is at least equal to the Scheme Consideration; and
 - (d) disclosing any information which constitutes "Confidential Information" for the purposes of the Confidentiality Deed in a bidder's statement under the Corporations Act for this purpose and without complying with the procedure set out in clause 7, only to the extent reasonably required to comply with section 636(1) of the Corporations Act.

8 Representations and warranties

8.1 Target representations and warranties

Target represents and warrants to Bidder that, except as consented to in writing by Bidder:

- (a) **incorporation:** it is a body corporate validly existing under the laws of its place of incorporation and each member of the Target Group is a corporation validly existing under the laws of its place of incorporation;
- (b) **power:** it has the corporate power to enter into and perform or cause to be performed its obligations under this agreement and to carry out the transactions contemplated by this agreement;
- (c) **corporate authorisations:** it has taken all necessary corporate action to authorise the entry into of this agreement and the Scheme and, subject to Target Shareholders approving the Scheme, has taken all necessary corporate action to authorise the performance of this agreement and the Scheme and to carry out the transactions contemplated by this agreement and the Scheme;
- (d) **binding obligations:** (subject to laws generally affecting creditors' rights and principles of equity) this agreement is valid and binding upon it;
- (e) **Target Scheme Booklet Information:** the Target Scheme Booklet Information provided in accordance with this agreement and included in the Scheme Booklet, as at the date of the Scheme Booklet, will comply in all material respects with the requirements of the Corporations Act, the ASX Listing Rules and all relevant regulatory guides, practice notes and other guidelines and requirements of ASIC;
- (f) **reliance:** the Target Scheme Booklet Information contained in the Scheme Booklet will be included in good faith and on the understanding that Bidder and its directors will rely on that information for the purposes of considering and approving the Bidder Scheme Booklet Information in the Scheme Booklet before it is despatched, approving the entry into the Bidder Deed Poll and implementing the Scheme;
- (g) **further information:** Target will, as a continuing obligation, provide to Bidder all such further or new information which may arise after the date of the Scheme Booklet until the date of the Scheme Meeting which may be necessary to ensure that there would be no breach of clause 8.1(e) if it applied as at the date upon which that information arose;
- (h) **continuous disclosure:** Target is not in breach of its continuous disclosure obligations under the ASX Listing Rules and is not relying on the carve-out in ASX Listing Rule 3.1A to withhold any information from disclosure;

- (i) **provision of information to Independent Expert:** all information provided by or on behalf of Target to the Independent Expert to enable the Independent Expert's report to be included in the Scheme Booklet to be prepared and completed will be provided in good faith and on the understanding that the Independent Expert will rely upon that information for the purpose of preparing the Independent Expert's report;
- (j) **compliance:** other than as Fairly Disclosed in the Target Disclosed Information, it and its Subsidiaries have complied in all material respects with all Australian and foreign laws and regulations applicable to them and orders of Australian and foreign governmental agencies having jurisdiction over them and have all material licenses, permits and franchises necessary for them to conduct their respective businesses as presently being conducted;
- (k) **no litigation:** other than as Fairly Disclosed in the Target Disclosed Information and so far as Target is aware, neither it nor any of its Subsidiaries is a claimant or defendant in, or otherwise a party to, any material litigation, arbitration or mediation proceedings;
- (l) **costs:** the Transaction Costs do not exceed the amount Fairly Disclosed to the Bidder prior to the date of this agreement, and are not expected to exceed this amount following implementation of the Scheme;
- (m) **solvency:** no Insolvency Event has occurred in relation to any member of the Target Group;
- (n) **regulatory action:** except as contemplated in the Conditions Precedent, and other than as Fairly Disclosed in the Target Disclosed Information, no regulatory action of any nature has been taken which would prevent, inhibit or otherwise have a material adverse effect on its ability to fulfil its obligations under this agreement;
- (o) **no default:** other than as Fairly Disclosed, this agreement does not conflict with or result in the breach of or default under any provision of Target's constitution, any material term or provision of any material agreement, or any writ, order or injunction, judgement, law, rule, regulation or instrument to which Target is party or subject or of which it or any member of the Target Group is bound;
- (p) **no Prescribed Occurrence:** no Prescribed Occurrence has occurred;
- (q) **not misleading:** all Target Disclosed Information and all information that is provided to Bidder in writing for the purposes of the preparation of the Scheme Booklet is complete, accurate and not misleading in any material respect and does not omit any material matters required to make the information provided to Bidder not misleading (when read as a whole); and
- (r) **issued securities as at date of this agreement:** the securities on issue in the capital of Target as at the date of this agreement are 273,005,429 Target Shares and the Target Group has not issued, or agreed to issue, any other securities or instruments which are still in force and may convert into Target Shares or any other securities in Target, other than pursuant to or consistently with arrangements between Target and the Managing Director of Target announced to ASX on 28 April 2014 and subject to approval by Target Shareholders at the annual general meeting of Target convened on 17 October 2014.

8.2 Bidder representations and warranties

Bidder represents and warrants to Target that, except as consented to in writing by Target:

- (a) **incorporation:** it is a body corporate validly existing under the laws of its place of incorporation and each member of the Bidder Group is a corporation validly existing under the laws of its place of incorporation;

- (b) **power:** it has the corporate power to enter into and perform or cause to be performed its obligations under this agreement and to carry out the transactions contemplated by this agreement;
- (c) **corporate authorisations:** it has taken all necessary corporate action to authorise the entry into of this agreement and the Scheme and has taken all necessary corporate action to authorise the performance of this agreement and the Scheme and to carry out the transactions contemplated by this agreement and the Scheme;
- (d) **binding obligations:** (subject to laws generally affecting creditors' rights and principles of equity) this agreement is valid and binding upon it;
- (e) **Bidder Scheme Booklet Information:** the Bidder Scheme Booklet Information provided in accordance with this agreement and included in the Scheme Booklet, as at the date of the Scheme Booklet, will comply in all material respects with the requirements of the Corporations Act, the ASX Listing Rules and all relevant regulatory guides, practice notes and other guidelines and requirements of ASIC;
- (f) **reliance:** the Bidder Scheme Booklet Information contained in the Scheme Booklet will be included in good faith and on the understanding that Target and its directors will rely on that information for the purposes of preparing the Scheme Booklet and proposing and implementing the Scheme;
- (g) **further information:** Bidder will, as a continuing obligation, provide to Target all such further or new information which may arise after the date of the Scheme Booklet until the date of the Scheme Meeting which may be necessary to ensure that there would be no breach of clause 8.2(e) if it applied as at the date upon which that information arose;
- (h) **compliance:** it and its Subsidiaries have complied in all material respects with all Australian and foreign laws and regulations applicable to them and orders of Australian and foreign governmental agencies having jurisdiction over them and have all material licenses, permits and franchises necessary for them to conduct their respective businesses as presently being conducted;
- (i) **solvency:** no Insolvency Event has occurred in relation to any member of the Bidder Group;
- (j) **regulatory action:** except as contemplated in the Conditions Precedent, no regulatory action of any nature has been taken which would prevent, inhibit or otherwise have a material adverse effect on its ability to fulfil its obligations under this agreement;
- (k) **no default:** other than as Fairly Disclosed, this agreement does not conflict with or result in the breach of or default under any provision of Bidder's constitution, any material term or provision of any material agreement, or any writ, order or injunction, judgement, law, rule, regulation or instrument to which Bidder is party or subject or of which it or any member of the Bidder Group is bound;
- (l) **not misleading:** all Bidder Scheme Booklet Information is complete, accurate and not misleading in any material respect and does not omit any material matters required to make the information provided to Target not misleading (when read as a whole);
- (m) **keep Target informed:** on the First Court Date and the Second Court Date, Bidder has complied in all material respects with its obligations under clause 5.2(e);
- (n) **cash at Second Court Date:** at 8.00am on the Second Court Date, Bidder will have sufficient cash on its balance sheet, or financial commitments available to it on an unconditional basis (other than conditions relating to the approval of the Court and related procedural matters or documentary requirements which, by their terms or nature, can only be satisfied or performed after the Second Court Date), to ensure that the Scheme Consideration is paid in accordance with the terms of the

Transaction Documents on the Business Day prior to the Implementation Date (as applicable);

- (o) **cash at Implementation Date:** on the day that is 1 Business Day prior to the Implementation Date, Bidder will have available to it sufficient cash amounts (including debt facilities) to ensure that the Scheme Consideration is paid in accordance with the terms of the Transaction Documents (as applicable); and
- (p) **shareholder approval:** no shareholder approval of Bidder is required to complete the Scheme.

8.3 Timing

Each representation and warranty made or given under clauses 8.1 and 8.2 is given:

- (a) at the date of the agreement and at 8.00am on the Second Court Date; or
- (b) where expressed, at the time at which the representation or warranty is expressed to be given.

