



19 November 2014

Company Announcements  
Australian Securities Exchange  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir / Madam

**Notice of Extraordinary General Meeting**

Attached please find the ThinkSmart Limited ("the Company") Notice of Extraordinary General Meeting being dispatched to the Company's shareholders.

The abovementioned document will be available on the Company's website [www.thinksmartworld.com](http://www.thinksmartworld.com)

Yours faithfully

A handwritten signature in dark ink, appearing to read "Neil Hackett".

Neil Hackett  
Company Secretary  
ThinkSmart Limited

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

**Notice is hereby given that an Extraordinary General Meeting of ThinkSmart Limited (the Company) will be held at Level 36, QV.1 Building, 250 St Georges Terrace, Perth on Monday 22 December 2014 at 3:00pm (WST).**

An Explanatory Statement containing information in relation to the resolution to be put to shareholders accompanies this Notice of Meeting.

An Independent Expert's Report prepared by Ernst & Young Transaction Advisory Services Limited also accompanies this Notice of Meeting.

### AGENDA ITEMS

#### Resolution – Approval of Buy-Back Tender

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

"In accordance with section 257C of the *Corporations Act 2001* (Cth) (**Corporations Act**), the shareholders authorise and approve:

- the Company to undertake buy-backs of up to 64,516,129 ordinary fully paid shares in the Company (**Shares**) under off-market tender buy-back agreements on the terms detailed in the explanatory notes which accompany this notice of meeting; and
- each agreement entered on those terms during the 12 months commencing on the date of this resolution to the extent that:
  - approval of such buy-back agreements is required under section 257C of the *Corporations Act*; and
  - the number of Shares bought back under such buy-back agreements does not exceed 64,516,129.

This authorisation and approval is in addition to any further Shares bought back by the Company under the on-market buy-back announced on 24 October 2014 of up to 10% of the smallest number of Shares on issue in the 12 months preceding that date which is subject to shareholder approval at the Company's annual general meeting on 26 November 2014."

### ENTITLEMENT TO VOTE

It has been determined that under regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), for the purposes of the Extraordinary General Meeting, Shares will be taken to be held by the persons who are the registered holders at 5:00pm (WST) on 20 December 2014. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

### EXPLANATORY STATEMENT AND INDEPENDENT EXPERT'S REPORT

The directors recommend shareholders read the Explanatory Statement and the independent expert's report prepared by Ernst & Young Transaction Advisory Services Limited (**Independent Expert's Report**) in full before making any decision in relation to the Resolution.

### PROXIES

A shareholder entitled to attend and vote has a right to appoint a proxy to attend and vote instead of the shareholder. A proxy need not be a shareholder and can be either an individual or a body corporate. If a shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the *Corporations Act*; and
- provides satisfactory evidence of the appointment of its corporate representative at the meeting.

If such evidence is not received at the meeting, then the body corporate (through its representative) will not be permitted to act as a proxy.

A shareholder that is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the shareholder's votes.

A Proxy Form accompanies this Notice and to be effective must be received:

**Online:**

At [www.investorvote.com.au](http://www.investorvote.com.au)

**By Mobile:**

Scan the QR Code on your Proxy form and follow the prompts

**By Mail to:**

Computershare Investor Services  
Pty Ltd  
GPO Box 242  
Melbourne Victoria 3001  
Australia

**By Facsimile Transmission to:**

1800 783 447 (within Australia) or  
+61 3 9473 2555 (outside Australia)

**By Hand to:**

Computershare Investor Services  
Pty Ltd  
Level 2  
45 St George's Terrace  
Perth, Western Australia 6000

by no later than 3:00pm (WST) on 20 December 2014.

By order of the Board



Neil Hackett  
Company Secretary

Date: 18 November 2014

# EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide shareholders with sufficient information to assess the merits of this Notice of Meeting.

The following information should be noted in respect of the matters contained in this Notice of Meeting.

## Resolution – Approval of Buy-Back Tender

### Background

On 20 February 2014, the Company announced that it would conduct an on-market buy-back (**Original On-Market Buy-Back**) of up to 15,926,376 Shares (being approximately 9.81% of the Shares on issue at the date of the announcement), subject to market conditions and the Company's share price. The Company announced on 1 October 2014 that it had concluded the Original On-Market Buy-Back and had bought back 12,927,273 Shares. In addition, the Company cancelled approximately 3 million employee Shares that were forfeited under the Company's Long Term Incentive Plan.

On 24 October 2014, the Board announced its intention to seek shareholder approval to conduct a further on-market buy-back (**On-Market Buy-Back**) of up to 14,688,056 Shares (being 10% of the lowest number of Shares on issue in the 12 months prior to 24 October 2014). The resolution to approve the On-Market Buy-Back will be considered by shareholders at the Company's annual general meeting on 26 November 2014.

On 18 November 2014, the Board announced its intention to continue its capital management program by commencing an off-market buy-back tender (**Buy-Back Tender**) of up to 64,516,129 Shares subject to receiving shareholder approval as set out in this Notice of Meeting. This is the maximum number of Shares that may be repurchased rather than the actual number that will definitely be bought back.

The Company is seeking to buy back up to 64,516,129 Shares under the Buy-Back Tender, at prices tendered by shareholders between \$0.31 and \$0.42. This represents approximately \$20 million worth of Shares assuming that the Shares are bought back at \$0.31 and approximately \$27.1 million worth of Shares assuming the Shares are bought back at \$0.42. A key consideration for the Company in determining how many Shares to buy back under the Buy-Back Tender will be the price level of tenders received. The Company may, in its absolute discretion, determine not to proceed with the Buy-Back Tender, or if it elects to proceed, amend or terminate the Buy-Back Tender at any time prior to the date on which the Company enters into any buy-back agreements by making an announcement to that effect to ASX.

The Buy-Back Tender is in addition to the On-Market Buy-Back, and any Shares that are bought back under the Buy-Back Tender will be in addition to the Shares bought back under the On-Market Buy-Back. If the Buy-Back tender is approved by shareholders, the Company will be able to buy back up to 79,204,185 Shares in aggregate under the On-Market Buy-Back and the Buy-Back Tender. This is the maximum number of Shares that may be repurchased rather than the actual number that will definitely be bought back.

If the maximum number of Shares are bought back under the Buy-Back Tender, this would represent approximately 43.9% of the Company's issued capital as at the date of this Notice of Meeting. If the maximum number of Shares are bought back under both the Buy-Back Tender and the On-Market Buy-Back (together the **Buy-Back Program**), then together with the Original On-Market Buy-Back, the Company will have bought back approximately 58.6% of the Shares that were on issue as at 20 February 2014.

### Reason for the Resolution

The purpose of the Resolution is to seek shareholder approval of the Buy-Back Tender. Under the Corporations Act, the Company must obtain approval of its shareholders in order to buy back more than 10% of the smallest number of Shares that the Company had on issue during the 12 months preceding the Buy-Back Tender (**10/12 limit**).

Given the Original On-Market Buy-Back in February 2014, the On-Market Buy-Back is in excess of the 10/12 limit and will require shareholder approval. The resolution to approve the On-Market Buy-Back will be considered by shareholders at the Company's annual general meeting on 26 November 2014. The Buy-Back Tender will also exceed the 10/12 limit, and therefore shareholders must also approve the Buy-Back Tender before it can be implemented.

The Resolution will be approved if more than 50% of votes cast at the Extraordinary General Meeting on the Resolution are in favour of it.

In addition, under section 257C of the Corporations Act, this Notice of Meeting must disclose all information that is material to shareholders' decision on how to vote on the Resolution. Accordingly, this Explanatory Statement sets out:

- the details of the Buy-Back Tender;
- reasons for the Buy-Back Tender (including advantages and disadvantages of the Buy-Back Tender);
- information on the Company;
- the effect of the Buy-Back Tender on the Company; and
- other information material to a decision on how to vote on the Resolution.

The Independent Expert's Report contains further information on the Buy-Back Tender, including a valuation of the Shares and an analysis of the advantages and disadvantages of the Buy-Back Tender. In the Independent Expert's Report, Ernst & Young Transaction Advisory Services Limited assessed the fair value of a Share on a non-controlling basis to be in the range between \$0.33 and \$0.39 (see section 5 of the Independent Expert's Report for further detail).

## Details of the Buy-Back Tender

### *Terms of the Buy-Back Tender*

Under the Buy-Back Tender, the Company will invite eligible holders of Shares recorded on its register on the record date to participate in the Buy-Back Tender (expected to be 26 November 2014) (**Record Date**) to offer to some or all of their Shares to the Company at specified prices between \$0.31 and \$0.42.

The Buy-Back Tender is expected to open on 23 December 2014 and close on 23 January 2014 (**Buy-Back Period**). The proposed timetable for the Buy-Back Tender is set out under the heading "Proposed timing for the Buy-Back Tender" below. While the Company does not currently anticipate changing any of the dates and times set out in that section, it reserves the right to do so by announcement to ASX.

Participation in the Buy-Back Tender is voluntary. Eligible shareholders do not have to sell their Shares if they do not want to. Shareholders will also have the right to withdraw tenders during the Buy-Back Period subject to complying with specified notification procedures.

If shareholders do not approve the Resolution, the Company will not be able to proceed with the proposed Buy-Back Tender.

Further information on the Buy-Back Tender can be found in the Independent Expert's Report. The Buy-Back Tender documentation (the **Buy-Back Booklet**), which is expected to be sent to shareholders on or about 15 December 2014, will also contain further detailed information on the Buy-Back Tender. A summary of this information is provided below.

### *Target size*

The Company is seeking to buy back up to 64,516,129 Shares under the Buy-Back Tender, at prices tendered by shareholders between \$0.31 and \$0.42. This represents approximately \$20 million worth of Shares assuming that the Shares are bought back at \$0.31 and approximately \$27.1 million worth of Shares assuming the Shares are bought back at \$0.42. The Company may, at its discretion, reduce the size of the Buy-Back Tender. The Company also retains the discretion to buy back a lesser amount of Shares than indicated, or no Shares at all. The key considerations for the Company in determining the number of Shares bought back under the Buy-Back Tender will be the volume and price levels of tenders received and an assessment of the benefit to the Company and shareholders of buying back Shares at the tendered prices.

### *On-Market Buy-Back*

The Buy-Back Tender is in addition to the On-Market Buy-Back for which shareholder approval is being sought at the Company's annual general meeting on 26 November 2014. Any Shares that are bought back under the Buy-Back Tender will be in addition to any Shares bought back under the On-Market Buy-Back. If the Buy-Back Tender is approved by shareholders, the Company will be able to buy back up to 79,204,185 Shares in aggregate under the On-Market Buy-Back and the Buy-Back Tender. This is the maximum number of Shares that may be repurchased rather than the actual number that will definitely be bought back.

If approved by shareholders, the Company may buy back Shares under the On-Market Buy-Back before and after the Buy-Back Period but will suspend the On-Market Buy-Back during that period.

### *Buy-Back Tender price range*

Eligible shareholders will be invited to tender some or all of their Shares at specified prices between \$0.31 and \$0.42 per Share (**Tender Range**). The Tender Range represents an approximate 8% discount up to a 25% premium to the 5 day VWAP of the Company's Shares to 10 November 2014, being the last practicable date prior to publication of this Notice of Meeting. In addition, shareholders wishing to increase the likelihood that their tender will be successful may submit a final price tender, which is discussed further below.

Following the close of the Buy-Back Period, the Company will determine the lowest price in the Tender Range at which the Company will be able to buy back the number of Shares it determines to buy back (**Buy-Back Price**). The Company will not buy back any Shares at a discount greater than 14% to the VWAP of Shares over the 5 trading days up to and including the closing date for the Buy-Back Period.

All shareholders submitting successful tenders will be paid the same price for Shares bought back (even if they tendered Shares below the Buy-Back Price).

### *Overview of the tender process*

Each shareholder eligible to participate in the Buy-Back Tender may submit a tender in a specified form (**Tender Form**) if they wish to sell some or all of their Shares. The Tender Form will be required to specify:

- the number of Shares tendered, which may be up to 100% of the shareholder's holding as at the Record Date; and
- the nominated price or prices within the Tender Range at which each parcel of Shares is offered to be sold.

Shareholders will be able to submit offers to sell different blocks of their shareholding for different prices within the Tender Range. For example, a shareholder may offer to sell half of their shareholding for \$0.31 per Share and the other half for \$0.42 per Share.

Alternatively, shareholders wishing to increase the likelihood that they will participate in the Buy-Back Tender may submit a **“Final Price Tender”**. A Final Price Tender is a tender in which the shareholder elects to receive the Buy-Back Price, whatever it is determined to be by the Company under the tender process.

Shareholders will have Shares that are tendered at or below the Buy-Back Price or as a Final Price Tender bought back subject to the scale-back mechanism set out below. Shares that are tendered above the Buy-Back Price will not be bought back.

If more Shares are tendered at or below the Buy-Back Price (including Final Price Tenders) than the Company wishes to buy back, then a scale-back will be applied as follows:

If the Buy-Back Price is above the lowest price in the Tender Range:

- tenders below the Buy-Back Price and Final Price Tenders will be accepted in full;
- tenders at the Buy-Back Price (excluding Final Price Tenders) will be treated as follows:
  - the Priority Allocation (as defined below) will be bought back from each shareholder (or the number of Shares tendered at the Buy-Back Price if this is less than the Priority Allocation);
  - Small Residual Holdings (as defined below) will be bought back; and
  - the remaining tenders will be scaled back on a pro-rata basis.

If the Buy-Back Price is at the lowest price in the Tender Range, all tenders at the Buy-Back Price (including Final Price Tenders) will be treated as follows:

- the Priority Allocation will be bought back from each shareholder (or the number of Shares tendered at the Buy-Back Price and/or as a Final Price Tender if this is less than the Priority Allocation);
- Small Residual Holdings will be bought back; and
- the remaining tenders will be scaled back on a pro-rata basis.

The **“Priority Allocation”** will be \$2,000 worth of Shares (the number of Shares to be based on the market price of Shares four weeks prior to the announcement of the Buy-Back Tender, in accordance with the relevant ASIC guidance), or such less number of Shares as is required to ensure that the Company is able to buy back only the number of Shares it determines to buy back under the Buy-Back Tender.

A **“Small Residual Holding”** will occur if a shareholder submits tenders in respect of 100% of their Shares at or below the Buy-Back Price, and would otherwise be left with a shareholding of \$500 worth of Shares (the number of Shares to be based on the market price of Shares four weeks prior to the announcement of the Buy-Back Tender), or fewer, as result of the scale-back.

The Company will announce to ASX the result of the Buy-Back Tender, including the total number of Shares to be bought back, the Buy-Back Price and any scale-back after the close of the Tender Period.

### **Reasons for the Buy-Back Tender**

The Board considers that the Buy-Back Tender is in the best interests of shareholders. Following the sale of its Australian and New Zealand Operations in early 2014, the Company currently has surplus capital.

