

ASZ: COURT ORDERS CONVENING OF SCHEME MEETING

ASG Scheme Booklet released and Court orders the convening of the Scheme Meeting

ASG Group Limited (ASZ: ASZ, **ASG**) is pleased to confirm that the Federal Court today ordered that a meeting of ASG shareholders be convened to consider and, if thought fit, approve the scheme of arrangement under which Nomura Research Institute, Limited (**NRI**) will acquire 100% of shares in ASG by way of Scheme of Arrangement (**Scheme**).

Scheme Meeting

The Scheme Meeting will be held at 10.00am (AWST) at the Parmelia Hilton Perth Hotel, 14 Mill Street, Perth WA on Thursday 8 December 2016.

Scheme Booklet

A copy of the Scheme Booklet, which includes the Independent Expert's Report and the notice of Scheme Meeting, is attached to this announcement. The Scheme Booklet sets out the information ASG shareholders require to evaluate the proposal. ASG shareholders are encouraged to read the Scheme Booklet in its entirety.

The Scheme Booklet was registered by the Australian Securities and Investments Commission today and will be sent to ASG shareholders by Monday, 7 November 2016 (either by post or electronically).

Independent Expert's Report and IBC Recommendation

The Independent Expert, PricewaterhouseCoopers Securities Ltd, has concluded that the Scheme is in the best interests of ASG shareholders on the basis that it is both fair and reasonable, in the absence of a superior proposal.

The IBC has unanimously recommended that shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to the Independent Expert maintaining its conclusion that the Scheme is in the best interests of ASG shareholders.

Subject to the above qualifications, ASG's entire Board of Directors and senior executive team, who represent approximately 11% of the total shares outstanding, separately intend to vote all ASG shares held or controlled by each of them in favour of the Scheme.

Key dates

An indicative timetable for the Scheme is set out in the attached Scheme Booklet. Key events are as follows:

Scheme Meeting	10.00am (AWST) on 8 December 2016
Second Court Hearing for approval of the Scheme and Effective Date	12 December 2016
Record Date (for determining entitlements to scheme consideration)	5.00pm (AWST) on 19 December 2016
Implementation Date (scheme consideration to be dispatched to shareholders)	23 December 2016

The above dates are indicative only and are subject to change. Any changes will be announced by ASG on ASX.

Status of conditions

As at today's date, ASG has obtained all consents required from counterparties to Material Contracts that contain "change of control" provisions and all ASG optionholders have entered into option cancellation deeds. Accordingly, these conditions to the Scheme have been satisfied.

Implementation of the Scheme still remains subject to a number of conditions, including approval from the Foreign Investment Review Board and ASG shareholders.

Investors

Steve Johnston, IBC Chairman: 08 9420 5420

Shareholder Information Line: 1300 668 378

Media

John McGlue, Castle Gates: 0417 926 915

About ASG

ASG is an award winning Australian IT business solutions provider, offering IT management and consulting services, business intelligence and thought leadership. Established in 1996, the company's goal is to provide innovative, high-quality and cost-effective services to its clients. ASG listed on the Australian Securities Exchange in 2002. For further information, visit www.asggroup.com.au.

About NRI

NRI is a leading global provider of system solutions and consulting services, including management consulting, system integration, and IT management and solutions for financial, manufacturing and service industries. Clients partner with NRI to expand businesses, design corporate structures and create new business strategies. NRI has approximately 10,000 employees in 37 offices globally and reports annual sales ¥421.4 billion. For more information, visit www.nri.com/global.



Aspire. Enable. Achieve.

SCHEME BOOKLET

For a scheme of arrangement between ASG Group Limited (ABN 57 070 045 117) (**ASG**) and its shareholders in relation to a proposal from Nomura Research Institute, Ltd. (**NRI**) to acquire all of the ordinary shares in ASG.

VOTE IN FAVOUR

The Independent Board Committee (**IBC**) unanimously recommends that you **vote in favour** of the Scheme, in the absence of a Superior Proposal, and subject to the Independent Expert maintaining its conclusion that the Scheme is in the best interests of ASG Shareholders.

Subject to the above qualifications, each member of the IBC intends to vote all ASG Shares they hold (or that are held on their behalf) in favour of the Scheme.

Financial adviser



Legal adviser



This is an important document and requires your immediate attention. You should read it carefully and in its entirety before deciding whether or not to vote in favour of the Scheme. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser. If you have recently sold all your ASG Shares, please ignore this Scheme Booklet.

► IMPORTANT NOTICES

General

ASG Shareholders are encouraged to read this Scheme Booklet in its entirety before making a decision as to how to vote on the resolution to be considered at the Scheme Meeting.

Purpose of Scheme Booklet

The purpose of this Scheme Booklet is to explain the terms of the Scheme and the manner in which the Scheme will be considered and implemented (if approved) and to provide such information as is prescribed or otherwise material to the decision of ASG Shareholders whether or not to approve the Scheme. This Scheme Booklet includes the explanatory statement required to be sent to ASG Shareholders under Part 5.1 of the Corporations Act in relation to the Scheme.