8.4 Reliance by parties

Each party (**Representor**) acknowledges that:

- (a) in entering into this agreement the other party has relied on the representations and warranties provided by the Representor under this clause 8;
- (b) any breach of the representations and warranties provided by the Representor under this clause 8 after the Scheme becomes Effective cannot result in a termination of this agreement;
- (c) it has not entered into this agreement in reliance on any warranty or representation made by or on behalf of the other party except those warranties and representations set out in this agreement. This acknowledgment does not prejudice the rights any party may have in relation to the Target Scheme Booklet Information, the Bidder Scheme Booklet Information, or any information filed by the other party with the ASX or ASIC; and
- (d) neither Bidder nor Target, nor their respective Representatives, nor any other person acting on behalf of or associated with them, has made any representation, given any advice or given any warranty or undertaking, promise or forecast of any kind in relation to the business of either the Bidder Group or the Target Group, including in relation to future matters, including future or forecast costs, prices, revenues or profits.

8.5 Notifications

Each party will promptly advise the other party in writing if it becomes aware of any fact, matter or circumstance that constitutes or may constitute a breach of any of the representations or warranties given by it under this clause 8.

8.6 Status of representations and warranties

Each representation and warranty in this clause 8:

- (a) is severable;
- (b) will survive the termination of this agreement; and
- (c) is given with the intent that liability under it will not be confined to breaches that are discovered prior to the date of termination of this agreement.

9 Conduct of business

9.1 Overview

From the date of this agreement up to and including the Implementation Date, Target must use its best endeavours to conduct its business in the ordinary and proper course and in substantially the same manner as previously conducted.

9.2 Specific obligations

Without limiting clause 9.1 and other than:

- (a) with the prior approval of Bidder (which approval must not be unreasonably withheld or delayed);
- (b) as required by this agreement; or
- (c) as Fairly Disclosed by Target in the Target Disclosed Information,

Target must, during the period contemplated by clause 9.1, use its best endeavours to:

- (d) maintain the condition of its business and assets, including maintaining at least its current level of insurances;
- (e) manage the working capital of the Bidder Group in the ordinary course and consistent with past practice;
- (f) keep available the services of its current officers and employees; and
- (g) preserve its relationships with customers, suppliers, licensors, licensees, joint venturers and others with whom it has business dealings.

9.3 Prohibited actions

Other than:

- (a) with the prior approval of Bidder (which approval must not be unreasonably withheld or delayed);
- (b) as required by this agreement; or
- (c) as Fairly Disclosed by Target in the Target Disclosed Information,

Target must not, during the period contemplated by clause 9.1:

- (d) either:
 - (i) enter into a new employment contract with a potential employee of the Target Group (other than to replace an employee who has ceased to be an employee of the Target Group); or
 - (ii) enter into a new employment contract or amend (other than as part of any annual salary review conducted in the ordinary course) an existing employment contract with an existing employee of the Target Group,

in respect of which the total employment costs payable to that existing or potential employee is in excess of \$250,000 per annum;
- (e) settle any legal proceedings, claim, investigation, arbitration or other like proceeding where the settlement amount payable by one or more Target Group Members exceeds \$1 million and, for the avoidance of doubt, is not covered by insurance;

- (f) except for draw-downs on existing facilities, increase any facility limit or enter into any new debt facility or financial accommodation; or
- (g) agree to do any of the matters set out above.

10 Exclusivity

10.1 No existing discussions

Target represents and warrants that, other than the discussions with Bidder in respect of the Scheme, it is not in negotiations or discussions in respect of any Competing Proposal with any person as at the date of this agreement.

10.2 No-shop restriction

During the Exclusivity Period, Target must ensure that neither it nor any of its Representatives directly or indirectly solicits, invites, encourages or initiates any enquiries, negotiations or discussions with a view to obtaining any expression of interest, offer or proposal from a Third Party in relation to a Competing Proposal.

10.3 No-talk restriction

During the Exclusivity Period, Target must ensure that neither it nor any of its Representatives directly or indirectly:

- (a) responds to any enquiries or proposals; or
- (b) participates in negotiations or discussions,

with any Third Party in relation to a Competing Proposal (even if that person's Competing Proposal was not directly or indirectly solicited, invited, encouraged or initiated by Target or any of its Representatives or the person has publicly announced the Competing Proposal) unless the Target Board determines, acting in good faith and having received written legal and financial advice from Target's legal and financial advisers, that such enquiry or proposal constitutes a Superior Proposal or could reasonably be expected to result in a Superior Proposal being made having regard to steps that Target proposes to take and other relevant circumstances, and that failing to respond to such Competing Proposal would reasonably likely constitute a breach of the Target Board's fiduciary or statutory duties.

10.4 Notice of unsolicited approach

During the Exclusivity Period, Target must promptly inform Bidder if it or any of its Representatives:

- (a) receives any approach with respect to any Competing Proposal, in which case Target must disclose to Bidder:
 - (i) the identity of the proposed bidder or acquirer;
 - (ii) the proposed price or implied value (including form of consideration); and
 - (iii) any material conditions or terms;
- (b) receives any request for information relating to Target or any of its Related Bodies Corporate or any of their businesses or operations or any request for access to the books or records of Target or any of its Related Bodies Corporate, which Target has reasonable grounds to suspect may relate to a current or future Competing Proposal; and
- (c) provides any information relating to Target or any of its Related Bodies Corporate or any of their businesses or operations to any person in connection with or for the purposes of a current or future Competing Proposal.

10.5 Bidder's right of last offer

- (a) Without limitation to any other part of this agreement, Target must:
 - (i) not enter into a binding implementation agreement which relates to a Competing Proposal (or any other agreement in relation to a Competing Proposal which provides for the payment of a break fee (or similar payment) to a Third Party) and
 - (ii) ensure that each member of the Target Board does not change its recommendation or voting intention in relation to the Scheme as a consequence of receiving a Competing Proposal,
 unless:
 - (iii) Target has complied with its obligations under this clause 10.5;
 - (iv) Target has determined that the Competing Proposal would be a Superior Proposal and has notified Bidder of this determination; and
 - (v) Target has provided Bidder with 3 clear Business Days to submit a written proposal to revise the Scheme. If Bidder submits a written proposal to revise the Scheme in this period (**Revised Proposal**), Target must ensure that the Target Board considers in good faith, and receives advice from Target's external legal and financial advisers in relation to, whether the proposed revisions would make the Scheme at least as favourable to Target Shareholders as the Competing Proposal. If it would, the parties must each use reasonable endeavours to, as soon as practicable, agree the necessary amendments to this agreement, and take all other necessary steps, to give effect to the change to the Scheme subject to any Superior Proposal.
- (b) For the avoidance of doubt:
 - (i) Bidder's right to submit a Revised Proposal will continue to apply until Target enters into a binding implementation agreement in relation to a Competing Proposal in accordance with clause 10.5(a); and
 - (ii) each successive modification of any offer or proposal for a Competing Proposal will constitute a new offer or proposal for a Competing Proposal for the purposes of the requirement under clause 10.4 and will initiate an additional 3 Business Day period under clause 10.5(a)(v).

10.6 No due diligence

During the Exclusivity Period, Target and its Representatives must not provide any assistance to any Third Party to enable that Third Party to conduct due diligence on Target, unless:

- (a) Target has first received an enquiry or proposal as contemplated in clause 10.3 which the Target Board determines, acting in good faith, is bona fide; and
- (b) the Target Board determines, acting in good faith and having received written legal and financial advice from Target's legal and financial advisers, that failing to provide such assistance would be likely to involve a breach of the fiduciary or statutory duties owed by a member of the Target Board.

10.7 Exceptions

Nothing in this clause 10 prevents Target or any of its Representatives from:

- (a) providing information to its Representatives;
- (b) providing information to any Governmental Agency or a Court;

- (c) providing information to its auditors, advisers, financiers, insurers, customers, joint venturers and suppliers acting in that capacity in the ordinary and usual course of business;
- (d) providing information required to be provided by law or any Governmental Agency (including to satisfy its obligations of disclosure in accordance with the ASX Listing Rules); or
- (e) making presentations to Third Parties approved by Bidder in writing (such consent not to be unreasonably withheld), shareholders, brokers, portfolio investors and analysts, in each case in the ordinary course of business in relation to the Scheme or its business generally.

11 Liability of directors and officers

11.1 Liability of directors and employees

To the maximum extent permitted by law, each party to this agreement (**Receiving Party**) releases all rights against, and agrees that it will not make any claim against, any past or present director, officer or employee of the other party in relation to information provided to the Receiving Party in relation to the transactions contemplated by this agreement, provided that such director or employee has acted in good faith and has not engaged in wilful misconduct.

11.2 Directors' and officers' insurance

Bidder and Target each acknowledge and agree that Target will:

- (a) arrange for the cover provided under the Policy to continue in effect until the End Date;
- (b) subject to clause 11.2(c), by no later than the Implementation Date, arrange for the cover provided under the Policy to be amended so as to provide run off cover on no more favourable terms than the terms of the Policy for a 7 year period from the Implementation Date, and pay all premiums required so as to ensure that insurance cover is provided under the Policy on those terms until that date; and
- (c) inform Bidder of the proposed premium cost for arranging run-off cover under the Policy prior to taking out the run-off cover.

11.3 Obligations in relation to Policy

From the Implementation Date, Bidder must procure that Target does not:

- (a) vary or cancel the Policy; or
- (b) except to the extent required under the Policy, commit any act or omission that may prejudice any claim under the Policy as amended pursuant to clause 11.2(b) by a present or former director or officer of the Target Group in respect of whom the Policy applies.