Although the On-Market Buy-Back that will be considered by shareholders at the Company’s annual general meeting on 26 November 2014 represents an easy and flexible way to return some of this surplus capital to shareholders, the Board considers that it is necessary to return more capital than it can under the On-Market Buy-Back, and that the Buy-Back Tender is an efficient way to do this.

Returning excess capital to shareholders will allow the Company to maintain an effective capital structure moving into its next phase of growth.

### **Advantages**

The Board considers the main advantages of the Buy-Back Tender to be as follows:

- all eligible shareholders have an equal opportunity to participate;
- a tender process:
  - allows shareholders to tailor their participation to suit their own circumstances. Shareholders can choose whether to participate, how many of their Shares to tender, and the price or prices within a range at which to tender their Shares;
  - reduces the risk of setting a buy-back price which is too low and a buy-back being unsuccessful through a low take-up;
  - is expected to allow the Company to buy back a significant number of Shares within a shorter period (compared to another on-market buy back);
  - is expected to provide a mechanism for shareholders to sell a large volume of Shares without negatively impacting the market price;
- shareholders should not have to pay brokerage or appoint a stockbroker to sell their Shares in the Buy-Back Tender. See section 6.2.4 of the Independent Expert’s Report for further detail;
- as the Shares are not as widely traded as some other shares, the Buy-Back Tender allows shareholders to elect to exit their investment in the Company; and
- the opportunity to exit comes at a time when the Company is increasing its focus on pursuing its UK growth strategy.

### Disadvantages

The Board does not consider that the Buy-Back Tender poses any significant disadvantage to shareholders. However in making their decision as to whether to vote in favour of the Resolution, shareholders should evaluate the following factors:

- there will be a reduction in available cash levels and thus the Company's ability to use that cash, including for acquisitions. See section 6.3.1 of the Independent Expert's Report for further detail;
- the Buy-Back Tender entails a reduction in the capital base of the Company;
- the voting power of Mr Montarello is likely to increase (see the section "Effect of the Buy-Back Program on the Company" below). See section 6.4.1 of the Independent Expert's Report for further detail;
- the Buy-Back Tender is likely to result in a reduction in the liquidity of Shares. See section 6.3.2 of the Independent Expert's Report for further detail;
- by implementing the Buy-Back Tender, the Company will incur some expenses relating to printing, mailing and registry costs. These expenses are not considered material;
- successful participating shareholders may have their tenders scaled back. See section 6.3.4 of the Independent Expert's Report for further detail; and
- shareholders who successfully participate in the Buy-Back Tender will not benefit from any future increase in the market price of the Shares or be entitled to receive future distributions on those Shares which are bought back.

### Information on the Company

#### Share Price Information

A graph showing the share price performance of the Company for the year to 10 November 2014 is set out below.



#### Outlook for the Company

Following the Board's strategic review, the Company is now solely focused on the UK market, being nearly 3 times the size of the Australian market with 62 million consumers.

The Company is focused on pursuing growth in the UK through the following strategies:

- organic growth;
- product and market development;
- invest in synergistic growth opportunities; and
- build capability to support growth.

The contract with the Company's existing partner, Dixons, has now been extended to May 2017 for both Business and Consumer leasing. The Upgrade Anytime consumer proposition launched in mid May 2014 and immediately delivered strong growth in volumes. In addition, Dixons has since merged with Carphone Warehouse to create a joint company with potential revenues of £10bn and a 1,298 store network. The Company will continue to refresh products aligned to its partners' commercial objectives to assist them in creating a differentiated proposition in their markets. There are further opportunities to introduce the Company's existing in store and online point of sale solutions to other retailers with customers

who want all the benefits of the latest technology or product features with the flexibility to upgrade products as their need develops. The Company does not see these opportunities as limited to computing related product sales.

The sale of the Australian and New Zealand operations provided the Company with significant cash reserves (approximately \$36 million currently). While the proposed Buy-Back Tender may reduce the amount of cash reserves held by the Company by up to \$27.1 million, the Company will still retain significant available cash.

The Company is in advanced negotiations to put in place new lease accounting based banking facilities which, whilst reducing the profitability of contracts in their first year relative to the brokerage treatment currently applied in the UK, will diversify the Company's funding platform and reduce its cost of funds, thereby enhancing margins and allowing the development of a broader and more competitive range of products in the longer term. The Company intends to utilise some of its available cash resources to seed these new facilities once they are in place.

While the reduction in cash reserves as a result of the Buy-Back Tender may constrain the Company from pursuing some opportunities that require significant capital, the Company believes that it will have sufficient capital and borrowing capabilities to fund opportunities that have the potential to accelerate synergistic growth. The evaluation of these opportunities is in its early phase, however the Company considers that its strong balance sheet, market experience and singular market focus could unlock value in strategically aligned businesses.

Ultimately the Company is positioning for growth in a strengthening UK market place. The Company's people and their capabilities, alongside efficient processes and a unique IP capability have created significant added value and support for its retail partners. The Company plans to continue to build this capability across a wider range of innovative financial propositions to a broader base of retail partners.

Following the sale of the Company's Australian and New Zealand operations, in addition to advising that it was considering all options in respect of a return of capital (which has culminated in the Buy-Back Program), the Company also advised that it was considering the future of its ASX listing. Whilst the Company has no immediate intention to seek to de-list from ASX, the Company will continue to periodically assess the appropriateness of its ASX listing having regard to the Company's operations, growth strategy, capital requirements and the interests of the Company and its shareholders.

The Company is a listed disclosing entity for the purpose of the Corporations Act and its announcements to the market are updated in accordance with its continuous disclosure obligations. Shareholders should monitor the Company website and the ASX website for any further announcements by the Company.

### **Effect of the Buy-Back Tender on the Company**

#### *Funding of the Buy-Back Tender*

Following the sale of its Australian and New Zealand business on 31 January 2014, the Company had approximately \$49 million cash. As at 31 October 2014, the Company had approximately \$36 million cash as a result of expenses incurred since the sale of these businesses, payment of a special dividend and the capital returned to shareholders under the Original On-Market Buy-Back.

As described above, the Company is seeking to buy back up to 64,516,129 Shares under the Buy-Back Tender, at prices tendered by shareholders between \$0.31 and \$0.42.

So, for example, if the Company bought back the full capacity under the Buy-Back Tender of 64,516,129 Shares, and the Buy-Back Price was \$0.31, the cost of the buy-back would be \$20 million (excluding transaction costs). If the Company bought back the full capacity under the Buy-Back Tender of 64,516,129 Shares, and the Buy-Back Price was \$0.42, the cost of the buy-back would be \$27.1 million (excluding transaction costs). All costs of the Buy Back Tender will be funded out of surplus cash.

#### *Financial position*

The pro forma balance sheet as at 30 June 2014 set out below reflects the impact of the Buy-Back Tender on the Company's financial position, assuming that \$20 million worth of Shares are bought back at \$0.36 per share with \$0.30 being treated as capital and the remaining \$0.06 per share as a dividend.



Company pro-forma balance sheet extract as at 30 June 2014				
\$millions	At 30-Jun-14	1 Jul to 30 Sep 2014 Actual		Proposed \$20m Off Market Buy Back Tender at \$0.36 per share
		On Market Buy Backs less Employee Loan	Issued Funded Shares	
				Pro-forma
Cash and cash equivalents	39.1		-4.5	14.6
Other current assets	6.2			6.2
Total current assets	45.3		-4.5	20.8
Non-current assets	22.2			22.2
Total assets	67.5		-4.5	43.0
Total liabilities	-8.6			-8.6
Net assets	58.9		-4.5	34.4
Issued Share Capital	48.1		-4.5	26.9
Reserves	-0.1			-0.1
Accumulated profits	10.9			7.6
Total equity	58.9		-4.5	34.4

As discussed above, approving the Buy-Back Tender authorises the Company to buy back up to 64,516,129 Shares in aggregate under the Buy-Back Tender, and the Company may buy back more than \$20 million worth of Shares under the Buy-Back Tender. Also, if approved the Company may also buy back Shares under the On-Market Buy-Back. Accordingly, the pro forma balance sheet is for illustrative purposes only.

#### Impact on earnings per Share

The Buy-Back Tender will be EPS enhancing although the level of the enhancement will depend on the amount of Shares bought back. For example, assuming that \$20 million worth of Shares were bought back under the Buy-Back Tender, and the Buy-Back Price was \$0.36, then all things being equal, the 30 June 2014 EPS, on a pro-forma basis (accounting for the Buy-Back Tender) would be enhanced positively by 59% relative to 30 June 2014 EPS on a pro-forma basis (accounting for the Original On-Market Buy-Back that was completed on 1 October 2014) as follows:

Company pro-forma EPS for 6 months to 30 June 2014				
	6 months to 30-Jun-14	1 Jul to 30 Sep 2014 Actual		Proposed \$20m Off Market Buy Back Tender at \$0.36 per share
		On Market Buy Backs less Employee Loan	Issued Funded Shares	
				Pro-forma
Number of shares (millions)	160.7		-11.9	93.3
PAT for 6m to 30 June 2014 - Continuing (\$millions)	1.55		1.55	1.55
EPS - Continuing Operations - Basic (cents per share)	0.97		1.05	1.67

\* EPS calculation based on a weighted average number of Shares. Shares on issue as at 30 June 2014 was 158,734,857.

See section 6.2.2 of the Independent Expert's Report for further detail.

#### Dividends

As the Buy-Back Tender will be entirely funded from cash, there will be no borrowing costs associated with the Buy-Back Tender. However, the Company will have reduced interest income in the future as a result of the cash used to acquire Shares under the Buy-Back Tender. Following completion of the Buy-Back Tender, the Board will continue to regularly review the Company's dividend policy having regard to the Company's financial position. However, as the Company's operations are based in the UK, future franking capacity would be limited to the Company's residual franking account balance.

#### Impact on franking account

As at 10 November 2014, the Company had a franking account balance of approximately \$3.2 million although this is expected to reduce to \$2.8 million by the time of the Buy-Back Tender following an anticipated refund of tax already paid.

The amount of franking credits that will be used in the Buy-Back Tender will not be known until the Buy-Back Price and the total value of the Buy-Back Tender is determined. By way of illustration, assuming 64,516,129 Shares are bought back in the Buy-Back Tender, and the Buy-Back Price is \$0.36 (ie \$23.2 million worth of Shares), approximately \$967,742 of franking credits are expected to be used (assuming that the "deemed market value" of a Share is ultimately determined to be \$0.335) – refer to the "Australian income taxation considerations" section below for further discussion of the "deemed market value").

This reduction in franking credits may impact on the Company's ability to frank future dividends

#### *Shares on issue*

As at the date of this Notice of Meeting, the Company had 146,880,565 Shares on issue. Assuming no further Shares are issued and the maximum number of Shares are bought back under the Buy-Back Program, the Company would have 67,676,380 Shares on issue (assuming that no further Shares are issued during this period).

#### *Effect of the Buy-Back Tender on the control of the Company*

The Executive Chairman, Mr Ned Montarello (and entities controlled by Mr Montarello) holds 31,059,356 Shares. This gives Mr Montarello voting power of 21.1% (based on 146,880,565 Shares on issue). Mr Montarello has indicated that he does not currently intend to participate in the Buy-Back Tender. Accordingly, if the maximum number of Shares are bought back under the Buy-Back Tender (being 64,516,129), Mr Montarello's voting power would increase from 21.1% to 37.7% (assuming no Shares are bought back under the On-Market Buy-Back).

The table below sets out the possible effect of the Buy-Back Tender on Mr Montarello's voting power under a range of scenarios (on the basis that Mr Montarello does not participate in the Buy-Back Tender and no Shares are bought back under the On-Market Buy-Back):

<b>Shares bought back</b>	<b>Mr Montarello's voting power</b>
10,000,000	22.7%
20,000,000	24.5%
30,000,000	26.6%
64,516,129 (being the maximum number of Shares that may be bought back under the Buy-Back Tender)	37.7%

Mr Montarello has also indicated that he does not currently intend to participate in the On-Market Buy-Back. Accordingly, if the maximum number of Shares are bought back under the Buy-Back Program (being 79,204,185), and Mr Montarello does not participate in the Buy-Back Program, Mr Montarello's voting power would increase from 21.1% to 45.9%.

The table below sets out the possible effect of the Buy-Back Program on Mr Montarello's voting power under a range of scenarios (on the basis that Mr Montarello does not participate in the Buy-Back Program and the maximum number of Shares are bought back under the Buy-Back Program):

<b>Shares bought back</b>	<b>Mr Montarello's voting power</b>
10,000,000	22.7%
20,000,000	24.5%
30,000,000	26.6%
40,000,000	29.1%
50,000,000	32.1%
79,204,185 (being the maximum number of Shares that may be bought back under the Buy-Back Program)	45.9%

See section 6.4.1 of the Independent Expert's Report for further detail.

Having regard to the potential for the Buy-Back Tender to increase the voting power of Mr Montarello if he does not participate in the Buy-Back Tender, he will not make a recommendation in his capacity as a director nor vote on the Resolution.

#### **ASIC relief**

Division 2 of Part 2J.1 of the Corporations Act permits a company to conduct an equal access buy-back scheme if each of the following conditions set out in subsection 257B(2) are satisfied:

- the offers under the scheme relate only to ordinary shares;
- the offers are to be made to every person who holds ordinary shares to buy back the same percentage of their ordinary shares;
- all of those persons have a reasonable opportunity to accept the offers made to them;
- buy-back agreements are not entered into until a specified time for acceptances of offers has closed; and
- the terms of all the offers are the same.

The Buy-Back Tender does not technically comply with the requirements for an equal access buy-back scheme and, accordingly, is treated as a selective buy-back for the purposes of the Corporations Act. However ASIC has agreed to grant the Company an exemption under section 257D(4) of the Corporations Act to permit the Company to:

- conduct the Buy-Back Tender similarly to the conduct of an equal access scheme;
- to utilise a scale-back mechanism as part of the Buy-Back Tender;
- to invite all shareholders to offer for sale any number of their Shares to the Company rather than the Company offering to buy back such Shares; and
- to seek approval by ordinary resolution of its shareholders of the purchase of ordinary shares under the Buy-Back Tender of up to 64,516,129 Shares.

Accordingly, the Company is not required to approve the Buy-Back Tender in accordance with section 257D of the Corporations Act (which requires approval of the terms of a selective buy-back by a special resolution on which no votes are cast by persons whose shares are proposed to be bought back or their associates).

## **Other material information**

### *Australian income taxation considerations*

The Company expects that the Buy-Back Tender will comprise a dividend component and a capital component for Australian income tax purposes. It is expected that the capital component of the Buy-Back Price will be approximately \$0.30 per share (based on the “average capital per share method” as outlined in Australian Taxation Office (ATO) guidance) and the balance of the Buy-Back Price will be a dividend for Australian income tax purposes.

Only a portion of the dividend may be frankable / franked. This will depend on whether the Buy-Back Price is greater than the “deemed market value” of a Share (the “deemed market value” in this situation is typically calculated by reference to a VWAP of a Company share for a period (eg last 5 trading days) prior to the first announcement of the Buy-Back Tender, adjusted for the percentage change in the S&P/ASX 200 Index from the commencement of trading on the first announcement date to the close of trading on the day the Buy-Back Tender closes). Where the Buy-Back Price is greater than the “deemed market value”, the excess will be an unfranked dividend.

Alternatively, if the Buy-Back Price is less than the “deemed market value”, the dividend component will remain unchanged. However, the capital component will be increased by the difference.

The Company is in the process of obtaining a Class Ruling from the ATO to confirm the Australian income tax treatment of the Buy-Back Tender. The Company understands that the ATO will not issue a Class Ruling in a final binding form until after the Buy-Back Tender is complete. General information on the tax implications of successfully participating in the Buy-Back Tender will be provided to shareholders in the Buy-Back Booklet sent to shareholders in relation to the Buy-Back Tender.

All shareholders are strongly advised to obtain their own professional advice on the tax implications of the Buy-Back Tender based on their own specific circumstances, including in respect of the receipt of franked and/or unfranked dividends as part of the Buy-Back Tender and the ability to benefit from associated tax offsets/franking credits (eg if the shares tendered into the Buy-Back Tender satisfy the “45 day” at risk holding requirement).

### **Effect on employee share plan schemes**

The Buy-Back Tender is only an offer to buy fully paid ordinary shares. It does not extend to options held by the Company’s executives. The Buy-Back Tender will not result in an adjustment to the exercise price or number of Shares to be issued on exercise of their options.

Employees whose employee Shares are subject to restrictions on disposal under the Company’s Long term Incentive Plan will not be able to sell their Shares under the Buy-Back Tender.

### **Proposed timing for the Buy-Back Tender**

The indicative timetable for the Buy-Back Tender is set out below.

<b>Event</b>	<b>Date</b>
Announcement of the Buy-Back Tender	18 November 2014
Notice of EGM dispatched	21 November 2014
Shares trade ex-entitlement to participate in the Buy-Back Tender	24 November 2014
Record Date for determination of entitlements to participate in the Buy-Back Tender	26 November 2014
Completion of dispatch of Buy-Back Tender documentation to shareholders	15 December 2014
Extraordinary General Meeting	22 December 2014
Buy-Back Tender period opens	23 December 2014
Acceptances must be received by	23 January 2015
Completion of calculation of acceptances and scale-back (if any)	24 - 26 January 2015
Announcement of Buy-Back Tender Price and scale-back (if any)	27 January 2015
Dispatch of proceeds by	30 January 2015

These dates are indicative dates only and the Company reserves the right to change these dates by announcement to ASX.

## Board recommendation

The Board (other than Mr Montarello and Mr Penglis) recommends that shareholders vote in favour of the Resolution. The Board believes that the Buy-Back Tender is the most efficient way to return capital to shareholders at this point in time.

Given that the Buy-Back Tender is likely to increase the percentage shareholding of Mr Montarello, in the circumstances, Mr Montarello does not consider it appropriate to make a recommendation to shareholders in connection with the Resolution.

Mr Penglis has also elected not to make a recommendation to shareholders in connection with the Resolution.

The Chairman intends to vote all available proxies in favour of the Resolution.

### *Directors' interests in Shares and options*

The relevant interests of each director in the securities of the Company as at the date of this Notice of Meeting are:

Director	Shares	Other securities
Mr Ned Montarello	31,059,356	nil
Mr David Griffiths	2,592,001	nil
Mr Keith Jones	341,000	2,000,000 options
Mr Steven Penglis	1,272,600	nil
Mr Fernando de Vicente*	603,500	nil

\*A proposal to grant Mr Fernando de Vicente 2,000,000 options is to be considered at the annual general meeting.

The Directors are entitled to participate in the Buy-Back Tender in the same manner as other shareholders.



## Independent Expert's Report and Financial Services Guide

ThinkSmart Limited  
Proposed Off-Market Buy-Back

10 November 2014



Building a better  
working world

## Part 1 – Independent Expert's Report

The Directors  
ThinkSmart Limited  
45 Ventnor Avenue  
West Perth WA 6005

10 November 2014

Dear Sirs

### Proposed Off-Market Share Buy-Back

On 12 December 2013, ThinkSmart Limited ("ThinkSmart" or the "Company") announced that it had entered into an agreement with Flexigroup Limited ("Flexigroup") to sell its Australian and New Zealand operations for \$43 million. Following the completion of the sale, ThinkSmart distributed part of the proceeds to shareholders through the payment of a \$0.036 fully franked special dividend and embarked on an on-market share buy-back of up to 10% of its issued shares. This on-market buy-back closed on 1 October 2014.

On 24 October 2014, ThinkSmart announced its intention for a second on-market buy-back ("On-Market Buy-Back") under which it will look to buy-back up to a maximum of 14,688,056 shares, representing 10% of the current shares outstanding. Shareholder approval of the On-Market Buy-Back is being sought at the Company's annual general meeting ("AGM") on 26 November 2014.

In addition to the On-Market Buy-Back, ThinkSmart is proposing to buy-back shares by way of an off-market buy-back (the "Buy-Back Tender"). Under the Buy-Back Tender, Shareholders will be invited to tender for the sale back to the Company any number of their shares at prices in the range of \$0.31 and \$0.42 per share (the "Tender Range"). The maximum number of shares subject to the Buy-Back Tender is 64,516,129.

Under the Buy-Back Tender, ThinkSmart has reserved the right to purchase any number of shares up to the maximum, including the right not to buy-back any shares. The Buy-Back Tender is expected to open on 23 December 2014 and close on 23 January 2015 (the "Buy-Back Period"). The actual timing of the Buy-Back Tender is subject to change at the discretion of the Company.

On close of the Buy-Back Period, ThinkSmart will determine the lowest tender price within the Tender Range (the "Buy-Back Price") that will enable it to buy-back the value of shares it so determines. As an alternative to selecting a tender price within the Tender Range, ThinkSmart shareholders ("Shareholders") may offer some or all of their shares on a 'Final Price Tender', being the Buy-Back Price that is determined by ThinkSmart.

The Directors of ThinkSmart have requested EY to prepare an independent expert's report in relation to the Buy-Back Tender, the purpose of which is to assist Shareholders in their deliberation of whether or not to approve the Buy-Back Tender.

ThinkSmart is seeking the approval of its Shareholders for the Buy-Back Tender at an Extraordinary General Meeting of the Company to be held on or about 22 December 2014 (the "Meeting"). Our independent expert's report is to be included with the Notice of Extraordinary General Meeting and Explanatory Statement being sent to Shareholders in relation to the Meeting.

In preparing our report we have had regard to ASIC Regulatory Guide 110: Share buy-backs ("RG110"). Consistent with RG110, in this report we provide:

- ▶ A valuation of a ThinkSmart share; and
- ▶ An analysis of the advantages and disadvantages of the Buy-Back Tender.

The appropriate basis of valuation for independent expert purposes is 'fair value', which is generally defined as:

*"the price at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer both acting at arm's length".*

Our assessment of the fair value of a ThinkSmart share has been undertaken on a basis consistent with this definition.

### *Summary of Opinion*

#### Valuation

In Section 6, we set out our valuation conclusion. For the purposes of this report, our fair value range assessed for a ThinkSmart share on a non-controlling basis is in the range of \$0.33 and \$0.39. Our assessment of the fair value of a ThinkSmart share was based on the market approach considering the prices at which the Company's shares have traded on the Australian Securities Exchange ("ASX").

#### Advantages, disadvantages and other considerations

In Section 7, we have outlined the advantages and disadvantages of the Buy-Back Tender, together with a summary of other considerations. The key elements of our consideration are as follows:

##### Advantages

- ▶ Depending on the Buy-Back Price, Shareholders may be able to sell their ThinkSmart shares at a premium to the current fair value of the shares as well as at a premium to the recent trading prices of ThinkSmart's shares on the ASX.
- ▶ A Buy-Back Price at the lower end of the Tender Range is consistent with the fair value range determined for a ThinkSmart share and the share trading price over the period since 12 December 2013. If the Buy-Back Price is at the lower end of the Tender Range, Shareholders will still receive a price in line with current trading prices; however, will not incur transaction costs.
- ▶ All else being equal, the earnings per a ThinkSmart share will increase. The extent of any increase will be dependent upon the number of shares bought back. This may have a positive impact on the value of the shares that remain after the Buy-Back Tender.
- ▶ Depending on the demand of the Company's shares on the ASX, having less shares on issue after the Buy-Back Tender may result in an increase in ThinkSmart's share price.
- ▶ Shareholders who have their tenders accepted would receive at least their tender price for those ThinkSmart shares. This can be a benefit to Shareholders, especially those offering to sell larger parcels of shares as it can minimise share price volatility risk.
- ▶ Shareholders selling via the Buy-Back Tender will not incur transaction costs.

##### Disadvantages

- ▶ If the Buy-Back Tender is approved and implemented in full, ThinkSmart's cash holdings will be reduced by \$20.0 million to \$27.1 million. The extent to which this occurs will be dependent upon the price paid for the ThinkSmart shares and the number of ThinkSmart shares acquired and cancelled.
- ▶ The Buy-Back Tender will result in fewer ThinkSmart shares being available for sale in the future. This may impact the volume of ThinkSmart shares available and hence the liquidity in the market for ThinkSmart shares.

- ▶ If ThinkSmart acquires its shares at prices above our range of fair values, the Company will be paying a premium to the current fair value of the shares as well as at a premium to the recent trading prices of ThinkSmart's shares. Shareholders who wish to tender their shares at the high end of the Tender Range, where there is less likelihood of it being selected as the Buy-Back Price, may miss out on their shares being purchased as part of the Buy-Back Tender.
- ▶ There is the potential for only a proportional buy-back for Shareholders who tender their shares. Those Shareholders may be left with shares that they will only be able to sell on market.

#### Other Considerations

- ▶ Mr Ned Montarello, the Executive Chairman and largest shareholder of ThinkSmart, will not be participating in the Buy-Back Tender. In the Buy-Back proceeds, Mr Montarello will have his relevant shareholding increased. As at 10 November 2014, Mr Montarello had a relevant interest in 31,059,356 ThinkSmart shares which represented 21.1% of the 146,880,565 ThinkSmart shares on issue. If the maximum number of shares is purchased through the Buy-Back Tender, Mr Montarello's interest would increase to 37.7%. If both the Buy-Back Tender and On-Market Buy-Back are completed in full, his interest will increase to as much as 45.9%. The relevant interest that will be reached will depend upon the number of ThinkSmart shares ultimately bought back. As a consequence, Mr Montarello will have a significant influence over ThinkSmart.

#### *Off-market and on-market components of the Buy-Back Program*

In Section 6.4.2 of this report we provide analysis of the various elements of the Buy-Back Tender, particularly the differences for Shareholders of participating in either the Buy-Back Tender or the On-Market Buy-Back.

#### *Other Matters*

This independent expert's report has been prepared specifically for Shareholders. Neither EY, Ernst & Young, nor any employee thereof undertakes responsibility to any person, other than the Shareholders, in respect of this report, including any errors or omissions howsoever caused.

This report constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of Shareholders. The decision as to whether or not to approve the Buy-Back Tender is a matter for consideration by individual Shareholders. Shareholders should consider the advice in the context of their own circumstances and preferences. Shareholders who are in doubt as to the action they should take in relation to the Buy-Back Tender should consult their own financial adviser.

It should be noted that our report is to be provided to Shareholders to assist them to consider how they vote in relation to the resolution to approve the Buy-Back Tender. The report has not been prepared for, and does not contain any opinion or advice to Shareholders as to whether or not they should sell their ThinkSmart shares into the Buy-Back Tender. It is not possible or practicable for us to consider the impact of the Buy-Back Tender on individual Shareholders as their circumstances are not known to us and their decisions as to whether to participate in the Buy-Back Tender will be based on many factors including their own financial circumstances, risk profiles, liquidity circumstances, investment strategies and tax positions.

Our opinion is made as at the date of this letter and reflects circumstances and conditions as at that date. This letter must be read in conjunction with the full independent expert's report as attached.





EY has prepared a Financial Services Guide in accordance with the Act. The Financial Services Guide is included as Part 2 of this report.

Yours faithfully  
Ernst & Young Transaction Advisory Services Limited

A handwritten signature in black ink, reading 'Ken Pendergast'. The signature is fluid and cursive, with a prominent 'K' and 'P'.

Ken Pendergast  
Director and Representative

A handwritten signature in black ink, reading 'Brenda Moore'. The signature is stylized, with a large 'B' and 'M'.

Brenda Moore  
Representative

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### Part 2 – Financial Services Guide

# 1. Introduction

## 1.1 Background of the Buy-Back Tender

On 12 December 2013, ThinkSmart Limited ("ThinkSmart" or the "Company") announced that it had entered into an agreement with Flexigroup Limited ("Flexigroup") to sell its Australian and New Zealand operations for \$43 million. With the proceeds from the sale, ThinkSmart intended to distribute \$0.11 per share to shareholders via a fully franked special dividend and capital return<sup>1</sup> and to undertake an on-market share buyback of up to 10% of issued shares.

On 31 January 2014, ThinkSmart announced that it had completed the sale of its Australian and New Zealand operations and reiterated its intention to return some of the sale proceeds to its shareholders.

In February 2014, ThinkSmart paid a special dividend of \$0.036 per share, totalling \$5.8 million. In the same month, ThinkSmart commenced an on-market buy-back ("Original On-Market Buy-Back"), whereby it sought to buy-back up to 9.8% of its shares. The Original On-Market Buy-Back was completed on 1 October 2014, resulting in ThinkSmart purchasing 12,927,273 shares. This Company also cancelled approximately 3 million employee shares that were forfeited under ThinkSmart's long term incentive plan.

In April 2014 ThinkSmart announced that as a result of feedback from some shareholders, the Company had decided not to proceed with its planned capital return of \$0.074 per share but was continuing to seek the optimal manner in which to return capital to Shareholders.

On 24 October 2014, ThinkSmart announced its intention for a second on-market buy-back ("On-Market Buy-Back") under which it will look to buy-back up to a maximum of 14,688,056 shares, representing 10% of the current shares outstanding. Shareholder approval of the On-Market Buy-Back is being sought at the Company's annual general meeting ("AGM") on 26 November 2014.

In addition to the On-Market Buy-Back, ThinkSmart is proposing to buy-back shares by way of an off-market buy-back (the "Buy-Back Tender"). Under the Buy-Back Tender, Shareholders will be invited to tender for sale back to the Company any number of their shares at prices in the range of \$0.31 and \$0.42 per share. The maximum number of shares subject to the Buy-Back Tender is 64,516,129.