11.4 Directors' and officers' indemnities

To the maximum extent permitted by law and without limiting any other term of this agreement, from the Effective Date, Bidder undertakes that it will use all reasonable endeavours to not do or do anything that would prejudice the rights or interests of a director or officer of a Target Group entity (**Indemnified Person**) under a deed of indemnity access and insurance made by a Target Group member in favour of an Indemnified Person in effect on the date of this agreement and to the extent that a Target Group entity which is party to such deed of indemnity access and insurance ceases to exist after the Implementation Date, each Indemnified Person has the benefit of an indemnity from Bidder on terms no less favourable than those contained in the deed of access indemnity and insurance as at the Effective Date.

11.5 **Benefit held on trust**

The parties acknowledge and agree that Bidder and Target hold the benefit of this clause 11 to the extent it relates to each director and officer of the Target Group on trust for them, and as such each such director or officer of a Target Group entity may enforce this clause 11 against Bidder and Target.

12 **Break fees**

12.1 **Background**

- (a) The parties acknowledge that:
 - (i) the Scheme will provide benefits to Target, Target Shareholders and Bidder, and acknowledge that Bidder and Target will each incur significant costs in connection with performing their respective obligations under this agreement and the Scheme;
 - (ii) each has received legal advice on this agreement and the operation of this clause 12; and
 - (iii) each considers this clause 12 to be fair and reasonable and that it is appropriate to agree to the terms in this clause 12.
- (b) In the circumstances referred to in clause 12.1(a):
 - (i) Bidder has requested that provision be made for the Target Break Fee, without which it would not have entered into this agreement and Target believes that it is appropriate to agree to the Target Break Fee in order to secure Bidder's participation in the Scheme; and
 - (ii) Target has requested that provision be made for the Bidder Break Fee, without which it would not have entered into this agreement and Bidder believes that it is appropriate to agree to the Bidder Break Fee in order to secure Target's participation in the Scheme.
- (c) The parties acknowledge that the amount they each agree to pay under this clause 12 is an amount which is appropriate to compensate the other for its reasonable external and internal costs and opportunity costs in connection with the Scheme, including:
 - (i) fees for legal and financial advice in planning and pursuing the Scheme;
 - (ii) reasonable opportunity costs incurred in engaging in the Scheme and in not engaging in other alternative acquisitions or strategic initiatives;
 - (iii) costs of management and directors' time in planning and pursuing the Scheme;
 - (iv) out-of-pocket expenses incurred in planning and pursuing the Scheme; and
 - (v) costs associated with the financing arrangements in respect of the Scheme.

12.2 **Target Break Fee**

- (a) Target must pay Bidder the Target Break Fee, without withholding or set off, if:
 - (i) Target is in material breach of this agreement (including a material breach of a representation or warranty made by Target under clause 8.1) and Bidder terminates this agreement in accordance with clause 13.1(b);
 - (ii) any member of the Target Board adversely changes, withdraws or modifies his or her recommendation of the Scheme and Bidder validly terminates this

agreement in accordance with clause 13.1(d), except where the Independent Expert concludes (whether in its original or any subsequent opinion) that the Scheme is not in the best interests of Target Shareholders other than because of the existence of a Superior Proposal;

- (iii) any member of the Target Board recommends, promotes or otherwise endorses to Target Shareholders a Competing Proposal and Bidder validly terminates this agreement in accordance with clause 13.1(d), except where the Independent Expert concludes (whether in its original or any subsequent opinion) that the Scheme is not in the best interests of Target Shareholders other than because of the existence of a Superior Proposal; or
- (iv) Bidder validly terminates this agreement under clause 13.1(a) as a consequence of the Condition Precedent in clause 3.1(i) (No Prescribed Occurrence) not being satisfied or waived, except where the Independent Expert concludes (whether in its original or any subsequent opinion) that the Scheme is not in the best interests of Target Shareholders other than because of the existence of a Superior Proposal,

provided that no amount will be payable under this clause 12.2 if the Scheme is implemented with Bidder.

- (b) Target must pay Bidder the Target Break Fee within 20 Business Days after receipt by Target from Bidder of a demand for payment.

12.3 Bidder Break Fee

- (a) Bidder must pay Target the Bidder Break Fee, without withholding or set off, if Bidder is in material breach of this agreement (including a material breach of a representation or warranty made by Bidder under clause 8.2) and Target terminates this agreement in accordance with clause 13.1(b), provided that no amount will be payable under this clause 12.3 if the Scheme is implemented with Target.
- (b) Bidder must pay Target the Bidder Break Fee within 20 Business Days after receipt by Bidder from Target of a demand for payment.

12.4 Exclusive remedy

Notwithstanding any other provision of this agreement, each party agrees that if an amount is paid by the other as required under this clause 12 in respect of an act or event referred to therein, that payment constitutes its sole and exclusive remedy for any liability arising under or in connection with this agreement in respect of that act or event except in relation to wilful misconduct or wilful default by a party, in which circumstances the other party will retain all rights and remedies it has or may have against the other in connection with this agreement in respect of that act or event in excess of any payment made under this clause 12.

12.5 Compliance with law

- (a) A payment under this clause 12 is not required to be made or, if already made, is refundable, to the extent that making such payment is declared by the Takeovers Panel to constitute "unacceptable circumstances" or determined by a court to be unlawful or a breach of fiduciary or statutory duties of the party making the payment, and all reasonable avenues of appeal of such determination have been exhausted, provided that Target has complied with its other obligations under this clause 12, including clause 12.5(b).
- (b) The parties must not make or cause or permit to be made, any application to the Takeovers Panel or a court for or in relation to a determination referred to in clause 12.5(a).

13 Termination

13.1 Termination by either party

Either party (**terminating party**) may terminate this agreement by notice:

- (a) in accordance with clause 3.6;
- (b) by either party, at any time before 8.00am on the Second Court Date if the other party is in material breach of any clause of this agreement (including a material breach of a representation or warranty given by the other party under clause 8), provided that:
 - (i) the terminating party has given notice to the other party setting out the relevant circumstances and stating an intention to terminate this agreement; and
 - (ii) the relevant circumstances have continued to exist for 10 Business Days (or any shorter period ending at 5.00pm on the last Business Day before the Second Court Date) from the time such notice is given;
- (c) by either party, if such termination is mutually agreed upon by the other party;
- (d) by either party, if the Target Board adversely changes, withdraws or modifies its recommendation of the Scheme (including by attaching qualifications to) or withdraws its statement that it considers the Scheme to be in the best interests of Target Shareholders or its recommendation that Target Shareholders approve the Scheme, in either case in accordance with clause 6, or if the Target Board publicly recommends, promotes or otherwise endorses a Superior Proposal; or
- (e) by either party, if the Scheme has not become Effective by the End Date.

13.2 Notice of breach

Each party must give notice to the other as soon as practicable after it becomes aware of a breach by it of this agreement (including in respect of any representation or warranty).

13.3 Termination right

Any right to terminate this agreement ceases at the earlier of:

- (a) the moment when the Scheme becomes Effective; and
- (b) where expressed, the deadline specified in the relevant termination right set out in this clause 13.

13.4 Effect of termination

In the event of termination of this agreement by either Bidder or Target pursuant to clause 13.1, this agreement will have no further force or effect and the parties will have no further obligations under this agreement, provided that:

- (a) this clause 13 and clauses 1, 7.3, 7.4, 12, 14 and 15 will survive termination; and
- (b) each party will retain any accrued rights and remedies, including any rights and remedies it has or may have against the other party in respect of any past breach of this agreement.

14 GST

This clause applies if a party to this agreement is, or becomes, liable to pay GST regarding any Taxable Supply of goods, services or anything else under this agreement.

14.1 Definitions

Capitalised expressions which are not defined in this agreement but which have a defined meaning in the GST Act have the same meaning in this clause 14.

14.2 GST payable in addition to consideration

If any consideration is paid or payable or liable to be provided by a party under this agreement for any Taxable Supply by the other party (**Supplier**) under this agreement, then the Recipient of the Taxable Supply must pay, in addition to the consideration, to the Supplier the GST payable on the Taxable Supply.

14.3 Tax Invoice

Within 5 Business Days of a Taxable Supply being made under this agreement, the Supplier must provide to the Recipient a Tax Invoice or other documentation that complies with the requirements for a valid Tax Invoice under the GST Act.

14.4 Payment of GST

Subject to the Supplier issuing a Tax Invoice to the Recipient as required under clause 14.3, the Recipient must pay the GST on the Taxable Supply under this agreement to the Supplier at the same time as the Recipient pays the consideration for the Taxable Supply to the Supplier.

14.5 Reimbursement or indemnity

Despite any other provision of this agreement, if the whole or part of any consideration under this agreement is a reimbursement or an indemnity to one party of an expense, loss, outgoing or liability incurred or to be incurred by the other party, the consideration excludes any GST included in such expense, loss, outgoing or liability incurred or to be incurred for which the other party can claim an Input Tax Credit. The other party will be assumed to be entitled to a full Input Tax Credit unless it can establish otherwise.