This report relates to the Buy-Back Tender only.

ThinkSmart is seeking the approval of its Shareholders for the Buy-Back Tender at an Extraordinary General Meeting of the Company to be held on or about 22 December 2014 (the "Meeting"). Our independent expert's report is to be included with the Notice of Extraordinary General Meeting and Explanatory Statement being sent to Shareholders in relation to the Meeting.

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<sup>1</sup> Subject to receiving a ruling from the Australian Taxation Office on the taxation treatment of the payment.

## 1.2 Terms of the Buy-Back Tender

Under the Buy-Back Tender, ThinkSmart has reserved the right to purchase any number of shares up to a maximum of 64,516,129, including the right not to buy-back any shares. In accordance with Australian Taxation Office requirements, the Company will not buy-back any shares at a greater than 14% to the volume weighted average price ("VWAP") of shares over the five trading days up to and including the closing date of the tender offer period. The Buy-Back Tender is expected to open on 23 December 2014 and close on 23 January 2015 (the "Buy-Back Period"). The actual timing of the Buy-Back Tender is subject to change at the discretion of the Company.

Under the Buy-Back Tender, Shareholders will be invited to tender any number of their shares at prices in the range of \$0.31 and \$0.42 per share (the "Tender Range"). On close of the Buy-Back Period, ThinkSmart will determine the lowest tender price within the tender price range (the "Buy-Back Price") that will enable the Company to buy-back the number of shares the Board of Directors so determines.

As an alternative to selecting a tender price within the Tender Range, Shareholders may offer some or all of their shares on a 'Final Price Tender' basis, being the Buy-Back Price that is determined by ThinkSmart. Under this option, Shareholders have the highest likelihood of having all of their purchased under the Buy-Back Tender.

Under the Buy-Back Tender, the same price will be paid for all shares bought back by the Company. If more shares are tendered at the Buy-Back Price than ThinkSmart wishes to buy-back, acceptances will be scaled back based on the formula below:

If the Buy-Back Price is above the lowest price in the Tender Range:

- ▶ tenders below the Buy-Back Price and Final Price Tenders will be accepted in full;
- ▶ tenders at the Buy-Back Price (excluding Final Price Tenders) will be treated as follows:
  - the Priority Allocation<sup>2</sup> will be bought back from each Shareholder (or the number of shares tendered at the Buy-Back Price if this is less than the Priority Allocation);
  - Small Residual Holdings<sup>3</sup> will be bought back; and
  - the remaining tenders will be scaled back on a pro-rata basis.

If the Buy-Back Price is at the lowest price in the Tender Range, all tenders at the Buy-Back Price (including Final Price Tenders) will be treated as follows:

- ▶ the Priority Allocation will be bought back from each shareholder (or the number of Shares tendered at the Buy-Back Price and/or as a Final Price Tender if this is less than the Priority Allocation);
- ▶ Small Residual Holdings will be bought back; and
- ▶ the remaining tenders will be scaled back on a pro-rata basis.

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<sup>2</sup> The 'Priority Allocation' will be \$2,000 worth of shares (the number of shares to be based on the market price of shares four weeks prior to the announcement of the Buy-Back Tender), or such less number of shares as is required to ensure that the Company is able to buy back only the number of shares it determines to buy back under the Buy-Back Tender.

<sup>3</sup> A "Small Residual Holding" will occur if a shareholder submits tenders in respect of 100% of their shares at or below the Buy-Back Price, and would otherwise be left with a shareholding of \$500 worth of shares (the number of shares to be based on the market price of shares four weeks prior to the announcement of the Buy-Back Tender), or fewer, as result of the scale-back.

Although ThinkSmart currently intends to buy-back up to a maximum of 64,516,129 shares under the Buy-Back Tender, the Company can reduce the number of shares or terminate the Buy-Back Tender, at any time. The 64,516,129 shares represent approximately 43.9% of ThinkSmart's total shares currently outstanding. This figure does not include any shares that may be acquired by way of the On-Market Buy-Back.

The Buy-Back Tender will be open to all eligible Shareholders, with participation optional.

As stated in the Explanatory Statement, Mr Ned Montarello, the Executive Chairman and largest shareholder of ThinkSmart, will not be participating in the Buy-Back Tender. As a result of the Buy-Back Tender, Mr Montarello may increase his shareholding in ThinkSmart from the current level of approximately 21.1% to as much as 37.7%. The increase in ownership percentages does not consider any of the shares that may be purchased by ThinkSmart by way of the On-Market Buy-Back. If both the Buy-Back Tender and the On-Market Buy-Back are fully implemented, Mr Montarello's ownership may increase to 45.9%. Ultimately, his ownership interest after the Buy-Back and On-Market Buy-Back will be dependent on the number of shares purchased by ThinkSmart. Mr Montarello will not vote on the resolution seeking approval for the Buy-Back Tender.

If approved by Shareholders, the Company may buy-back shares under the On-Market Buy-Back before and after the Buy-Back Period but the On-Market Buy-Back will be suspended during the period of the Buy-Back Tender.

## 2. Scope of this report

### 2.1 Purpose of this report

The Directors of ThinkSmart have requested EY to prepare an independent expert's report in relation to the Buy-Back Tender, the purpose of which is to assist Shareholders in their deliberation of whether or not to approve the Buy-Back Tender.

Although this report has been prepared specifically in relation to the Buy-Back Tender, in some sections it has been necessary to show the possible impact of both the Buy-Back Tender and the On-Market Buy-Back. In this regard, we have referred to the On-Market Buy-Back and the Buy-Back Tender, collectively as the "Buy-Back Program".

### 2.2 Requirement for the independent expert's report

This report has also been prepared to meet the following regulatory requirements:

#### 2.2.1 Corporations Act

Section 257C(1) of the Corporations Act, 2001 (the "Act") provides that the terms of a buy-back agreement must be approved before it is entered into by a resolution passed at a general meeting of the company where the company proposes to buy-back more than 10.0% of its issued capital in any 12 month period.

Section 257(2) requires the company to include with the notice of meeting a statement setting out all information known to the company that is material to the decision on how to vote on the resolution.

#### 2.2.2 Australian Securities & Investments Commission exemption

Section 257A of the Act authorises an Australian company to buy-back its own shares if the buy-back does not materially prejudice the company's ability to pay its creditors and it follows the procedures set out in Division 2 of Part 2J.1 of the Act. Division 2 of Part 2J.1 of the Act permits a company to conduct an equal access buy-back scheme if each of the following conditions set out in subsection 257B(2) is satisfied:

- ▶ The offers under the scheme relate only to ordinary shares.
- ▶ The offers are to be made to every person who holds ordinary shares to buy-back the same percentage of their ordinary shares.
- ▶ All of those persons have a reasonable opportunity to accept the offers made to them.
- ▶ Buy-back agreements are not entered into until a specified time for acceptances of offers has closed.
- ▶ The terms of all the offers are the same.

An equal access buy-back in excess of the 10.0% in 12 months limit also requires shareholder approval under section 257C of the Act by an ordinary resolution.

We understand from discussion with ThinkSmart management that the Buy-Back Tender does not technically comply with the requirements of an equal access buy-back scheme and, accordingly, is required to be treated as a selective buy-back for the purposes of the Act. However, prior to conducting the Buy-Back Tender, ThinkSmart has applied to the Australian Securities & Investments Commission ("ASIC") to grant an exemption under section 257D(4) of the Act to permit ThinkSmart:

- ▶ To conduct a Buy-Back Tender similarly to the conduct of an equal access scheme.
- ▶ To utilise a scale-back mechanism to be described in the notice of meeting.
- ▶ To invite all eligible ThinkSmart Shareholders to offer for sale any number of their securities in ThinkSmart rather than ThinkSmart offering to buy-back such securities.
- ▶ To seek approval by ordinary resolution of its Shareholders of the purchase of ThinkSmart shares under the Buy-Back Tender of up to a maximum of 64,516,129 ThinkSmart shares.

Accordingly, Shareholders would not be required to approve the Buy-Back Tender in accordance with section 257D of the Act (which requires approval of the terms of a selective buy-back by a special resolution on which no votes are cast by persons whose shares are proposed to be bought back or their associates).

### 2.2.3 ASIC

ASIC Regulatory Guide 110: *Share buy-backs* ("RG110") requires information to be disclosed to shareholders involved in or affected by share buy-backs. RG110.18 provides that if a company proposes to buy-back a significant percentage of shares or the holdings of a significant shareholder, it should consider providing:

- ▶ A report by its independent directors about whether shareholders should vote in favour of the buy-back, particularly regarding how much the company is paying for the shares.
- ▶ An independent expert's report with a valuation of the shares.

In addition, ASIC Regulatory Guide 111: *Content of Expert Reports* ("RG111") provides guidance regarding the preparation of independent expert's reports and what information should be provided to Shareholders. RG111 does not provide specific guidance in relation to buy-backs.

## 2.3 Basis of assessment

Consistent with RG110, the Directors of ThinkSmart have requested us to prepare an independent expert's report in relation to the Buy-Back Tender, the purpose of which is to provide:

- ▶ A valuation of ThinkSmart shares; and
- ▶ An analysis of the advantages and disadvantages of the Buy-Back Tender.

The appropriate basis of valuation for independent expert report purposes is 'fair value', which is generally defined as:

*"the price at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer both acting at arm's length".*

Our assessment of the fair value of a ThinkSmart share has been undertaken on a basis consistent with this definition.

This report has been prepared in accordance with APES 225: *Valuation Services (revised)* ("APES 225") issued by the Accounting Professional & Ethical Standards Board Limited in May 2012. In accordance with APES 225, we have performed a Valuation Engagement, which is defined as "*an engagement where the valuer is free to choose the valuation approaches, methods and procedures as appropriate to the circumstances. The estimate of value that results is a conclusion of value.*"

We provide our valuation of ThinkSmart shares in Section 5 of this report. In Section 6 we consider the advantages and disadvantages of the Buy-Back Tender.

## 2.4 ThinkSmart Shareholder decisions

This report constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of ThinkSmart Shareholders. The decision as to whether or not to approve the Buy-Back Tender is a matter for consideration by individual Shareholders. Shareholders should consider the advice in the context of their own circumstances and preferences. Shareholders who are in doubt as to the action they should take in relation to the Buy-Back Tender should consult their own financial adviser.

It should be noted that our report is to be provided to Shareholders to assist them to consider how they vote in relation to the resolution to approve the Buy-Back Tender. The report has not been prepared for, and does not contain any opinion or advice to ThinkSmart Shareholders as to whether or not they should sell their ThinkSmart shares into the Buy-Back Tender. It is not possible or practicable for us to consider the impact of the Buy-Back Tender on individual Shareholders as their circumstances are not known to us and their decisions as to whether to participate in the Buy-Back Tender will be based on many factors including their own financial circumstances, risk profiles, liquidity circumstances, investment strategies and tax positions.

We have prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is included as Part 2 to this report.

## 2.5 Independence

Prior to accepting this engagement, we considered our independence with respect to ThinkSmart with reference to ASIC Regulatory Guide 112: *Independence of experts*. In our opinion, we are independent of ThinkSmart.

EY, and global affiliations, have not provided any services to ThinkSmart in relation to the Buy-Back Tender.

## 2.6 Limitations and reliance on information

In the preparation of this independent expert's report, EY was provided with information in respect of ThinkSmart and obtained additional information from public sources, as set out in Appendix B.

Our opinion is based on economic, market and other external conditions prevailing at the date of this report. These conditions can change over relatively short periods of time and these changes can be material.

This independent expert's report is also based upon financial and other information provided by ThinkSmart in relation to the Buy-Back Tender. EY has considered and relied upon this information. ThinkSmart has represented to EY that to its knowledge the information provided is correct and that there are no material facts which have been omitted.



The information provided to EY has been evaluated through analysis, enquiry and review for the purposes of assisting Shareholders in their deliberation of whether or not to approve the Buy-Back Tender. However, EY does not warrant that its enquiries have identified all of the matters that an audit, an extensive examination or 'due diligence' and/or tax investigation might disclose.

Preparation of this report does not imply that we have, in any way, audited the accounts or records of ThinkSmart. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and Australian equivalents to International Financial Reporting Standards as applicable.

In forming our opinion we have 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 information set out in the Notice of Extraordinary General Meeting to be sent by ThinkSmart to its Shareholders is complete, accurate and fairly presented in all material respects;
- ▶ the publicly available information relied upon by EY in its analysis was accurate and not misleading; and
- ▶ the Buy-Back Tender will be implemented in accordance with its terms.

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, we assume no responsibility and offer no legal opinion or interpretation on any issue.

The statements and opinions given in this independent expert's report are given in good faith and in the belief that such statements and opinions are not false or misleading. This report should be read in the context of the full qualifications, limitations and consents set out in Appendix A of this independent expert's report.

We provided draft copies of this report to the Directors and management of ThinkSmart for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of us alone. Amendments made as a result of the review by the Directors and management of ThinkSmart have not changed the methodology or conclusions reached by EY.

## 3. Overview of ThinkSmart

### 3.1 Company background

#### 3.1.1 Overview

ThinkSmart is an Australian Securities Exchange ("ASX") listed provider of point of sale financing in the United Kingdom, primarily for IT related products, through its proprietary credit approval software. Founded in 1996, ThinkSmart initially operated solely in Australia with the introduction of the RentSmart service offering, a point of sale financing product. Through an initial public offering in June 2007, ThinkSmart listed on the ASX, with operations at that time in Australia, the United Kingdom ("UK"), New Zealand, France and Italy. As a result of the global financial crisis in 2008, the Company scaled back its operations to include those only in Australia, New Zealand and the UK.

At the end of 2013, ThinkSmart decided to focus on building its UK business, resulting in the sale of its Australian and New Zealand operations in January 2014 for \$43 million to Flexigroup. Following the sale, ThinkSmart paid a fully franked special dividend of \$0.036 per share and commenced the Original On-Market Buy-Back of up to 10% of issued shares. This was completed on 1 October 2014, at which time, the company had acquired and cancelled 15,926,532 shares. This amount includes approximately 3 million employee shares that were forfeited under ThinkSmart's long term incentive plan.

In the UK, ThinkSmart has an exclusive distribution agreement with Dixons Retail Plc ("Dixons"), through which the Company provides business and consumer lease finance to Dixons' customers. This relationship has been ongoing since 2003, with the current agreement in place until mid-2017. Dixons is the UK's largest electronic retailer, with store brands that include Currys and PC World. The vast majority of ThinkSmart's UK rental business volumes originate from stores owned by Dixons.

To further diversify its revenue base in the UK, ThinkSmart is trialling a new product with Kingfisher plc ("Kingfisher"), a UK retailer. The Company believes this may open up a partnership opportunity with significant potential for growth.

ThinkSmart generates revenue from multiple sources over the life of its customers' contracts, including an upfront brokerage fee at the commencement of a contract, annual insurance commission and inertia income at the end of term.

ThinkSmart currently has three key brands: ThinkSmart Business Leasing, Upgrade Anytime and Smartplan Business Leasing. A fourth product, Install and Protect, is still being trialled through the agreement with Kingfisher.

ThinkSmart launched ThinkSmart Business Leasing in February 2012 outside its distribution agreement with Dixons. The product was aimed at diversifying ThinkSmart's presence in the UK and capitalising on the large underserved UK small business sector. The service involves a finance lease product over lease periods between two and five years on equipment across a range of categories such as vending, catering, garage equipment and professional photography and related equipment as well as secure payment technologies. It is available for purchases up to £3,000 for start-ups and up to £15,000 for established businesses.

In May 2014, ThinkSmart launched its Upgrade Anytime consumer product which allows customers to upgrade products over the term of their lease term. Currently the products covered by these agreements are focussed on computers, tablets and large screen TVs and are transacted through the distribution agreement with Dixons.

SmartPlan Business Leasing is a business to business specific offering which is provided directly through ThinkSmart. The Company's Install and Protect product, which is aimed at landlords, consists of a financing plan for water heating equipment and is being provided through Kingfisher.

On 20 October 2014, ThinkSmart announced the formal appointment of Mr Fernando de Vicente, currently a non-executive director, to the position of full-time Chief Executive Officer. Commencing his executive role in early 2015, Mr de Vicente will be based in London and will assume the role of CEO from Mr Keith Jones, who is concluding his transitional period as CEO following the sale of the Australian and New Zealand operations.

### 3.1.2 Outlook

With the sale of its Australian and New Zealand operations, the Company's future performance is dependent on the growth of its business in the UK market. Opportunity for growth is expected through the expansion of both its distribution networks and product offerings.

At present, ThinkSmart's operating model involves earning income by originating leasing contracts with third parties on behalf of the lessor, Secure Trust Bank, who pays ThinkSmart a commission for arranging and managing the leases. ThinkSmart is considering establishing its own funding whereby it would act directly as lessor and recognise income across the term of the lease rather than as up-front commission.

Opportunities for ThinkSmart are considered to include:

- ▶ With the Company focussing solely on the UK business, the Company's full resources can be used in a concentrated effort to grow the business.
- ▶ While ThinkSmart's current business is highly dependent on its ongoing relationship with Dixons, through Dixons' recent merger with Carphone Warehouse, there is potential for an expansion to ThinkSmart's distribution network.
- ▶ ThinkSmart has a relatively low cost business model with minimal capital requirements. As a result, ThinkSmart does not require a significant capital outlay in order to pursue new opportunities.
- ▶ The recent introduction of the 'Upgrade Anytime' product offering now includes TVs, which has had a positive impact on earnings since its release.
- ▶ The distribution channel established with Kingfisher, while at an early stage, is expected to provide ThinkSmart with a greater diversification of its revenues.
- ▶ The UK economy has experienced an increased recovery year to date, fuelled by an increase in investment and confidence, with investment growth accounting for nearly half the rise of the GDP in the second quarter of 2014. Real GDP is forecast to grow by 2.4% in 2015. Unemployment rates are at their lowest since the 2008 financial crisis, at a rate of approximately six percent. Domestic household consumption has increase for the first part of 2014, however, inflation remains low, driven predominantly by falling real wages. Nonetheless, the UK is projected to perform strongly in the future, with the International Monetary Fund forecasting Britain to become the fastest growing major economy in the developed world for 2014.

Conversely, risks for ThinkSmart's business are considered to include:

- ▶ With the recent merger of Dixons and Carphone Warehouse, the existing agreement with Dixon's may come under review. While the relationship with Dixons has been profitable, the Company is highly reliant on this relationship continuing into the long-term and will need to further increase its distribution network to expand its operations.
- ▶ ThinkSmart's earnings are currently generated in British Pounds and reported in Australian dollars. Accordingly, the Company's reported performance and financial position is impacted by the AUD/GBP exchange rate. As ThinkSmart's revenues and costs are predominantly in British Pounds, the actual exchange rate risk to the underlying cash flows of the business is minimal.
- ▶ The decreasing cost of technology may lower the need for product finance over time.

## 3.2 Financial information

### 3.2.1 ThinkSmart's financial performance

Included below is a summary of ThinkSmart's financial performance of its continuing operations which includes both its UK and corporate operations. The amounts for all periods have been sourced from ThinkSmart's audited financial accounts and are stated in Australian dollars.

During 2014, ThinkSmart changed its financial year from a 31 December year end to a 30 June year end. In accordance with ThinkSmart's 2014 annual report, we have considered the Company's financial performance for the six months ended 30 June 2014 ("HY14") and the years ended 31 December 2013 ("FY13") and 31 December 2012 ("FY12").

Statement of financial performance from continuing operations			
000's	FY12	FY13	HY14
Revenue			
- Commission income	9,194	5,677	2,155
- Other inertia income	2,438	4,060	2,519
- Extended rental income	2,918	3,845	2,707
- Surplus unguaranteed residual income	1,820	2,381	2,025
- Interest revenue - other entities	321	410	560
- Fee revenue - customers	308	364	195
- Services revenue - insurance	1,983	2,085	1,220
- Other revenue	61	111	80
Total revenue from continuing operations	19,043	18,933	11,461
Employee benefits expense	(7,046)	(6,758)	(3,244)
Occupancy costs	(407)	(390)	(233)
Professional services	(1,787)	(1,434)	(656)
Finance charges	(129)	(184)	(119)
Other costs	(1,396)	(1,157)	(708)
Operating expenses	(10,765)	(9,923)	(4,960)
Indirect customer acquisition costs	(4,992)	(4,943)	(3,805)
Depreciation and amortisation	(450)	(463)	(275)
Interest expense	(240)	-	-
Impairment losses	(182)	(255)	(155)
Profit before income tax from continuing operations	2,414	3,349	2,266
Income tax expense	(569)	(752)	(716)
Profit from continuing operations	1,845	2,597	1,550

Source: ThinkSmart audited financial statements

In relation to ThinkSmart's financial performance we note:

- ▶ The Company's continuing operations have shown growth in HY14, with annualised HY14 revenue growing by 21% over FY13 and profit after-tax increasing by the same amount.
- ▶ Profit for the year from continuing operations was \$752k (41%) higher in FY13 despite total revenue remaining relatively constant at approximately \$19.0 million. The revenue and profitability of ThinkSmart's continuing operations are impacted by movements in the AUD/GBP exchange rate. The higher profit from continuing operations in FY13 was driven in part by a 6% depreciation of the Australian dollar against the British Pound during the period (from an average rate of AUD/GBP 0.6540 in FY12 to AUD/GBP 0.6150 in FY13).
- ▶ On a constant currency basis, ThinkSmart's UK operations reported an 8% decline in new business volumes in FY13 due to a higher than average demand leading up the London Olympic Games in FY12. Furthermore, in 2103 the business reported declining sales volumes of the 'Infinity' consumer product and a change in IT product sales mix towards lower price point tablets which resulted in reduced demand for the SmartPlan Business Leasing product.
- ▶ Operating expenses in FY13 were \$842k (7.8%) lower due to increased efficiencies as well as the implementation of a cost reduction program at corporate/head-office.
- ▶ In HY14, ThinkSmart's profit from continuing operations was \$201k (15%) higher than the comparable period. New business originations were 9% lower than the prior period (\$14.7 million in HY14 compared to \$16.1 million in the six months ended 30 June 2013 ("HY13")) primarily due to lower sales volumes of the 'Infinity' product which has since been replaced by the new consumer product 'Upgrade Anytime'.
- ▶ ThinkSmart's profit result in HY14 was also impacted by a 17% depreciation of the Australian dollar against the British Pound during the period (from an average rate of AUD/GBP 0.6572 in HY13 to AUD/GBP 0.5477 in HY14). Operating expenses in HY14 remained stable at approximately \$5.0 million with operating expenditure as a percentage of revenue declining from 53% in HY13 to 43% in HY14.
- ▶ In HY15, ThinkSmart Management intends to realign the SmartPlan Business Leasing product to be more reflective of the current retail environment. Whilst ThinkSmart's distribution relationship with Dixons has been extended until 2017, going forward, ThinkSmart intends to build additional partnerships with retailers which do not directly compete with Dixons.

### 3.2.2 ThinkSmart's financial position

Included below is a summary of ThinkSmart's financial position as at 31 December 2013 and as at 30 June 2014 ("Dec13" and "Jun14"). All amounts have been sourced from ThinkSmart's audited financial statements.

Statement of financial position		
\$000s	Dec13	Jun14
<b>Current Assets</b>		
Cash and cash equivalents	7,569	39,070
Trade receivables	1,154	1,092
Other current assets	3,802	5,088
Assets held for sale	66,617	-
	<u>79,142</u>	<u>45,250</u>
<b>Non-Current Assets</b>		
Plant and equipment	155	236
Intangible assets	12,318	12,000
Goodwill	4,295	4,216
Deferred tax assets	4,810	342
Other non current assets	6,684	5,458
	<u>28,262</u>	<u>22,252</u>
<b>Total Assets</b>	<u>107,404</u>	<u>67,502</u>
<b>Current Liabilities</b>		
Trade and other payables	2,264	3,247
Deferred service income	3,843	3,354
Tax payable	4,520	100
Provisions	360	233
Liabilities held for sale	41,108	-
<b>Total Current Liabilities</b>	<u>52,095</u>	<u>6,934</u>
<b>Non-Current Liabilities</b>		
Deferred service income	1,690	1,621
	<u>1,690</u>	<u>1,621</u>
<b>Total Liabilities</b>	<u>53,785</u>	<u>8,555</u>
<b>Net Assets</b>	<u>53,619</u>	<u>58,947</u>
<b>Equity</b>		
Issued capital	48,091	48,096
Reserves	188	(146)
Accumulated profits	5,340	10,997
<b>Total Equity</b>	<u>53,619</u>	<u>58,947</u>

Source: ThinkSmart audited financial statements

In relation to ThinkSmart's financial position we note:

- ▶ Cash and cash equivalents at Jun14 of \$39.1 million includes \$26.4 million which was received from the disposal of ThinkSmart's Australian and New Zealand operations to FlexiGroup. Approximately \$0.5 million of the cash is currently restricted. As a result of the Original On-Market Buy-Back, the Company's cash balance as at 31 October 2014 has decreased to approximately \$36.4 million.
- ▶ Assets and liabilities held for sale at Dec13 relate to the assets and liabilities of ThinkSmart's Australian and New Zealand operations and are shown as nil at Jun14 following their disposal in January 2014. The net assets disposed of in FY14 were primarily comprised of loan and lease receivables (\$47.4 million) and interest-bearing liabilities (\$37.1 million).
- ▶ The intangible asset balance at Dec13 and Jun14 primarily relates to inertia contracts (\$11.1 million at Jun14) which are initially measured at fair value and subsequently measured at cost. Goodwill arose on the acquisition of RentSmart Limited in 2006.
- ▶ Other current assets at Jun14 were comprised of prepayments (\$2.8 million), inventories (\$1.2 million) and sundry debtors (\$1.1 million). Other non-current assets at Jun14 were comprised of deposits held by funders for the servicing and management of their portfolios in the event of a default (\$3.8 million) and insurance prepayments (\$1.7 million).
- ▶ Current provisions largely relate to provisions for annual leave and long-service leave.
- ▶ ThinkSmart has no borrowings on the basis that that lease funding is provided directly to the consumer via a GBP 60 million financing arrangement with Secure Trust Bank. At their AGM presentation in May 2014, ThinkSmart announced that it intends to change its current funding structure from the current brokerage model to lease accounting.
- ▶ Accumulated profits are net of fully-franked special dividends (\$5.8 million cash) paid to Shareholders in February 2014.

### 3.3 Capital structure and major shareholders

At the date of the announcement ThinkSmart had the following securities on issue:

- ▶ 146,880,565 fully paid ordinary shares; and
- ▶ 2,700,000 options with exercise prices of \$0.1923 to \$0.4195 and expiry dates in 2017 to 2019.

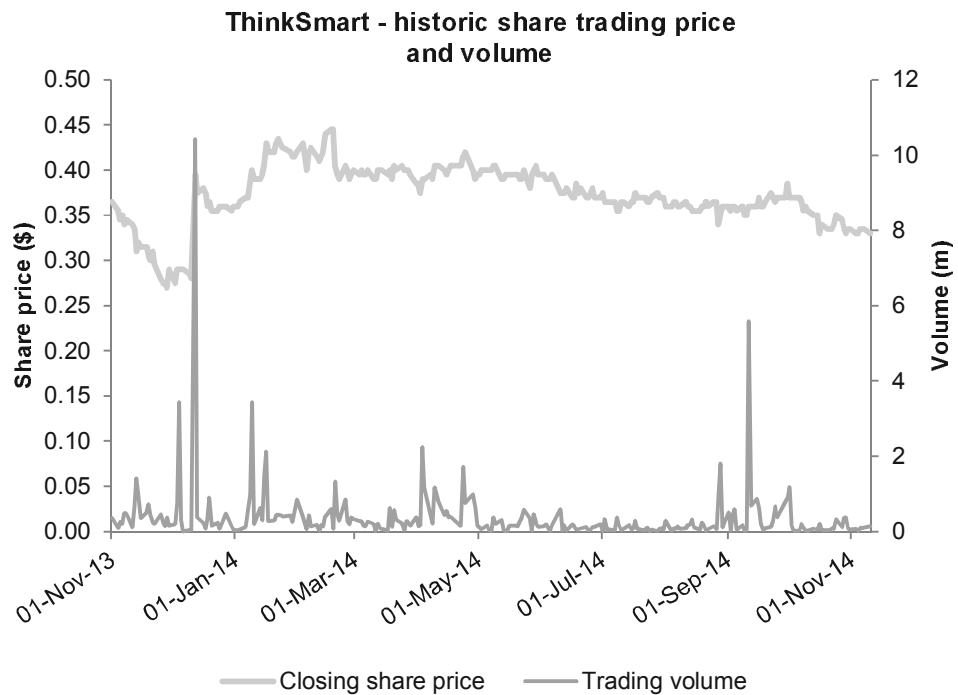
The only substantial ThinkSmart Shareholders as at 30 September 2014 were Mr Montarello (beneficial interest of 21.1%) and Intelligent Investor Funds Pty Ltd (beneficial interest of 6.1%). At that date, ThinkSmart's top 10 Shareholders held approximately 48% of the shares on issue, with the Company having approximately 2,600 Shareholders.

Mr Montarello holds 2.5 million shares as provided by the Company's long term incentive plan. These shares will vest subject to certain performance conditions being met based on the Company's share trading price over specified periods. These shares are included in his beneficial interest holding of 21.1%.