14.6 Adjustment Events

If an Adjustment Event occurs regarding a Taxable Supply under this agreement, the Supplier must issue to the Recipient an Adjustment Note regarding the Adjustment Event within 5 Business Days of the Supplier becoming aware of the Adjustment Event.

14.7 Additional amount

If the Adjustment Note gives effect to an Increasing Adjustment, the Recipient must pay to the Supplier the GST component of the Increasing Adjustment not later than the 14th Business Day of the month following the month in which the Adjustment Note is issued to the Recipient.

14.8 Credit or refund

If the Adjustment Note gives effect to a Decreasing Adjustment, the Supplier must pay to the Recipient the GST component of the Decreasing Adjustment not later than the 14th Business Day of the month following the month in which the Adjustment Note is issued to the Recipient.

15 General

15.1 Notices

- (a) In this agreement, a **Notice** means:
 - (i) a notice; or
 - (ii) a consent, approval or other communication required to be in writing,

under this agreement.

- (b) A Notice must be in writing and signed by or on behalf of the sender addressed to the recipient and:
 - (i) delivered by personal service;
 - (ii) sent by pre-paid mail; or
 - (iii) transmitted by facsimile,
 to the recipient's address set out in this agreement.
- (c) A Notice given to a person in accordance with this clause 15.1 is treated as having been given and received:
 - (i) if delivered in person, on the day of delivery if delivered before 5pm on a Business Day, otherwise on the next Business Day;
 - (ii) if sent by pre-paid mail within Australia, on the third Business Day after posting;
 - (iii) if sent by pre-paid airmail to an address outside Australia or from outside Australia, on the 5th Business Day (at the address to which it is posted) after posting; and
 - (iv) if transmitted by facsimile and a correct and complete transmission report is received on the day of transmission, on that day if the report states that transmission was completed before 5pm on a Business Day, otherwise on the next Business Day.
- (d) A party may change its address for service by giving Notice of that change to each other party.
- (e) The provisions of this clause 15.1 are in addition to any other mode of service permitted by law.

15.2 Bidder's address

Bidder's address for service, facsimile number and electronic mail address are:

Attention: Spiro Paule
 Address: Level 23, 600 Bourke Street, Melbourne, Victoria 3000
 Facsimile no: +61 3 9292 0102
 Email address: spiro.paule@findex.com.au

15.3 Target's address

Target's address for service, facsimile number and electronic mail address are:

Attention: Bruce Paterson
 Address: Level 17, 181 William Street, Melbourne, Victoria 3000
 Facsimile no: +61 3 9522 0899
 Email address: bruce.paterson@crowehorwath.com.au

15.4 Partial exercising of rights

If a party does not exercise a right or remedy fully or at a given time, the party may still exercise it later.

15.5 Approvals and consents

By giving its approval or consent a party does not make or give any warranty or representation as to any circumstance relating to the subject matter of the consent or approval.

15.6 Construction

No rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of, or seeks to rely on, this agreement or any part of it.

15.7 Stamp duty

Bidder must pay all stamp duty (including any penalties) payable or assessed in connection with this agreement and any document required by or contemplated under this agreement.

15.8 Legal costs

Except as expressly stated otherwise in this agreement, each party must pay its own legal and other costs and expenses of negotiating, preparing, executing and performing its obligations under this agreement.

15.9 Governing law and jurisdiction

- (a) This agreement is governed by and is to be construed in accordance with the laws applicable in Victoria, Australia.
- (b) Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Victoria, Australia and any courts which have jurisdiction to hear appeals from any of those courts and waives any right to object to any proceedings being brought in those courts.

15.10 Severability

- (a) Subject to clause 15.10(b), if a provision of this agreement is illegal or unenforceable in any relevant jurisdiction, it may be severed for the purposes of that jurisdiction without affecting the enforceability of the other provisions of this agreement.
- (b) Clause 15.10(a) does not apply if severing the provision:
 - (i) materially alters the:
 - (A) scope and nature of this agreement; or
 - (B) the relative commercial or financial positions of the parties; or
 - (ii) would be contrary to public policy.

15.11 Further steps

Each party must promptly do whatever any other party reasonably requires of it to give effect to this agreement and to perform its obligations under it.

15.12 Rights cumulative

Except as expressly stated otherwise in this agreement, the rights of a party under this agreement are cumulative and are in addition to any other rights of that party.

15.13 Waiver and exercise of rights

- (a) A single or partial exercise or waiver by a party of a right relating to this agreement does not prevent any other exercise of that right or the exercise of any other right.
- (b) A party is not liable for any loss, cost or expense of any other party caused or contributed to by the waiver, exercise, attempted exercise, failure to exercise or delay in the exercise of a right.
- (c) A provision of this agreement or a right created under it, may not be waived or varied except in writing, signed by the party or parties to be bound. Where a party has a right under this agreement, that party may waive that right in its absolute discretion and may attach conditions to any such waiver at it sees fit.

15.14 Survival

The rights and obligations of the parties do not merge on completion of any transaction under this agreement.

15.15 Amendment

This agreement may only be varied or replaced by an agreement executed by the parties.

15.16 Assignment

- (a) Except as provided in clause 15.16(b), a party must not assign, novate or otherwise transfer its rights or obligations in this agreement without the prior written consent of the other parties.
- (b) Notwithstanding any other provision of this agreement, Bidder's rights under this agreement may be encumbered by way of security (whether by charge, mortgage or otherwise) for the benefit of each financial institution or group of financial institutions, bank or other provider of finance, including any agent or trustee acting on behalf of any of the foregoing, with which Bidder or any of its respective Related Bodies Corporate, incurs financial indebtedness from time to time, and any such security may be enforced or released.
- (c) Any purported dealing in breach of this clause 15.16 is of no effect.

15.17 No representation or reliance

Each party acknowledges that:

- (a) no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this agreement, except for representations or inducements expressly set out in this agreement; and
- (b) it does not enter into this agreement in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out in this agreement.

15.18 Counterparts

This agreement may consist of a number of counterparts and, if so, the counterparts taken together constitute one agreement. Satisfactory evidence of execution of this agreement will include evidence by facsimile of execution by the relevant party and in such case the executing party undertakes to provide the other party with an original of the executing party's counterpart as soon as reasonably practicable after execution.

15.19 Entire understanding

This agreement contains the entire understanding between the parties as to the subject matter of this agreement.

Schedule 1

Timetable

The following timetable is indicative only.

Event	Date
Lodge Scheme Booklet with ASIC and the ASX	27 October 2014
First Court Date	11 November 2014
Printing and despatch of Scheme Booklet	13 November 2014
Scheme Meeting held	16 December 2014
Second Court Date	18 December 2014
Lodge Court order with ASIC (Effective Date)	18 December 2014
Implementation Date	6 January 2015

Executed as an agreement

Executed by Findex Australia Pty Ltd ABN 40 128 588 714 in accordance with section 127 of the *Corporations Act 2001* (Cth):



*Director/*Company Secretary

Spiro Paule

Name of *Director/*Company Secretary
(BLOCK LETTERS)
*please delete as appropriate



Director

Tony Roussos

Name of Director
(BLOCK LETTERS)

Executed by Crowe Horwath Australasia Ltd
ABN 93 006 650 693 in accordance with
section 127 of the *Corporations Act 2001* (Cth):

*Director/*Company Secretary

Director

Name of *Director/*Company Secretary
(BLOCK LETTERS)
*please delete as appropriate

Name of Director
(BLOCK LETTERS)

Executed as an agreement

Executed by Findex Australia Pty Ltd ABN 40
128 588 714 in accordance with section 127 of
the *Corporations Act 2001* (Cth):

*Director/*Company Secretary

Director

Name of *Director/*Company Secretary
(BLOCK LETTERS)
*please delete as appropriate

Name of Director
(BLOCK LETTERS)

Executed by Crowe Horwath Australasia Ltd
ABN 93 006 650 693 in accordance with
section 127 of the *Corporations Act 2001* (Cth):





*Director/*Company Secretary

Director

Bruce Paterson

Christopher Price

Name of *Director/*Company Secretary
(BLOCK LETTERS)
*please delete as appropriate

Name of Director
(BLOCK LETTERS)

Annexure A
Scheme of Arrangement

Annexure not shown.

Annexure B
Deed Poll

Annexure not shown.

Annexure C – Scheme of Arrangement

See over the page.

Scheme of Arrangement

between

Crowe Horwath Australasia Ltd
ABN 93 006 650 693
(Target)

and

Scheme Participants

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This scheme is made under section 411 of the *Corporations Act 2001* (Cth)

between **Crowe Horwath Australasia Ltd** ABN 93 006 650 693 of Level 17, 181 William Street, Melbourne, Victoria 3000 (**Target**)

and **Scheme Participants**

Recitals

A Target:

- (i) is a public company limited by shares and incorporated in Victoria;
- (ii) is admitted to the official list of ASX and each Target Share is quoted on the ASX;
- (iii) has, as at 10 November 2014:
 - (a) 273,005,429 Target Shares on issue; and
 - (b) 1,000,000 performance rights which may convert into Target Shares.

B Bidder is a proprietary company limited by shares and incorporated in Victoria.

C Bidder and Target have entered into the SIA, pursuant to which, amongst other things, Target has agreed to propose this Scheme to Target Shareholders and each of Target and Bidder have agreed to take certain steps to implement this Scheme.

D If this Scheme becomes Effective, then in accordance with this Scheme and the Deed Poll:

- (i) all the Scheme Shares will be transferred to Bidder and Target will enter the name and address of Bidder in the Target Register as the holder of the Scheme Shares; and
- (ii) Bidder and Target will provide, or procure the provision of, the Scheme Consideration to Scheme Participants.

E Bidder has entered into the Deed Poll for the purpose of covenanting in favour of each Scheme Participant that it will observe and perform the obligations contemplated of it under this Scheme.

1 Definitions and interpretation

1.1 Definitions

In this Scheme:

ASIC means the Australian Securities and Investments Commission;

ASX means ASX Limited ACN 008 624 691 or as the context requires the securities exchange which it operates;

Bidder means Findex Australia Pty. Ltd. ABN 40 128 588 714;

Business Day means a day on which the banks are open for business in both Sydney and Melbourne other than a Saturday, Sunday or public holiday in either Sydney or Melbourne;

Corporations Act means the *Corporations Act 2001* (Cth);

Court means the Supreme Court of Victoria or such other court of competent jurisdiction as agreed in writing between the parties;

Deed Poll means a deed poll executed by Bidder in favour of the Scheme Participants, in the form set out in Annexure A of this Scheme;

Discretionary Special Dividend means any dividend per Target Share which may be declared at Target's discretion prior to the Second Court Date in favour of Target Shareholders provided that:

- (a) the dividend is paid out of Target's retained earnings as at 30 June 2014; and
- (b) any franking of the dividend does not result in a franking deficit in Target's franking accounts;

Effective means, when used in relation to this Scheme, the coming into effect pursuant to section 411(10) of the Corporations Act of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme;

Effective Date means the date on which this Scheme becomes Effective;

Encumbrance means any mortgage, lien, charge, pledge, assignment by way of security, security interest, title retention, preferential right or trust arrangement, claim, covenant, profit à prendre, easement or any other security arrangement having the same effect;

End Date means the date that is 6 months after the date of the SIA or such later date as Bidder and Target may agree in writing;

Implementation Date means the date that is 5 Business Days after the Record Date, or such other date as Target and Bidder may agree in writing or as may be required by the ASX;

Recitals means the recitals in this Scheme;

Record Date means 5.00pm on the date that is 5 Business Days after the Effective Date, or such other date as may be agreed in writing between Bidder and Target or as may be required by the ASX;

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between Target and the Scheme Participants as set out in this document, subject to any alterations or conditions:

- (a) agreed to by Bidder and Target prior to the First Court Date; or
- (b) made or required by the Court and agreed to by Bidder and Target;

Scheme Consideration means \$0.50 for each Scheme Share held by a Scheme Participant at the Record Date, less the amount of any Discretionary Special Dividends, payable by Bidder to Scheme Participants in consideration for the transfer to Bidder of their Scheme Shares in accordance with the Transaction Documents;

Scheme Meeting means the meeting of Target Shareholders to be ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act in relation to this Scheme, and includes any adjournment of that meeting;

Scheme Participant means a person who is registered in the Target Register as a holder of Scheme Shares as at the Record Date;

Scheme Share means each Target Share on issue as at the Record Date;

Scheme Transfer means, in relation to each Scheme Participant, a proper instrument of transfer of their Scheme Shares for the purpose of section 1071B of the Corporations Act, which may be a master transfer of all or part of all of the Scheme Shares;

Second Court Date means the first day of hearing of an application made to the Court by Target for orders pursuant to section 411(4)(b) of the Corporations Act approving this Scheme or, if the hearing of such application is adjourned or if the application is subject to appeal for any reason, means the first day of the adjourned hearing or the first day on which the appeal is heard (as the case may be);

SIA means the Scheme Implementation Agreement between Bidder and Target dated 3 October 2014;

Subsidiary has the meaning given to that expression in the Corporations Act;

Target Group means Target and its Subsidiaries;

Target Register means the register of members of Target maintained by or on behalf of Target in accordance with section 168(1)(a) of the Corporations Act;

Target Share means a fully paid ordinary share in the capital of Target;

Target Share Registry means Computershare Investor Services Pty Limited ACN 078 279 277 or the share registry of Target from time to time;

Target Shareholder means a person who is registered in the Target Register as a holder of Target Shares from time to time; and

Transaction Documents means:

- (a) the SIA;
- (b) this Scheme; and
- (c) the Deed Poll.

1.2 Interpretation

In this Scheme, unless the context otherwise requires:

- (a) a reference to:
 - (i) one gender includes the others;
 - (ii) the singular includes the plural and the plural includes the singular;
 - (iii) a Recital, clause or annexure is a reference to a clause of or Recital or annexure to this Scheme and references to this Scheme include any Recital or annexure;
 - (iv) any contract (including this Scheme) or other instrument includes any variation or replacement of it and as it may be assigned or novated;
 - (v) a statute, ordinance, code or other law includes subordinate legislation (including regulations) and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
 - (vi) a person or entity includes an individual, a firm, a body corporate, a trust, an unincorporated association or an authority;
 - (vii) a person includes their legal personal representatives (including executors), administrators, successors, substitutes (including by way of novation) and permitted assigns;
 - (viii) a group of persons is a reference to any 2 or more of them taken together and to each of them individually;
 - (ix) an entity which has been reconstituted or merged means the body as reconstituted or merged, and to an entity which has ceased to exist where its functions have been substantially taken over by another body, means that other body;
 - (x) a reference to a day or a month means a calendar day or calendar month; and

- (xi) money (including '\$', 'AUD' or 'dollars') is to Australian currency;
- (b) the meaning of any general language is not restricted by any accompanying example, and the words 'includes', 'including', 'such as', 'for example' or similar words are not words of limitation;
- (c) headings and the table of contents are for convenience only and do not form part of this Scheme or affect its interpretation;
- (d) if the last day for doing an act is not a Business Day, the act must be done instead on the next Business Day;
- (e) a provision of this Scheme must not be construed to the disadvantage of a party merely because that party was responsible for the preparation of this Scheme or the inclusion of the provision in this Scheme; and
- (f) the Recitals form part of this Scheme and shall have effect as if set out in full in the body of this Scheme and accordingly any reference to this Scheme includes the Recitals.

1.3 Bidder obligations

This Scheme attributes actions to Bidder, but does not itself directly impose an obligation on it to perform those actions as Bidder is not a party to this Scheme. Bidder has agreed, by executing the Deed Poll, to perform the actions attributed to it under this Scheme.

2 Conditions precedent

2.1 Conditions precedent

This Scheme is conditional upon, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) as at 8:00am on the Second Court Date each of the conditions precedent set out in clause 3.1 of the SIA (other than the condition precedent relating to the approval of the Court set out in clause 3.1(e) of the SIA) has been satisfied or waived in accordance with the SIA;
- (b) as at 8:00am on the Second Court Date, the SIA has not been terminated;
- (c) as at 8:00am on the Second Court Date, the Deed Poll has not been terminated;
- (d) the Court makes orders approving this Scheme under section 411(4)(b) of the Corporations Act, including with such alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable to Bidder and Target;
- (e) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to this Scheme as are acceptable to Bidder and Target have been satisfied; and
- (f) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act approving this Scheme come into effect, pursuant to section 411(10) of the Corporations Act.

2.2 Certificate in relation to conditions

Each of Target and Bidder will provide the Court at the hearing on the Second Court Date a certificate confirming whether all conditions in clause 2.1 of this Scheme (other than in relation to the conditions in clauses 2.1(d), 2.1(e) and 2.1(f) of this Scheme) have been satisfied or, as applicable, waived as at 8:00am on the Second Court Date.

2.3 Certificate constitutes conclusive evidence

The giving of a certificate by each of Target and Bidder in accordance with clause 2.2 will be conclusive evidence for the purpose only of assessing whether the conditions precedent referred to in that certificate have been satisfied or waived as at 8:00am on the Second Court Date.

2.4 Termination

If the SIA is terminated before the Implementation Date or this Scheme does not become Effective on or before the End Date:

- (a) this Scheme will lapse and be of no further force or effect; and
- (b) each of Target and Bidder are released from:
 - (i) any further obligation to take steps to implement this Scheme; and
 - (ii) any liability with respect to this Scheme.

3 Scheme becoming Effective

3.1 Effective Date of Scheme

Subject to clause 2.4, this Scheme will take effect pursuant to section 411(10) of the Corporations Act on and from the Effective Date.

3.2 Lodgement of Court order

Subject to the satisfaction of all conditions in clause 2.1 (other than the condition in clause 2.1(f)), following the approval of this Scheme by the Court in accordance with section 411(4)(b) of the Corporations Act, Target will, as soon as possible and in any event no later than 5:00pm on the Business Day following that approval or such later time as may be agreed between Target and Bidder, lodge with ASIC under section 411(10) of the Corporations Act office copies of the Court orders under section 411(4)(b) of the Corporations Act approving this Scheme.