### 3.4 Share price performance

The chart below shows the daily share price and trading volumes for ThinkSmart shares between 1 November 2013 and 10 November 2014. The trading price is based on the daily closing price.



Source: S&P Capital IQ

The following table summarises the monthly trading prices of ThinkSmart's shares on the ASX over the period 1 November 2013 and 10 November 2014.

Period	High	Low	Close	VWAP	Monthly Volume	Liquidity (note 1)	Liquidity (note 2)
	A\$	A\$	A\$	A\$	millions	%	%
November 2013	0.39	0.26	0.29	0.30	8.9	5.5%	6.7%
December 2013	0.42	0.28	0.36	0.36	18.2	11.2%	13.7%
January 2014	0.44	0.36	0.42	0.41	14.3	8.8%	10.8%
February 2014	0.45	0.37	0.40	0.41	6.9	4.3%	5.2%
March 2014	0.41	0.39	0.39	0.40	4.7	2.9%	3.5%
April 2014	0.42	0.32	0.40	0.40	13.5	8.3%	10.2%
May 2014	0.41	0.38	0.40	0.40	4.2	2.6%	3.2%
June 2014	0.40	0.37	0.37	0.38	2.6	1.6%	2.0%
July 2014	0.38	0.34	0.37	0.37	2.3	1.4%	1.8%
August 2014	0.37	0.33	0.36	0.35	5.2	3.3%	4.0%
September 2014	0.39	0.35	0.39	0.37	13.5	8.9%	11.0%
October 2014	0.38	0.33	0.34	0.36	3.7	2.5%	3.2%
To 10 November 2014	0.34	0.33	0.33	0.33	0.5	0.4%	0.4%

Source: S&P Capital IQ

Note 1 – The calculation of liquidity includes all outstanding shares

Note 2 – The calculation of liquidity does not include the shares held by Mr Montarello

The table shows that over the period considered, after ThinkSmart's share price reached a low of \$0.26 in November 2013, it increased to over \$0.40 after the announcement of the sale of the Australian and New Zealand operations in December 2013. In the months following the announcement of the sale to 30 June 2014, the Company's share price ranged from \$0.32 to \$0.45. Since then, ThinkSmart's share price has trended downward from around \$0.40 to as low as \$0.33, closing at the end of October 2014 with a monthly VWAP of \$0.36. ThinkSmart's shares traded at a price of \$0.33 on 10 November 2014.

The monthly liquidity of ThinkSmart shares, excluding the shares held by Mr Montarello, over the period ranged from 1.8% in July 2014 to 13.7% in December 2013. Since the beginning of September 2014, 15% of ThinkSmart's shares, excluding those held by Mr Montarello, have been traded.

### 3.4.1 Significant ASX announcements

In addition to the regular quarterly, interim and annual reporting announcements, the material announcements made by ThinkSmart from 1 November 2013 to 24 October 2014 that may have had an impact on ThinkSmart's share price are summarised below:

- ▶ 12 November 2013: ThinkSmart released an announcement regarding the appointment of Keith Jones as Chief Executive Officer of the Company effective February 2014 with current Chief Executive Officer and Executive Chairman Ned Montarello remaining as Executive Chairman. The Company also confirmed their 2013 profit guidance and indicated the expectation to reinstate dividends in 2014;
- ▶ 12 December 2013: ThinkSmart released an announcement that it reached an agreement with FlexiGroup to sell its operations in Australia and New Zealand for \$43 million;
- ▶ 9 January 2014: ThinkSmart released an announcement stating that Intelligent Investor Funds Pty Ltd became a substantial holder in the Company, with an interest of 5.54%;

- ▶ 31 January 2014: ThinkSmart announces the completion of the sale of the Company's Australian and New Zealand operations to FlexiGroup for \$43 million;
- ▶ 20 February 2014: ThinkSmart announces the commencement of the Original On-Market Buy-Back;
- ▶ 3 April 2014: ThinkSmart announced that following feedback from some shareholders it had decided not to proceed with the return of \$0.74 per share. The Company continued to consider its strategic options in respect of the return of capital, including the optimal manner by which to return capital to Shareholders;
- ▶ 1 October 2014: ThinkSmart confirmed the conclusion of the Original On-Market Buy-Back for a total consideration of \$4.7 million;
- ▶ 20 October 2014: ThinkSmart released an announcement regarding the formal appointment of current non-executive director Mr Fernando de Vincente to the position of Chief Executive Officer. ThinkSmart also announced a number of other changes to the Board intended to reflect the movement in the operational focus of the Company; and
- ▶ 24 October 2014: ThinkSmart announced the On-Market Buy-Back under which it is seeking to buy-back up to a maximum of 14,688,056 ordinary fully paid shares.

## 4. Valuation methodology and approach

### 4.1 Definition of fair value

We have assessed the value of a ThinkSmart share on a 'fair value' basis, with fair value generally being defined as:

*"the price at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer both acting at arm's length".*

### 4.2 Valuation approach

For the purpose of this report, we have adopted the market approach as our primary methodology to assess the fair value of a ThinkSmart share by considering the prices at which the Company's shares have traded on the ASX. We have outlined a number of commonly used valuation methodologies in Appendix D.

In selecting this methodology as our primary valuation methodology we have considered the following key points:

- ▶ Since the sale of the Australian and New Zealand Operations was announced on 12 December 2013, ThinkSmart's share price has remained relatively consistent, trading in the range of \$0.32 to \$0.45, with a VWAP of approximately \$0.39 per share for the period between then and 10 November 2014. Since 12 December 2013, ThinkSmart's shares have traded in the range of \$0.33 to \$0.40 on 168 of the 230 trading days, constituting 73% of the time. The Company's shares have not traded above \$0.40 since early June 2014.
- ▶ ThinkSmart recently completed the Original On-Market Buy-Back, which was fully taken up over the six month period of February to September 2014, reflecting Shareholders' acceptance of the trading price being reflective of the value of those shares.
- ▶ With the sale of the Australian and New Zealand Operations, historic results may not be indicative of future performance. Due to the change in business strategy to include some direct financing and the risks associated with the ongoing UK business, we believe an income approach would not provide the most meaningful valuation of a ThinkSmart share.
- ▶ At 31 October 2014, the Company had approximately \$36.4 million of cash on hand and a market capitalisation of approximately \$50 million. Assessing a value of the surplus cash is highly subjective and may not be indicative of the fair value of the cash in conjunction with the underlying value of ThinkSmart's business.

In assessing the value of a ThinkSmart share, we have considered the following:

- ▶ the depth of the market for those securities; and
- ▶ the volatility of the market price.

## 5. Valuation Assessment

### 5.1 Valuation

In applying the market approach to assess the fair value of a ThinkSmart share, we have:

- ▶ Considered the trading price history of ThinkSmart's shares since the announcement of the sale of its Australian and New Zealand operations;
- ▶ Assessed the liquidity of the shares over the same time period; and
- ▶ Considered whether a premium for control should be applied.

### 5.2 Trading price history of a ThinkSmart share

A summary of the trading prices of ThinkSmart's shares on the ASX for the period 1 November 2013 to 10 November 2014 is detailed in Section 3.4. The last trading price of the Company's shares on 10 November 2014 was \$0.33.

Since the announcement of the sale of the Australian and New Zealand Operations on 12 December 2013, ThinkSmart's share price has remained relatively consistent in the range of \$0.32 to \$0.45, trading at a VWAP of \$0.39 per share. The shares traded at a low of \$0.32 on 3 April 2014 when 2.2 million shares were bought and sold. The closing price the day before was \$0.38 and the closing price on the day was \$0.39. Shares have traded at a low of less than \$0.33 on only two occasions since April 2014, being on 16 and 29 October 2014. The highest price at which the Company's shares traded since 12 December 2013 was \$0.45 on 17 and 18 February 2014.

Included in the table below is a summary of ThinkSmart's trading VWAP for different periods leading up to and including 10 November 2014. The VWAPs have been calculated using the number of trading days.

ThinkSmart's Historic VWAP

Period	Price \$
Close - 10 November 2014	0.33
1 Day VWAP	0.33
5 Day VWAP	0.33
20 Day VWAP	0.34
30 Day VWAP	0.36
2 month VWAP	0.36
6 month VWAP	0.37
Since 12 December 2013	0.39

Source: EY analysis

As illustrated in the table above, the trading price of ThinkSmart's share has been consistent over the past several months.

### 5.3 Liquidity of a ThinkSmart share

A summary of the liquidity of ThinkSmart's shares on the ASX for the period 1 November 2013 to 10 November 2014 is detailed in Section 3.4. Since the announcement of the sale of the Australian and New Zealand operations, ThinkSmart's monthly liquidity, excluding those shares held by Mr Montarello, has ranged from 13.7% in December 2013 to a low of 1.8% in July 2014. Since 1 September 2014, approximately 15% of Thinksmart's shares have traded on the ASX.

Supporting the use of the market approach to assess the fair value of a ThinkSmart share is the On-Market Buy-Back, which, from February to September 2014, resulted in the full take up by Shareholders at an average price of \$0.36 per share.

### 5.4 Premium for control

Shareholders who will have the opportunity to approve and participate in the Buy-Back Tender have a non-controlling interest in ThinkSmart. It is of note that market prices of companies listed on a stock exchange usually reflect the prices paid for small parcels of shares representing minority interests (i.e. a non-controlling interest) and as such do not include a control premium relevant to a significant parcel of shares. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company. To be consistent with the minority interest shareholding of the Shareholders, we have not applied a premium for control in our assessment of the fair value of a ThinkSmart share.

### 5.5 Valuation

Based on the consideration of the matters noted above, our fair value range assessed for a ThinkSmart share is summarised below:

ThinkSmart - Value per share on a non-controlling basis		
	Low	High
Fair value of a ThinkSmart share	\$0.33	\$0.39

Source: EY analysis

Accordingly, we have assessed the fair value of a ThinkSmart share on a non-controlling basis, for the purposes of this report, to be in the range between \$0.33 and \$0.39.

## 6. Evaluation of the Buy-Back Tender

### 6.1 Overview of the Buy-Back Tender

ThinkSmart is seeking the approval of Shareholders to undertake the Buy-Back Tender which, if approved and implemented, could result in the Company paying up to \$27.1 million of cash to acquire and then cancel up to 64,516,129 shares.

The Buy-Back Tender is in addition to the On-Market Buy-Back, which is subject to a Shareholder vote at the AGM on 26 November 2014. If the On-Market Buy-Back is approved, ThinkSmart may purchase up to 14,688,056 ordinary fully paid shares, representing 10% of the ordinary shares currently outstanding. The amount of shares to be acquired through the Buy-Back Tender is exclusive of those shares that may be acquired under the On-Market Buy-Back.

As stated in the Explanatory Statement for the Meeting, ThinkSmart's Directors believe that the Buy-Back Tender will enable the Company to return more capital to Shareholders in a more efficient manner.

If Shareholders approve the Buy-Back Tender and the On-Market Buy-Back, they will then need to decide whether to participate in either or both, or to continue to hold their shares. If they elect to sell their ThinkSmart shares they will receive the relevant consideration and cease to own those shares. The remainder of this section focuses on the impact of the Buy-Back Tender on ThinkSmart and the Shareholders that remain after the completion of the Buy-Back Program.

If Shareholders do not approve the Buy-Back Tender, but approve the On-Market Buy-Back, they would be able to sell their ThinkSmart shares on the ASX, including into the On-Market Buy-Back. Without the Buy-Back Tender, ThinkSmart would be limited to acquiring only the number of shares that it is permitted to acquire under the On-Market Buy-Back (i.e. up to 14,688,056).

The amount of cash expended on the Buy-Back Program will depend on the number of ThinkSmart shares ultimately acquired and the prices under the Buy-Back Tender and the On-Market Buy-Back. As at 10 November 2014, ThinkSmart had 146,880,565 shares outstanding.

Our assessment in this section shows that the possible outcomes of the Buy-Back Program is dependent upon the number of shares bought back and the average price paid for those shares. We understand that if the Buy-Back Tender is approved, ThinkSmart Directors will decide on the final Buy-Back Price after all tenders have been received. As announced by ThinkSmart, the Buy-Back Price will be within the Tender Range of \$0.31 and \$0.42 per share. For illustrative purposes only, we have assumed that the average price to be paid for the On-Market Buy-Back will be equal to the Buy-Back Price.

### 6.1.1 Total ThinkSmart shares that could be acquired under the Buy-Back Tender

The following table presents various scenarios of the maximum number of ThinkSmart shares that may be acquired under the Buy-Back Tender and the various amounts that would be expended by ThinkSmart up to the maximum amount of approximately \$27.10 million. The far-right hand column illustrates the total cash to be incurred under each of the possible Buy-Back Prices.

Total ThinkSmart shares (millions) that could be acquired under the Buy-Back Tender

Buy-Back Price	Total cash expended on the Buy-Back Tender (m)						Max. cash expended (\$m)
	\$5m	\$10m	\$15m	\$20m	Up to \$25m*	Up to \$27.1m*	
0.31	16.129	32.258	48.387	64.516			20.00
0.32	15.625	31.250	46.875	62.500	64.516		20.65
0.33	15.152	30.303	45.455	60.606	64.516		21.29
0.34	14.706	29.412	44.118	58.824	64.516		21.94
0.35	14.286	28.571	42.857	57.143	64.516		22.58
0.36	13.889	27.778	41.667	55.556	64.516		23.23
0.37	13.514	27.027	40.541	54.054	64.516		23.87
0.38	13.158	26.316	39.474	52.632	64.516		24.52
0.39	12.821	25.641	38.462	51.282	64.103	64.516	25.16
0.40	12.500	25.000	37.500	50.000	62.500	64.516	25.81
0.41	12.195	24.390	36.585	48.780	60.976	64.516	26.45
0.42	11.905	23.810	35.714	47.619	59.524	64.516	27.10

Source: EY analysis

\*The maximum amount ThinkSmart will spend on the Buy-Back Tender is \$27.10 million based on the maximum number of shares to be purchased of 64.516 million multiplied by a Buy-Back Price of \$0.42.

By way of an illustration from the table above, if the ThinkSmart shares to be acquired under the Buy-Back Tender were acquired at a Buy-Back Price of \$0.33 per share and ThinkSmart paid a total of \$20.0 million, the number of ThinkSmart shares acquired would be 60.606 million.

The analysis included in the table assumes:

- ▶ The maximum number of shares that can be purchased in the Buy-Back Tender is 64,516,129 shares.
- ▶ The minimum and maximum Buy-Back Price is \$0.31 and \$0.42, respectively, per ThinkSmart share.
- ▶ The maximum amount that ThinkSmart will incur under the Buy-Back Tender is capped at the high end of the Tender Range of \$0.42, multiplied by the total number of shares to be bought back of 64,516,129. As such, the cash expended for the Buy-Back Tender will not exceed \$27.10 million.