4 Implementation of Scheme

4.1 Pre-Implementation

At least 1 Business Day before the Implementation Date, Bidder must pay into an Australian dollar denominated trust account nominated by Target an amount in cleared funds equal to the Scheme Consideration multiplied by the number of Scheme Shares. Those funds will be held on trust by Target for the Scheme Participants for the purposes of provision of the Scheme Consideration.

4.2 Scheme Consideration

- (a) On the Implementation Date, subject to Bidder having complied with its obligations under clause 4.1 and providing evidence to Target that this has occurred, Target must:
 - (i) procure that all of the Scheme Shares be transferred to Bidder in accordance with clause 4.3; and
 - (ii) pay the Scheme Consideration to Scheme Participants for each Scheme Share held by them at the Record Date.
- (b) Target's obligations under this clause 4.2 will be deemed to be satisfied:

- (i) if notified by the Scheme Participant on or before the Record Date – by depositing into an Australian bank account with an ADI (as defined in the *Banking Act 1959* (Cth)) the Scheme Consideration payable to that Scheme Participant;
- (ii) if permitted under the terms of an agreement between the Scheme Participant and Target – by applying the Scheme Consideration payable to a Scheme Participant towards repayment of any loan amount owing to Target by that Scheme Participant; or
- (iii) in all other cases – by the dispatch of a cheque to the Scheme Participant by pre-paid post to that Scheme Participant's address (as recorded in the Target Register as at the Record Date) for the Scheme Consideration payable to that Scheme Participant, such cheque being drawn in the name of the Scheme Participant (or in the case of joint Scheme Participants, to the joint holder's name that appears first in the Target Register on the Record Date).

4.3 Transfer of Scheme Shares

On the Implementation Date, subject to Bidder having complied with its obligations under clause 4.1 and providing evidence to Target that this has occurred, all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to Bidder, without the need for any further act by any Scheme Participant (other than acts performed by Target or any of its directors and officers as attorney and agent for Scheme Participants under this Scheme), by Target effecting a valid transfer or transfers of the Scheme Shares to Bidder under section 1074D of the Corporations Act or, if that procedure is not available for any reason, by:

- (a) Target delivering to Bidder for execution duly completed and, if necessary, stamped Scheme Transfers to transfer all of the Scheme Shares to Bidder, duly executed by Target (or any of its directors and officers) as the attorney and agent of each Scheme Participant as transferor under clause 6.3;
- (b) Bidder executing the Scheme Transfers as transferee and delivering them to Target for registration; and
- (c) Target, immediately after receipt of the Scheme Transfers under clause 4.3(b), entering, or procuring the entry of, the name and address of Bidder in the Target Register as the holder of all of the Scheme Shares.

5 Dealings in Target Shares

5.1 Dealings by Scheme Participants

For the purpose of establishing the persons who are Scheme Participants, dealings in Target Shares will be recognised by Target provided that:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Target Register as the holder of the relevant Target Shares by the Record Date; and
- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the Target Share Registry on or before the Record Date, and Target will not accept for registration, nor recognise for the purpose of establishing the persons who are Scheme Participants, any transfer or transmission application in respect of Target Shares received after such times, or received prior to such times but not in registrable form.

5.2 Target Register

Target will, until the Scheme Consideration has been provided to Scheme Participants and the name and address of Bidder has been entered in the Target Register as the holder of all of the

Scheme Shares, maintain, or procure the maintenance of, the Target Register in accordance with this clause 5, and the Target Register in this form and the terms of this Scheme will solely determine relative entitlements to the Scheme Consideration as between Scheme Participants. As from the Record Date (and other than for Bidder following the Implementation Date), each entry in the Target Register as at the Record Date relating to Scheme Shares will cease to have any effect other than as evidence of the entitlements of Scheme Participants to the Scheme Consideration in respect of those Scheme Shares.

5.3 No disposals after Record Date

If this Scheme becomes Effective, each Scheme Participant, and any person claiming through that Scheme Participant, must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after the Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect.

5.4 Effect of share certificates and holding statements

As from the Record Date (and other than for Bidder following the Implementation Date), all share certificates and holding statements for Scheme Shares will cease to have effect as documents of title in respect of those Scheme Shares.

5.5 Details of Scheme Participants

Within three Business Days after the Record Date, Target will ensure that details of the names, registered addresses and holdings of Scheme Shares for each Scheme Participant, as shown in the Target Register at 5.00pm on the Record Date, are available to Bidder in such form as Bidder reasonably requires.

5.6 Suspension and termination of quotation of Target Shares

- (a) Target must apply to ASX for suspension of trading of the Target Shares on ASX with effect from the close of business on the Effective Date.
- (b) Target must apply to ASX for termination of official quotation of the Target Shares on ASX and the removal of Target from the official list of ASX with effect from the Business Day immediately following the Implementation Date.

6 General

6.1 Further assurances

- (a) Each Scheme Participant and Target will do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of this Scheme and the transactions contemplated by it.
- (b) Without limiting Target's other powers under this Scheme, Target has power to do all things that it considers necessary or desirable to give effect to this Scheme and the SIA.

6.2 Scheme Participant's agreements and consents

Each Scheme Participant:

- (a) irrevocably agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, to Bidder in accordance with the terms of this Scheme; and
- (b) irrevocably consents to Target and Bidder doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of this Scheme and the transactions contemplated by it,

without the need for any further act by that Scheme Participant.

6.3 Appointment of Target as attorney for implementation of Scheme

Each Scheme Participant, without the need for any further act by that Scheme Participant, irrevocably appoints Target as that Scheme Participant's agent and attorney for the purpose of:

- (a) doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of this Scheme and the transactions contemplated by it, including the effecting of a valid transfer or transfers (or the execution and delivery of any Scheme Transfers) under clause 4.3; and
- (b) enforcing the Deed Poll against Bidder,

and Target accepts such appointment. Target, as agent and attorney of each Scheme Participant, may sub-delegate its functions, authorities or powers under this clause 6.3 to all or any of its directors and officers (jointly, severally, or jointly and severally).

6.4 Appointment of Bidder as sole proxy

- (a) Subject to the provision of the Scheme Consideration for the Scheme Shares as contemplated by clause 4.2 of this Scheme, on and from the Implementation Date until Target registers Bidder as the holder of all of the Target Shares in the Target Register, each Scheme Participant:
 - (i) irrevocably appoints Target as attorney and agent (and directs Target in such capacity) to appoint Bidder and each of its directors from time to time (jointly and each of them individually) as its sole proxy and where applicable, corporate representative, to attend shareholders' meetings, exercise the votes attaching to Target Shares registered in its name and sign any shareholders resolution, and no Scheme Participant may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 6.4(a)(i)); and
 - (ii) must take all other actions in the capacity of the registered holder of Target Shares as Bidder reasonably directs.
- (b) Target undertakes in favour of each Scheme Participant that it will appoint Bidder and each of its directors from time to time (jointly and each of them individually) as that Scheme Participant's proxy or, where applicable, corporate representative in accordance with clause 6.4(a)(i) of this Scheme.

6.5 Warranty by Scheme Participants

Each Scheme Participant is deemed to have warranted to Bidder, and, to the extent enforceable, to have appointed and authorised Target as that Scheme Participant's agent and attorney to warrant to Bidder, that all of their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) will, at the time of the transfer of them to Bidder pursuant to this Scheme, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their Scheme Shares (together with any rights and entitlements attaching to those Scheme Shares) to Bidder pursuant to this Scheme. Target undertakes in favour of each Scheme Participant that it will provide such warranty, to the extent enforceable, to Bidder on behalf of that Scheme Participant.

6.6 Title to Scheme Shares

On and from the provision of the Scheme Consideration to each Scheme Participant in the manner contemplated by clause 4.2, Bidder will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by Target of the name and address of Bidder in the Target Register as the holder of the Scheme Shares.

6.7 Transfer free of encumbrances

To the extent permitted by law, all Scheme Shares (including any rights and entitlements attaching to the Scheme Shares) which are transferred to Bidder under this Scheme will, at the date of the transfer of them to Bidder, vest in Bidder free from all Encumbrances and interests of third parties of any kind, whether legal or otherwise, and free from any restrictions on transfer of any kind not referred to in this Scheme.

6.8 Variations, alterations and conditions to Scheme

If the Court proposes to approve this Scheme subject to any variations, alterations or conditions, Target may, by its counsel or solicitors, and with the prior consent of Bidder, consent on behalf of all persons concerned, including each Target Shareholder, to those variations, alterations or conditions.

6.9 Binding effect of Scheme

This Scheme binds Target and all of the Scheme Participants (including those who did not attend the Scheme Meeting, did not vote at that meeting or voted against this Scheme) and, to the extent of any inconsistency, overrides the constitution of Target.

6.10 Enforcement of Deed Poll

Target undertakes in favour of each Scheme Participant that it will enforce the Deed Poll against Bidder on behalf of and as agent and attorney for the Scheme Participants.

6.11 No liability when acting in good faith

Neither Target nor Bidder, nor any of their respective officers, will be liable for anything done or omitted to be done in the performance of this Scheme in good faith.

6.12 Notices

- (a) Where a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Target, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at Target's registered office or by Target's share registry, as the case may be.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Shareholder shall not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

6.13 Costs and duty

- (a) Subject to clause 6.13(b), each of Bidder and Target will pay their share of the costs of this Scheme in accordance with the SIA.
- (b) Bidder will pay all duty (including stamp duty and any related fines, penalties and interest) payable on or in connection with the transfer by Scheme Participants of the Scheme Shares to Bidder pursuant to this Scheme.