### 6.1.2 Total ThinkSmart shares that could be acquired under the Buy-Back Program

The following table presents various scenarios of the maximum number of ThinkSmart shares that may be acquired and then cancelled assuming both the Buy-Back Tender and the On-Market Buy-Back proceed. The table below assumes various amounts are expended under the Buy-Back Tender up to the maximum of 64.516 million shares being purchased and 14.688 million shares purchased under the On-Market Buy-Back. The far-right hand column illustrates the maximum cost of the Buy-Back Program under the various illustrative Buy-Back Prices.

Total ThinkSmart shares (millions) that could be acquired under the Buy-Back Tender and the On-Market Buy-Back (i.e. the Buy-Back Program)

Average price for the Buy-Back Tender and the On-Market Buy-Back	Total cash expended on the Buy-Back Program (m)							Max. cash expended (\$m)
	\$5m	\$10m	\$15m	\$20m	\$25m	Up to \$30m	Up to \$33.3m	
0.31	16.129	32.258	48.387	64.516	79.204			24.55
0.32	15.625	31.250	46.875	62.500	78.125	79.204		25.35
0.33	15.152	30.303	45.455	60.606	75.758	79.204		26.14
0.34	14.706	29.412	44.118	58.824	73.529	79.204		26.93
0.35	14.286	28.571	42.857	57.143	71.429	79.204		27.72
0.36	13.889	27.778	41.667	55.556	69.444	79.204		28.51
0.37	13.514	27.027	40.541	54.054	67.568	79.204		29.31
0.38	13.158	26.316	39.474	52.632	65.789	78.947	79.204	30.10
0.39	12.821	25.641	38.462	51.282	64.103	76.923	79.204	30.89
0.40	12.500	25.000	37.500	50.000	62.500	75.000	79.204	31.68
0.41	12.195	24.390	36.585	48.780	60.976	73.171	79.204	32.47
0.42	11.905	23.810	35.714	47.619	59.524	71.429	79.204	33.27

Source: EY analysis

\*The maximum number of shares ThinkSmart will be able to acquire through the Buy-Back Program is 64.516 million for the Buy-Back Tender and 14.688 million shares under the On-Market Buy-Back for a total of 79.204 million shares. As a result, the maximum cash to be spent based on the range of prices above is \$33.27 million, which will occur if all shares are purchased at a price of \$0.42 per share.

By way of an illustration from the table above, if the ThinkSmart shares to be acquired under the Buy-Back Program were acquired at an average price of \$0.33 per share and ThinkSmart paid a total of \$25 million, the number of ThinkSmart shares acquired would be 75.758 million.

The above analysis assumes:

- ▶ The average price paid by ThinkSmart for the On-Market Buy-Back is equal to the Buy-Back Price for the Buy-Back Tender.
- ▶ The maximum number of shares that can be purchased in the Buy-Back Program is 79.204 million, calculated as 64.516 million shares plus 14.688 million shares, being the maximum number of shares allowed to be repurchased through the On-Market Buy-Back.
- ▶ The minimum and maximum Buy-Back Prices are \$0.31 and \$0.42, respectively, per ThinkSmart share.
- ▶ The maximum amount that ThinkSmart will incur under the Buy-Back Program is capped at the high end of the Tender Range of \$0.42, multiplied by the total number of shares to be bought back of 79.204 million. As such, the cash expended for the Buy-Back Program will not exceed \$33.27 million.

In the remainder of this section we consider advantages and disadvantages of the Buy-Back Tender and other factors which we bring to the attention of ThinkSmart Shareholders.

## 6.2 Potential Advantages of the Buy-Back Tender

### 6.2.1 Shareholders may receive a premium on the fair value and recent trading prices of their shares

In Section 5 of the report, we assessed the fair value of a ThinkSmart share in the range of \$0.33 to \$0.39 per share. If ThinkSmart acquires shares at prices above that range, the Company will be paying a premium to the current fair value of the shares as well as a premium to the recent trading prices of ThinkSmart's shares. Any premium would be a benefit to those Shareholders who participate in the Buy-Back Tender and may incentivise Shareholders to tender their shares.

### 6.2.2 The Buy-Back Tender may increase earnings per share

If the Buy-Back Tender proceeds and the number of shares on issue decrease, all things being equal, the Company's earnings per share will increase. An increase in earnings per share may have a positive impact on the value of a ThinkSmart Share.

### 6.2.3 Potential for the share price to increase

Depending on the demand of the Company's shares on the ASX, having less shares on issue after the Buy-Back Tender may result in an increase in ThinkSmart's share price.

### 6.2.4 No transaction costs incurred in the Buy-Back Tender

A Shareholder selling their shares via the Buy-Back Tender will not incur transaction costs. In contrast, a Shareholder selling on the ASX (including into an On-Market Buy-Back) may incur transaction costs, in particular brokerage costs.

## 6.3 Potential Disadvantages of the Buy-Back Program

### 6.3.1 Reduction in cash holdings

If the Buy-Back Tender proceeds, ThinkSmart's cash holding will be reduced by up to \$27.10 million which would be in addition to the cash expended pursuant to the On-Market Buy-Back. The extent to which this occurs will be dependent upon the price paid for the ThinkSmart shares and the number of ThinkSmart shares acquired and cancelled.

As at 31 October 2014, ThinkSmart had cash of \$36.4 million, with \$35.9 million un-restricted. If the Buy-Back Tender is completed in full and in the absence of any other initiatives to preserve cash, ThinkSmart's cash would reduce to be in the range of \$9.3 million to \$16.4 million, depending on the Buy-Back Price. If both the Buy-Back Tender and On-Market Buy-Back are completed in full, ThinkSmart's cash will reduce to between \$3.1 million and \$11.8 million, depending on the Buy-Back Price and the average price paid for the On-Market Buy-back.

The following table presents various scenarios of the amount of cash ThinkSmart will have assuming the Buy-Back Tender is approved and various amounts are expended up to the maximum amount of approximately \$27.1 million.

Total cash remaining after the Buy-Back Tender (m)

Buy-Back Price	Total cash expended on the Buy-Back Tender (m)					
	\$5m	\$10m	\$15m	\$20m	Up to \$25m*	Up to \$27.1m*
0.31	\$31.4	\$26.4	\$21.4	\$16.4		
0.32	\$31.4	\$26.4	\$21.4	\$16.4	\$15.8	
0.33	\$31.4	\$26.4	\$21.4	\$16.4	\$15.1	
0.34	\$31.4	\$26.4	\$21.4	\$16.4	\$14.5	
0.35	\$31.4	\$26.4	\$21.4	\$16.4	\$13.8	
0.36	\$31.4	\$26.4	\$21.4	\$16.4	\$13.2	
0.37	\$31.4	\$26.4	\$21.4	\$16.4	\$12.5	
0.38	\$31.4	\$26.4	\$21.4	\$16.4	\$11.9	
0.39	\$31.4	\$26.4	\$21.4	\$16.4	\$11.4	\$11.2
0.40	\$31.4	\$26.4	\$21.4	\$16.4	\$11.4	\$10.6
0.41	\$31.4	\$26.4	\$21.4	\$16.4	\$11.4	\$9.9
0.42	\$31.4	\$26.4	\$21.4	\$16.4	\$11.4	\$9.3

Source: EY analysis

The following table presents the maximum amount of cash to be spent on the On-Market Buy-Back, which assumes all 14,688,056 shares are bought back by ThinkSmart.

Maximum amount of cash to be spent for the On-Market Buy-Back

Average On-Market Buy-Back Price	Total Cash Spent (m)
0.31	\$4.6
0.32	\$4.7
0.33	\$4.8
0.34	\$5.0
0.35	\$5.1
0.36	\$5.3
0.37	\$5.4
0.38	\$5.6
0.39	\$5.7
0.40	\$5.9
0.41	\$6.0
0.42	\$6.2

Source: EY analysis

The following table presents various scenarios of the amount of cash ThinkSmart will have assuming the Buy-Back Program is approved and various amounts are expended up to the maximum amount of approximately \$33.3 million. Under this scenario, it is assumed that both the Buy-Back Price and the average buy-back price under the On-Market Buy-Back are the same.

Total cash remaining after the Buy-Back Program (m)

Average price for the Buy-Back Tender and the On- Market Buy-Back	Total cash expended on the Buy-Back Program (m)						
	\$5m	\$10m	\$15m	\$20m	\$25m	Up to \$30m	Up to \$33.3m
0.31	\$31.4	\$26.4	\$21.4	\$16.4	\$11.8		
0.32	\$31.4	\$26.4	\$21.4	\$16.4	\$11.4	\$11.1	
0.33	\$31.4	\$26.4	\$21.4	\$16.4	\$11.4	\$10.3	
0.34	\$31.4	\$26.4	\$21.4	\$16.4	\$11.4	\$9.5	
0.35	\$31.4	\$26.4	\$21.4	\$16.4	\$11.4	\$8.7	
0.36	\$31.4	\$26.4	\$21.4	\$16.4	\$11.4	\$7.9	
0.37	\$31.4	\$26.4	\$21.4	\$16.4	\$11.4	\$7.1	
0.38	\$31.4	\$26.4	\$21.4	\$16.4	\$11.4	\$6.4	\$6.3
0.39	\$31.4	\$26.4	\$21.4	\$16.4	\$11.4	\$6.4	\$5.5
0.40	\$31.4	\$26.4	\$21.4	\$16.4	\$11.4	\$6.4	\$4.7
0.41	\$31.4	\$26.4	\$21.4	\$16.4	\$11.4	\$6.4	\$3.9
0.42	\$31.4	\$26.4	\$21.4	\$16.4	\$11.4	\$6.4	\$3.1

Source: EY analysis

As a result, if the Buy-Back Tender is completed in full, ThinkSmart's remaining cash balance will be significantly reduced, the level of which will be dependent on the Buy-Back Price selected by ThinkSmart and the average price of the On-Market Buy-Back. Consequently, the Company will have less cash available for investment into the growth of ThinkSmart's operations either through expansion of its operations or through acquisitions.

It is of note that while the tables illustrate the various outcomes based on the total amount that could be spent by ThinkSmart at various Buy-Back Prices, ultimately the amount to be incurred, and the number of shares bought back, will be at the discretion of ThinkSmart's Directors. The matters the Directors need to consider will include:

- ▶ The recent trading prices of ThinkSmart's shares;
- ▶ The cash to be retained for working capital purposes; and
- ▶ The cash required to fund any growth opportunities being pursued by the UK business.

### 6.3.2 It may reduce the liquidity of ThinkSmart shares in the future

The Buy-Back Program will result in fewer ThinkSmart shares being on issue in the future. Depending on the demand for the Company's shares, this may impact the trading volume of ThinkSmart shares and hence the liquidity in the market for ThinkSmart shares.

Assuming that Mr Montarello does not participate in the Buy-Back Program, the free float<sup>4</sup> is expected to fall from its current level of 79% as shown in the following table.

<sup>4</sup> Calculated as = 
$$\frac{\text{Total ThinkSmart shares less Mr Montarello's shares less shares acquired in the Buy-Back}}{\text{Total ThinkSmart shares less shares acquired in the Buy-Back Tender}}$$

#### ThinkSmart shares free float calculation

	Number of shares acquired (millions)								
	0	10	20	30	40	50	60	70	79.2
Free float									
(% of ThinkSmart shares excluding those held by Mr Montarello)	79%	77%	76%	73%	71%	68%	64%	60%	54%

Source: EY analysis

### 6.3.3 Acquisition of ThinkSmart shares may be at prices higher than fair value

In Section 5 of this report we assessed the value of each ThinkSmart share, for the purpose of this report, to be in the range of \$0.33 and \$0.39 on a non-controlling basis. If ThinkSmart acquires its shares at prices above that range, the Company will be paying a premium to the current fair value of the shares. Shareholders who wish to tender their shares at the high end of the range, where there is less likelihood of it being selected as the Buy-Back Price, may miss out on their shares being purchased as part of the Buy-Back Tender.

### 6.3.4 The potential for only a proportional buy-back for Shareholders who tender their shares

If more shares are tendered at the Buy-Back Price than ThinkSmart determines to buy-back, acceptances will be scaled back based on the considerations outlined in Section 1.2 of this report and detailed in the Buy-Back Tender documents prepared for the Meeting. Although there are provisions so that Shareholders who tender 100% of their shares are not left with shareholding of \$500 worth of shares<sup>5</sup> or fewer, as result of the scale-back, some Shareholders may be left with shares that they will then be required to sell on market.

## 6.4 Other impacts of the Buy-Back Tender

### 6.4.1 Increase in Mr Montarello's shareholding and voting power

As a result of the Buy-Back Tender, Mr Montarello's relevant shareholding and voting power in ThinkSmart will increase.

As at 10 November 2014, Mr Montarello had a relevant interest in 31,059,356 ThinkSmart shares which represented 21.1% of the 146,880,565 ThinkSmart shares on issue<sup>6</sup>. The level of voting power relevant interest that will ultimately be reached could increase to as much as 45.9% of the ThinkSmart shares on issue provided that the maximum number of shares allowed is purchased through the Buy-Back Program. The relevant interest that will ultimately be reached will depend upon the number of ThinkSmart shares ultimately bought back. The following tables set out examples of the ThinkSmart shareholding that Mr Montarello would hold in ThinkSmart based on the examples set out above for both the Buy-Back Tender only and the Buy-Back Program:

<sup>5</sup> The number of shares to be based on the market price of shares four weeks prior to the announcement of the Buy-Back Tender.

<sup>6</sup> Based upon the latest substantial holding notices received by ThinkSmart as at 23 October 2014.