6.14 Governing law and jurisdiction

- (a) This Scheme is governed by and is to be construed in accordance with the laws applicable in Victoria, Australia.
- (b) Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Victoria, Australia and any courts which have jurisdiction to hear appeals from any of those courts and waives any right to object to any proceedings being brought in those courts.

Annexure A

Deed Poll

Annexure not shown.

Annexure D – Deed Poll

See over the page.

Level 39, Rialto South Tower
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Melbourne VIC 3000 Australia

T +61 3 8080 3500 | F +61 3 8080 3599

Deed Poll

by

Findex Australia Pty Ltd
ABN 40 128 588 714
(Bidder)

in favour of

Each Scheme Participant

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This deed poll is made on 6th day of November, 2014

by **Findex Australia Pty Ltd** ABN 40 128 588 714 of Level 23, 600 Bourke Street,
Melbourne, Victoria 3000 (**Bidder**)

in favour of **Each Scheme Participant**

Recitals

- A Bidder and Crowe Horwath Australasia Ltd ABN 93 006 650 693 (**Target**) have entered into a Scheme Implementation Agreement dated 3 October 2014 (**SIA**).
- B Pursuant to the SIA:
- (i) Bidder proposes to acquire all of Target's issued ordinary shares pursuant to a members' scheme of arrangement under Part 5.1 of the Corporations Act; and
 - (ii) Bidder and Target have agreed to implement the Scheme,
- subject to the satisfaction of certain conditions.
- C Bidder is entering into this deed poll to covenant in favour of the Scheme Participants that it will observe and perform its obligations under the Scheme.

Now it is declared as follows:

1 Definitions and interpretation

1.1 Definitions

- (a) Each capitalised term used but not defined in this deed poll has the meaning given to that expression in the SIA, unless the context requires otherwise.
- (b) References in this deed poll to the SIA mean the SIA as amended from time to time.

1.2 Interpretation

The provisions of clause 1.2 of the SIA form part of this deed poll as if set out in full in this deed poll, and on the basis that references to 'this agreement' in that clause are references to 'this deed poll'.

2 Nature of Deed Poll

Bidder acknowledges that:

- (a) this deed poll may be relied on and enforced by any Scheme Participant in accordance with its terms, even though the Scheme Participants are not party to it; and
- (b) under the Scheme, each Scheme Participant irrevocably appoints Target as its agent and attorney to enforce this deed poll against Bidder on behalf of that Scheme Participant.

3 Condition Precedent

3.1 Condition Precedent

Bidder's obligations under this deed poll are subject to the Scheme becoming Effective.

3.2 Termination

If the SIA is terminated or the Scheme does not become Effective on or before the End Date, the obligations of Bidder under this deed poll will automatically terminate and the terms of this deed poll will be of no further force or effect unless Target and Bidder otherwise agree.

3.3 Consequences of termination

If this deed poll is terminated under clause 3.2, then, in addition and without prejudice to any other rights, powers or remedies available to Bidder:

- (a) Bidder is released from its obligations to further perform this deed poll, except those obligations under clauses 8.1 and 8.2 and any other obligations which by their nature survive termination; and
- (b) each Scheme Participant retains any rights, powers or remedies that the Scheme Participant has against Bidder in respect of any breach by Bidder of its obligations under this deed poll that occurred before termination of this deed poll.

4 Compliance with Scheme obligations

4.1 Performance of obligations generally

Subject to clause 3, Bidder must comply with its obligations under the SIA and must do all things necessary or desirable on its part to implement the Scheme.

4.2 Obligations of Bidder

- (a) Subject to clause 3, in consideration for the transfer to Bidder of the Scheme Shares in accordance with the Scheme, Bidder covenants in favour of each Scheme Participant that it will, at least 1 Business Day before the Implementation Date, pay into an Australian dollar denominated interest bearing account nominated by Target an amount in cleared funds equal to the Scheme Consideration multiplied by the number of Scheme Shares.
- (b) Bidder's obligations under clause 4.2(a) will be satisfied by Bidder complying with its obligations under each of:
 - (i) clause 4.1(b) of the SIA; and
 - (ii) clause 4.1 of the Scheme.

5 Representations and warranties

Bidder represents and warrants that:

- (a) **incorporation:** it is a body corporate validly existing under the laws of its place of incorporation;
- (b) **power:** it has the corporate power to enter into and perform or cause to be performed its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) **corporate authorisations:** it has taken all necessary corporate action to authorise the entry into of this deed poll and has taken all necessary corporate action to authorise

the performance of this deed poll and to carry out the transactions contemplated by this deed poll;

- (d) **binding obligations:** (subject to laws generally affecting creditors' rights and principles of equity) this deed poll is valid and binding upon it; and
- (e) **solvency:** no Insolvency Event has occurred in relation to it.

6 Continuing obligations

This deed poll is irrevocable and remains in full force and effect until the earlier of:

- (a) Bidder having fully performed its obligations under this deed poll; and
- (b) termination of this deed poll under clause 3.2.

7 Further assurances

Bidder will do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the provisions of this deed poll and the transactions contemplated by it.

8 General

8.1 Stamp duty

Bidder must pay all stamp duty (including any penalties) payable or assessed in connection with this deed poll and any document required by or contemplated under this deed poll.

8.2 Legal costs

Bidder must pay its own legal and other costs and expenses of negotiating, preparing, executing and performing its obligations under this deed poll.

8.3 Governing law and jurisdiction

- (a) This deed poll is governed by and is to be construed in accordance with the laws applicable in Victoria, Australia.
- (b) Bidder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Victoria, Australia and any courts that have jurisdiction to hear appeals from any of those courts and waives any right to object to any proceedings being brought in those courts.

8.4 Rights cumulative

Except as expressly stated otherwise in this deed poll, the rights, powers and remedies of Bidder and each Scheme Participant under this deed poll are cumulative and are in addition to any other rights of that person.

8.5 Waiver and exercise of rights

- (a) A single or partial exercise or waiver by a Scheme Participant of a right relating to this deed poll does not prevent any other exercise of that right or the exercise of any other right.
- (b) No Scheme Participant is liable for any loss, cost or expense of Bidder caused or contributed to by the waiver, exercise, attempted exercise, failure to exercise or delay in the exercise of a right.

8.6 Amendment

This deed poll may only be amended if:

- (a) prior to the Second Court Date, the amendment is agreed to in writing by Bidder and Target (on behalf of each Scheme Participant); or
- (b) on or after the Second Court Date, the amendment is:
 - (i) agreed to in writing by Bidder and Target (on behalf of each Scheme Participant); and
 - (ii) approved by the Court,

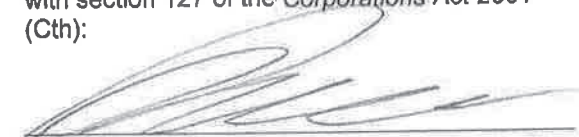
in which event Bidder will enter into a further deed poll in favour of the Scheme Participants giving effect to that amendment.

8.7 Assignment

- (a) The rights and obligations of Bidder and of each Scheme Participant under this deed poll are personal and cannot be assigned, encumbered or otherwise dealt with at law or in equity and no person may attempt or purport to do so without the prior written consent of Bidder.
- (b) Any purported dealing in breach of this clause 8.7 is of no effect.

Executed as a deed poll

**Executed as a deed poll by Findex Australia
Pty Ltd ABN 40 128 588 714 in accordance
with section 127 of the Corporations Act 2001
(Cth):**



*Director/*Company Secretary

Director

SPIRO PAVLE

Name of *Director/*Company Secretary
(BLOCK LETTERS)
*please delete as appropriate

Name of Director
(BLOCK LETTERS)

Executed as a deed poll

Executed as a deed poll by **Findex Australia Pty Ltd** ABN 40 128 588 714 in accordance with section 127 of the *Corporations Act 2001* (Cth):

*Director/*Company Secretary



Director

Name of *Director/*Company Secretary
(BLOCK LETTERS)
*please delete as appropriate

TONY ROUSSOS

Name of Director
(BLOCK LETTERS)

Annexure E – Notice of Meeting

See over the page.

CROWE HORWATH AUSTRALASIA LTD

ACN 006 650 693

Registered Office: Level 17, 181 William Street, Melbourne, Victoria 3000
Tel. +61 3 9522 0888 *Fax.* +61 3 9522 0899

NOTICE OF MEETING

Notice is hereby given that, by an order of the Supreme Court of Victoria (**Court**) made on 11 November 2014, pursuant to subsection 411(1) of the Corporations Act, a meeting of the shareholders of Crowe Horwath Australasia Ltd (**Company**) will be held at 10.00am (Australian eastern daylight savings time (**AEDST**)) on Monday, 15 December 2014 at the RACV City Club, Level 2, 501 Bourke Street, Melbourne, Victoria 3000, Australia.

The purpose of the meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without alterations or conditions required by the Court and agreed to by the Company and Findex Australia Pty. Ltd.) proposed to be made between the Company and the holders of its ordinary shares. A copy of the Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Scheme Booklet, of which this notice forms part.