Mr Montarello's beneficial interest after the Buy-Back Tender

Buy-Back Price	Total cash expended on the Buy-Back Tender (m)					
	\$5m	\$10m	\$15m	\$20m	Up to \$25m	Up to \$27.1m
0.31	23.8%	27.1%	31.5%	37.7%		
0.32	23.7%	26.9%	31.1%	36.8%	37.7%	
0.33	23.6%	26.6%	30.6%	36.0%	37.7%	
0.34	23.5%	26.4%	30.2%	35.3%	37.7%	
0.35	23.4%	26.3%	29.9%	34.6%	37.7%	
0.36	23.4%	26.1%	29.5%	34.0%	37.7%	
0.37	23.3%	25.9%	29.2%	33.5%	37.7%	
0.38	23.2%	25.8%	28.9%	33.0%	37.7%	
0.39	23.2%	25.6%	28.6%	32.5%	37.5%	37.7%
0.40	23.1%	25.5%	28.4%	32.1%	36.8%	37.7%
0.41	23.1%	25.4%	28.2%	31.7%	36.2%	37.7%
0.42	23.0%	25.2%	27.9%	31.3%	35.6%	37.7%

Source: EY analysis

Mr Montarello's beneficial interest after the Buy-Back Program

Average Buy- Back Price*	Total cash expended on the Buy-Back Program (m)						
	\$5m	\$10m	\$15m	\$20m	\$25m	Up to \$30m	Up to \$33.3m
0.31	23.8%	27.1%	31.5%	37.7%	45.9%		
0.32	23.7%	26.9%	31.1%	36.8%	45.2%	45.9%	
0.33	23.6%	26.6%	30.6%	36.0%	43.7%	45.9%	
0.34	23.5%	26.4%	30.2%	35.3%	42.3%	45.9%	
0.35	23.4%	26.3%	29.9%	34.6%	41.2%	45.9%	
0.36	23.4%	26.1%	29.5%	34.0%	40.1%	45.9%	
0.37	23.3%	25.9%	29.2%	33.5%	39.2%	45.9%	
0.38	23.2%	25.8%	28.9%	33.0%	38.3%	45.7%	45.9%
0.39	23.2%	25.6%	28.6%	32.5%	37.5%	44.4%	45.9%
0.40	23.1%	25.5%	28.4%	32.1%	36.8%	43.2%	45.9%
0.41	23.1%	25.4%	28.2%	31.7%	36.2%	42.1%	45.9%
0.42	23.0%	25.2%	27.9%	31.3%	35.6%	41.2%	45.9%

Source: EY analysis

\*The Average Buy-Back Price assumes the same average price will be paid for the shares purchased under the Buy-Back Tender and the On-Market Buy-Back

In preparing the above analysis we have assumed that Mr Montarello will not participate in either the Buy-Back Tender or the On-Market Buy-Back, or otherwise acquire additional ThinkSmart shares or dispose of any of its existing ThinkSmart shares. Any such actions would decrease the interest (in the case of a sale of ThinkSmart shares) or increase the interest (in the case of an acquisition of ThinkSmart shares) relative to the percentages presented in the above table.

An increase in Mr Montarello's shareholding from 21.1% to less than 50% would not strictly enable Mr Montarello to pass an ordinary resolution in its own right, as an ordinary resolution requires that votes cast in respect of 50% or more of ThinkSmart shares are in favour of the resolution. However, in practice, it would be unlikely that all shareholders vote.

If Mr Montarello has a 45.9% interest, and if less than 91.8% of the shares are voted on in an ordinary resolution, Mr Montarello could carry the motion even if all other shareholders voted against the proposal. As such, the higher Mr Montarello's interest ultimately becomes the greater the influence he would have in relation to the passing of an ordinary resolution. It would be expected that, with a security holding of 40% or higher, Mr Montarello could in many cases cause an ordinary resolution to be passed.

An increase in Mr Montarello's shareholding from 21.1% to less than 50% would also not enable Mr Montarello to pass a special resolution in its own right, as a special resolution requires that votes in respect of 75% or more of ThinkSmart shares are in favour of the resolution. However, again, a holding of greater than 40% would be highly influential in the passing of a special resolution.

It should be noted that various provisions of the Act and ASX Listing prevent major shareholders from voting on ordinary or special resolutions in respect of transactions or other matters in which they have an interest other than by virtue of their security holding.

### 6.4.2 Buy-Back Program

The Buy-Back Program consists of:

- ▶ The Buy-Back Tender; and
- ▶ The On-Market Buy-Back.

Subject to the following points, the final impact on a Shareholder participating in either the Buy-Back Tender or the On-Market Buy-Back is the same. That is, the Shareholder disposes of ThinkSmart and receives proceeds for the sale of those shares.

Potential differences are:

- ▶ As noted in Section 6.2.4, a Shareholder selling shares via the Buy-Back Tender would not incur transaction costs.
- ▶ The prices to be received may vary depending upon whether the Shareholder participates in the Buy-Back Tender or the On-Market Buy-Back.
- ▶ The On-Market Buy-Back may take a considerable period to complete and the Company can decide when and at what prices to acquire the shares. The On-Market Buy-Back can be cancelled at any time.

The Buy-Back Tender process has a fixed timetable and enables all Shareholders wishing to sell their ThinkSmart shares the opportunity to tender their ThinkSmart shares at a nominated price within a published range set out in the Buy-Back Tender documents. If the Buy-Back Tender proceeds, Shareholders who have their tenders accepted would receive at least their tender price for those ThinkSmart shares. This can be a benefit to Shareholders, especially those offering to sell larger parcels of shares as it can minimise share price volatility risk. The number of shares ultimately purchased and the price paid is at the discretion of the ThinkSmart Directors.

- ▶ Once a ThinkSmart shareholder sells their ThinkSmart shares on the ASX (including into the On-Market Buy-Back), they have sold their ThinkSmart shares. In contrast, under the Buy-Back Tender, a ThinkSmart shareholder will tender their ThinkSmart shares at prices that they choose within a specified range. They will have the risk, however, that no ThinkSmart shares, or fewer shares than tendered, may be bought back if the Buy-Back Price is below their minimum price.

Our report is not intended to advise Shareholders whether to sell their ThinkSmart shares as this will be dependent on a range of factors including their views on the value of ThinkSmart shares, financial circumstances, risk profiles, investment strategies and tax positions. We do, however, draw the following points to the attention of Shareholders who, if they wish to sell their shares may have the option of selling into the Buy-Back Tender, on the ASX (including into the On-Market Buy-back), or subsequently selling on the ASX to other buyers.

#### 6.4.3 Income tax

EY has not been appointed to provide tax advice regarding the Buy-Back Tender. Shareholders should refer to the Explanatory Memorandum for a general description of the tax implications of the Buy-Back Tender for resident and non-resident Shareholders.

Shareholders should seek their own professional advice in relation to how the Buy-Back Tender will apply to their specific circumstances.

#### 6.4.4 Alternatives

As an alternative to the Buy-Back Tender proceeding, ThinkSmart Shareholders who wish to sell their shares can do so on the ASX including into the On-Market Buy-Back. Based on the closing share price of \$0.33 on 10 November 2014, under the On-Market Buy-Back, if approved, ThinkSmart will spend approximately \$4.85 million, leaving the Company with a cash balance of approximately \$31.6 million.



## Appendix A Statement of qualifications and declarations

EY, which is wholly owned by Ernst & Young, holds an Australian Financial Services Licence under the Act and its representatives are qualified to provide this report. The directors of EY responsible for this report have not provided financial advice to ThinkSmart.

Prior to accepting this engagement, EY considered its independence with respect to ThinkSmart with reference to Regulatory Guide 112: *Independence of experts*.

This report has been prepared specifically for the Shareholders of ThinkSmart in relation to the Buy-Back Tender. Neither EY, Ernst & Young and any employee thereof undertakes responsibility to any person, other than ThinkSmart Shareholders, in respect of this report, including any errors or omissions howsoever caused.

The statements and opinions given in this report are given in good faith and the belief that such statements and opinions are not false or misleading. In the preparation of this report EY has relied upon and considered information believed after due inquiry to be reliable and accurate. EY has no reason to believe that any information supplied to it was false or that any material information has been withheld from it. EY has evaluated the information provided to it by ThinkSmart, its advisors, as well as other parties, through inquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base its report. EY does not imply and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its inquiries could have verified any matter which a more extensive examination might disclose.

The information relied upon in the preparation of this report is set out in Appendix E to this report.

ThinkSmart has provided an indemnity to EY for any claims arising out of any mis-statement or omission in any material or information provided to it in the preparation of this report.

EY provided draft copies of this report to ThinkSmart for comments as to factual accuracy, as opposed to opinions, which are the responsibility of EY alone. Changes made to this report as a result of this review by the Directors and Management have not changed the methodology or conclusions reached by EY.

EY will receive a professional fee based on time spent in the preparation of this report estimated at approximately \$35,000 (exclusive of GST). EY will not be entitled to any other pecuniary or other benefit whether direct or indirect, in connection with the making of this report.

Mr Ken Pendergast, a director and representative of EY and a partner of Ernst & Young and Ms Brenda Moore, a representative of EY and an Executive Director of Ernst & Young have assumed overall responsibility for this report. Both have the necessary experience and professional qualifications appropriate to the advice being offered. Other EY staff have been consulted in the preparation of this report where appropriate.



It is not intended that the report should be used for any other purpose other than to be included in the Notice of Extraordinary General Meeting and Explanatory Statement to be sent to Shareholders with respect to the Buy-Back Tender. In particular, it is not intended that this report should be used for any other purpose other than to assist ThinkSmart Shareholders in their deliberation of whether or not to approve the Buy-Back Tender.

EY consents to the issue of this report in the form and context in which it is included in the Notice of Extraordinary General Meeting and Explanatory Statement.

## Appendix B Sources of information

In arriving at our views, we have had regard to the following sources of information:

- ▶ audited financial statements of ThinkSmart for the financial year ended 30 June 2014;
- ▶ ThinkSmart's management accounts for the month ended 31 October 2014;
- ▶ draft Notice of Extraordinary Meeting and Explanatory Statement;
- ▶ details of outstanding options and shares provided by ThinkSmart management;
- ▶ ASX announcements for ThinkSmart;
- ▶ analyst reports for ThinkSmart and comparable companies;
- ▶ company website for ThinkSmart; and
- ▶ Market data obtained from sources including ThompsonOne, S&P Capital IQ, DatAnalysis and Factiva.

In addition we held discussions with various members of senior management of ThinkSmart.

## Appendix C Glossary

Abbreviation	Full Title / Description
\$	Australian dollars
Act	The Corporations Act 2001
AGM	Annual general meeting
APES 225	Accounting Professional & Ethical Standards Board Valuation Services
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
Buy-Back Tender	Proposed off-market buy-back through a tender program
Buy-Back Period	The period in which Shareholders can tender their shares. It is expected to open on 23 December 2014 and close on 23 January 2015
Buy-Back Price	The price that ThinkSmart will buy the shares tendered in the Buy-Back Tender
Company	ThinkSmart Limited
Dixons	Dixons Retail Plc
Dec13, Jun14	Financial position as at 31 December 2013 and the half year at 30 June 2014
EY / Ernst & Young / we / us / our	Ernst & Young Transaction Advisory Services Limited
Flexigroup	Flexigroup Limited
FSG	Financial Services Guide
FY12, FY13	Years ended 31 December 2012, 2013
HY13, HY14	Six months ended 30 June 2013, 2014
Kingfisher	Kingfisher plc
Meeting	Extraordinary General Meeting of Thinksmart to be held on or about 22 December 2014
Original On-Market BuyBack	Thinksmart's on-market buy-back which commenced in February 2014 and completed on 1 October 2014
On Market Buy Back	Second on-market buy-back announced on 24 October 2014 awaiting shareholder approval
ThinkSmart	ThinkSmart Limited
Report	Independent Expert's Report
RG 110	ASIC Regulatory Guide 110: Share buy-backs
Tender Range	Shareholders invited to tender any number of their shares at proposed prices in the range of \$0.31 and \$0.42 per share
UK	United Kingdom
VWAP	Volume weighted average price

## Appendix D Valuation Approaches

There are a number of methodologies available with which to value a project, a business or the securities in a company. The principal methodologies used are:

- ▶ market based assessments
- ▶ capitalisation of earnings
- ▶ discounted cash flow
- ▶ net realisable value of assets

Each of these methodologies is appropriate in certain circumstances. The decision as to which methodology to utilise generally depends on the methodology most commonly adopted in valuing the asset in question and the availability of appropriate information.

Market based assessments relate to the valuation of companies, the shares of which are traded on a stock exchange. While the relevant share price would, prima facie, constitute the market value of the shares, such market prices usually reflect the prices paid for small parcels of shares and as such do not include a control premium relevant to a significant parcel of shares.

The capitalisation of earnings methodology involves capitalising the earnings of a project, a business or a company at an appropriate multiple, which reflects the risks underlying the earnings together with growth prospects. This methodology is theoretically most appropriate where a company or business is expected to generate a relatively stable level of earnings but in practice, is also frequently used in a range of other circumstances.

The discounted cash flow methodology involves calculating the net present value of cash flows that are expected to be derived from future activities. The forecast cash flows are discounted by a discount rate that reflects the time value of money and the risk inherent in the cash flows. This methodology is particularly appropriate in valuing projects, businesses and companies that are in a start-up phase and are expecting considerable volatility and/or growth in earnings during the growth phase, as well as businesses with a finite life (such as mining projects). The utilisation of this methodology generally requires that the asset be sufficiently advanced to enable management to provide long term cash flows with some degree of robustness.

The net realisable value of assets methodology involves the determination of the net realisable value of the assets of a business or company, assuming an orderly realisation of those assets. This value includes a discount to allow for the time value of money and for reasonable costs of undertaking the realisation. It is not a valuation on the basis of a forced sale, where assets may be sold at values materially different to their fair market value. This methodology is appropriate where a project, a business or company is not making an adequate return on its assets or where there are surplus non-operational assets.

**THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE  
INDEPENDENT EXPERT'S REPORT**

10 November 2014

**PART 2 - FINANCIAL SERVICES GUIDE**

**1. Ernst & Young Transaction Advisory Services**

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Expert's Report ("Report") in connection with a financial product of another person. The Report is set out in Part 1.

**2. Financial Services Guide**

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

**3. Financial services we offer**

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- ▶ financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- ▶ arranging to deal in securities.

**4. General financial product advice**

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

## 5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is \$35,000 (exclusive of GST).

Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

## 6. Associations with product issuers

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

## 7. Responsibility

The liability of Ernst & Young Transaction Advisory Services, if any, is limited to the contents of this Financial Services Guide and the Report.

## 8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

## 9. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of section 912B of the Corporations Act 2001.

Contacting Ernst & Young Transaction Advisory Services AFS Compliance Manager Ernst & Young 680 George Street Sydney NSW 2000  Telephone: (02) 9248 5555	Contacting the Independent Dispute Resolution Offer: Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08
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This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.

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# THINKSMART

ThinkSmart Limited

ABN 24 092 319 698

## Lodge your vote:



Online:

[www.investorvote.com.au](http://www.investorvote.com.au)



By Mail:

Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

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](http://www.intermediaryonline.com)

## For all enquiries call:

(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

000001 000 TSM  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Proxy Form



### Vote online:

- Go to [www.investorvote.com.au](http://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: 999999

SRN/HIN: I999999999

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 3:00pm (WST) Saturday, 20 December 2014**

## How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. 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 an item your vote will be invalid on that item.

**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 should 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 "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://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 your broker of any changes.



I 9999999999

I ND

## Proxy Form

Please mark ☒ to indicate your directions

### STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Thinksmart Limited hereby appoint



the Chairman  
of the Meeting **OR**



**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

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) at the Extraordinary General Meeting of Thinksmart Limited to be held at Level 36, QV.1 Building, 250 St Georges Terrace, Perth, Western Australia on Monday, 22 December 2014 at 3:00pm (WST) and at any adjournment or postponement of that meeting.

### STEP 2 Items of Business



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

Resolution 1 Approval of Buy-Back Tender

For

Against

Abstain

☐☐☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. 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 / /

T S M

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Computershare +