Each capitalised term used but not defined in this Notice Of Meeting has the meaning given to that expression in section 11.1 of the Scheme Booklet, unless the context requires otherwise.

SPECIAL BUSINESS

To consider and, if deemed fit, pass the following resolution (**Resolution**):

“That, pursuant to and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between Crowe Horwath Australasia Ltd (**Company**) and the holders of its ordinary shares, as contained in and more particularly described in the scheme booklet of which the notice convening this meeting forms part, is approved (with or without alterations or conditions as approved by the Supreme Court of Victoria to which the Company and Findex Australia Pty. Ltd. agree).”

Chairman

The Court has directed that Mr Richard Grellman is to act as chairman of the Scheme Meeting (and that, if Mr Richard Grellman is unable or unwilling to attend, Mr Peter Warne is to act as chairman of the Scheme Meeting) and has directed the chairman to report the result of the Resolution to the Court.

By order of the Supreme Court of Victoria and the Board



B C Paterson
Company Secretary

11 November 2014

VOTING ENTITLEMENTS

For the purpose of the Corporations Act, the Board has determined that all securities of the Company that are quoted securities at 10.00am (AEDST) on 13 December 2014 will be taken, for the purpose of the Scheme Meeting, to be held by the persons who held them at that time.

VOTING, PROXY VOTES AND DIRECT VOTES

A shareholder entitled to attend and vote at the Scheme Meeting may vote by:

- (a) attending the Scheme Meeting in person;
- (b) appointing a proxy or attorney to attend and vote at the Scheme Meeting on its behalf;
- (c) lodging a valid Voting Form setting out their direct vote; or
- (d) in the case of a corporation which is a Crowe Horwath Shareholder, by appointing an authorised corporate representative to attend and vote on its behalf.

Appointing a Proxy

A shareholder has the right to appoint a proxy, who need not be a shareholder of the Company. If a shareholder is entitled to cast two or more votes, they may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, otherwise each proxy may exercise half the votes (with fractions of votes disregarded).

Both individuals and body corporates can be appointed as a proxy. A body corporate appointed proxy may in turn appoint an individual (eg a corporate representative or an attorney) to exercise the rights under the proxy.

Where permitted, the Chairman of the Scheme Meeting intends to vote undirected proxies given to him in favour of the Resolution.

Lodging a Direct Vote

A shareholder has the right to lodge a direct vote by indicating on the Voting Form that they are casting their vote directly and then placing a mark in one of the boxes opposite the Resolution on the Voting Form. All of the shareholder's shares will be voted in accordance with such direction, unless the shareholder indicates that their direction is to vote only a portion of their votes; or to cast their votes in different ways, by inserting the proportion or the number of shares in the appropriate box or boxes (with fractions of votes disregarded).

A direct vote may be lodged via the hardcopy Voting Form or electronically (see details below).

Priority of Voting Instructions

If a shareholder seeks to lodge more than one voting direction or proxy appointment in respect of the same share, only the last voting direction or proxy appointment received by the Company by the time specified for receipt of an appointment or direct vote will be taken to be valid.

A Voting Form is enclosed and available electronically (see details below).

To be effective, an appointment of a proxy or a direct vote (together with any authority under which the appointment is signed) must be received by the Company by no later than 10.00am (AEDST) on 13 December 2014:

- if delivered by post:
 - at its share registry, Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001, Australia; or
 - at the Company's mailing address, PO Box 1913, Melbourne, Victoria 3001, Australia;
- if delivered in person:
 - at its share registry's offices, Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067, Australia; or
 - at the Company's registered office, Level 17, 181 William Street, Melbourne, Victoria 3000, Australia;

- by facsimile:
 - to its share registry's facsimile number 1800 783 447 (within Australia) or + 61 3 9473 2555 (outside Australia); or
 - to the Company's facsimile number + 61 3 9522 0899
- electronically:
 - by visiting www.investorvote.com.au and following the instructions provided (note a proxy cannot be appointed online if they are appointed under Power of Attorney or similar authority); or
 - by for Intermediary Online subscribers (custodians), by visiting www.intermediaryonline.com and submitting voting intentions.

Attorneys

An attorney need not be a shareholder. An attorney will be required to provide written evidence of their appointment (the original power of attorney or a certified copy, unless a certified copy has already been provided to the Company or the Company's share registry).

Corporate representatives

A body corporate which is a shareholder, or which has been appointed as a proxy, may appoint an individual to act as its representative at the Scheme Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the Scheme Meeting evidence of his or her appointment, including any authority under which it is signed, unless it has previously been given to the Company or the Company's share registry.

EXPLANATORY NOTES

These Explanatory Notes form part of this Notice Of Meeting.

Majorities Required

In accordance with section 411(4)(a)(ii) of the Corporations Act, the Resolution must be passed by:

- unless the Court orders otherwise – a majority in number of shareholders of the Company present and voting at the Scheme Meeting (either in person or by proxy); and
- at least 75% of the total number of votes cast on the Resolution.

The vote will be conducted by a poll.

Court Approval

In accordance with section 411(4)(b) of the Corporations Act, the Scheme must be approved by an order of the Court. If the Resolution is passed by the Requisite Majorities and the other conditions precedent are satisfied or waived (as applicable), the Company intends to apply to the Court on 18 December 2014 for approval of the Scheme.

Corporate Directory

Directors

Mr Richard Grellman AM (Chairman)
Mr Peter Warne
Mr Raymond Smith
Ms Nancy Milne OAM
Mr Peeyush Gupta
Mr Trevor Loewensohn
Mr Chris Price

Company Secretary

Mr Bruce Paterson

Website

www.crowehorwath.com.au

Stock Exchange Listing

Crowe Horwath Shares are listed on and quoted
by the Australian Securities Exchange (ASX:CRH)

Principal and Registered Office

Crowe Horwath Australasia Ltd
Level 17, 181 William Street
Melbourne VIC 3000
Tel: +61 3 9522 0888

Share Registry

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067
Telephone: +61 3 9415 4000
Facsimile: +61 3 9473 2500

Financial Advisor

Macquarie Capital (Australia) Limited
Level 4, 50 Martin Place
Sydney NSW 2000

Legal and Tax Advisor

Thomson Geer
Level 39, 525 Collins Street
Melbourne VIC 3000

Independent Expert

Grant Samuel & Associates Pty Limited
Level 6, 1 Collins Street
Melbourne VIC 3000



Crowe Horwath™

Crowe Horwath Australasia Ltd

ABN 93 006 650 693

Lodge your vote:



Online:

www.investorvote.com.au



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

In Person:

Computershare Investor Services Pty Limited
452 Johnston Street
Abbotsford, Victoria 3067

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 721 468
(outside Australia) +61 3 9415 4294

— 000001 000 CRH
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Voting Form



Vote online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 9999999

SRN/HIN: I9999999999

PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



For your vote to be effective it must be received by 10:00am (AEDST) on Saturday 13 December 2014

How to Vote on the Resolution

All your securities will be voted in accordance with your directions.

Vote Directly

Voting 100% of your holding: Mark either the For, Against or Abstain box opposite the Resolution. Your vote will be invalid on the Resolution if you do not mark any box OR you mark more than one box.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement.

Appoint a Proxy to Vote on Your Behalf

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite the Resolution. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on the Resolution your vote will be invalid.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders must sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, 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 sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Appointment of Corporate Representative" prior to admission. A form may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** →

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise their broker of any changes.



I 9999999999

I ND

Scheme Meeting - Voting Form

Please mark ☒ to indicate your directions

STEP 1 Indicate How your Vote will be Cast *Select one option only*

XX

At the Scheme Meeting of Crowe Horwath Australasia Ltd (**Company**) to be held at the RACV City Club, Level 2, 501 Bourke Street, Melbourne, Victoria 3000, Australia on Monday 15 December 2014 at 10.00 am (AEDST) and at any adjournment or postponement of that meeting, I/We being member/s of the Company direct the following:

1. Vote Directly

☐ Record my/our votes strictly in accordance with directions in Step 2.



PLEASE NOTE: A Direct Vote will take priority over the appointment of a Proxy. For a valid Direct Vote to be recorded you must mark FOR, AGAINST, or ABSTAIN.

2. Appoint a Proxy to Vote on Your Behalf: I/We hereby appoint

☐ the Chairman of the Meeting **OR**

OR

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit).



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

STEP 2 Item of Business



PLEASE NOTE: If you mark the **Abstain** box for the Resolution, you are directing your proxy not to vote on your behalf on a poll and your votes will not be counted in computing the required majority.

Resolution 1 To consider and, if deemed fit, pass the following resolution:

"That, pursuant to and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between Crowe Horwath Australasia Ltd (Company) and the holders of its ordinary shares, as contained in and more particularly described in the scheme booklet of which the notice convening this meeting forms part, is approved (with or without alterations or conditions as approved by the Supreme Court of Victoria to which the Company and Findex Australia Pty. Ltd. agree)."

For

Against

Abstain

☐☐☐

The Chairman of the Meeting intends to vote undirected proxies in favour of the Resolution.

In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date / /

CRH

999999A

Computershare +