Responsibility for information

The information contained in this Scheme Booklet (other than the NRI Information and the Independent Expert's Report) has been prepared by ASG and is the responsibility of ASG. None of NRI, its directors, officers or advisers assume any responsibility for the accuracy or completeness of the ASG Information.

The NRI Information has been provided by NRI and is the responsibility of NRI. None of ASG, its directors, officers or advisers assume any responsibility for the accuracy or completeness of the NRI Information.

PwC has prepared the Independent Expert's Report in relation to the Scheme contained in Annexure A and takes responsibility for that report. None of ASG, NRI and their respective directors, officers and advisers assume any responsibility for the accuracy or completeness of the Independent Expert's Report.

ASIC and ASX

A copy of this Scheme Booklet was provided to ASIC under section 411(2) of the Corporations Act and registered by ASIC under section 412(6) of the Corporations Act. ASIC has been given the opportunity to comment on this Scheme Booklet in accordance with section 411(2)(b) of

the Corporations Act. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the hearing on the Second Court Date. Neither ASIC nor its officers take any responsibility for the contents of this Scheme Booklet.

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

Court

The fact that under subsection 411(1) of the Corporations Act the Court has ordered that a meeting be convened and has approved this Scheme Booklet accompanying the notice of meeting does not mean that the Court has formed any view as to the merits of the Scheme or as to how ASG Shareholders should vote (on this matter ASG Shareholders must reach their own decision), or has prepared, or is responsible for the content of, this Scheme Booklet.

Future matters and intentions

Certain statements in this Scheme Booklet relate to the future, including statements that describe ASG's or NRI's objectives, plans, goals or expectations and the impacts, advantages and disadvantages of the Scheme. These statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by those statements. Such risks, uncertainties, assumptions and other important factors include, among other things, industry-specific factors, general economic conditions, exchange rates, interest rates, the regulatory environment, competitive pressures, selling price and market demand. These statements only reflect views held as at the date of this Scheme Booklet.

Other than as required by law neither ASG, NRI nor any other person gives any representation, assurance or guarantee that the events expressed or implied in any forward looking statements in this Scheme Booklet will actually occur. You are cautioned about relying on any such forward looking statements in this Scheme Booklet. Additionally, statements of the intentions of NRI reflect NRI's present intentions as at the date of this Scheme Booklet and may be subject to change.

No investment advice

This Scheme Booklet does not constitute financial product advice and has been prepared without reference to the investment objectives, financial situation and particular needs of individual ASG Shareholders. This Scheme Booklet should not be relied upon as the sole basis for any investment decision in relation to the Scheme or your ASG Shares. Before making an investment decision in relation to the Scheme or your ASG Shares, including any decision to vote for or against the Scheme, you should consider whether that decision is appropriate in light of your particular investment needs, objectives and financial circumstances. If you are in any doubt about what you should do, you should consult your legal, financial or other professional adviser before making any investment decision in relation to the Scheme or your ASG Shares.

ASG Shareholders outside Australia

This Scheme Booklet complies with the disclosure requirements applicable in Australia, which may be different to those in other countries.

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted in such other jurisdictions and persons outside of Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities law.

Taxation implications of the Scheme

Section 7 provides a general outline of the Australian income tax, capital gains tax, goods and service tax and stamp duty consequences for ASG Shareholders who dispose of their ASG Shares to NRI in accordance with the Scheme. It does not purport to be a complete analysis or to identify all potential tax consequences nor is it intended to replace the need for specialist tax advice in respect of the particular circumstances of individual ASG Shareholders.

ASG Shareholders who are subject to taxation outside Australia should also consult their tax adviser as to the applicable tax consequences of the Scheme in the relevant jurisdiction.

Privacy

ASG, NRI and the ASG Share Registry may collect personal information in the process of implementing the Scheme. The personal information may include the names, addresses, contact details and security holdings of ASG Shareholders and the names of persons appointed by ASG Shareholders as proxies, attorneys or corporate representatives at the Scheme Meeting. The collection of some of this personal information is required or authorised by the Corporations Act.

The primary purpose of collecting this personal information is to assist ASG in the conduct of the Scheme Meeting and to enable the Scheme to be implemented by ASG in the manner described in this Scheme Booklet. The personal information may be disclosed to NRI, print and mail service providers, authorised securities brokers and any other service provider to the extent necessary to effect the Scheme. Some of these recipients are likely to be located in overseas countries, including in Japan.

If the information outlined above is not collected, ASG may be hindered in, or prevented from, conducting the Scheme Meeting and implementing the Scheme.

ASG Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. Such individuals should contact the ASG Share Registry on 1300 668 378 (within Australia) or +61 1300 668 378 (outside Australia) if they wish to exercise these rights.

ASG Shareholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of the matters outlined above.

Notice of Meeting

The Notice of Meeting is set out in Annexure D.

ASG and NRI websites

The content of ASG and NRI's respective websites do not form part of this Scheme Booklet and ASG Shareholders should not rely on their content.

Any references in this Scheme Booklet to a website is a textual reference for information only and no information in any website forms part of this Scheme Booklet.

Shareholder Information Line

ASG has established a Shareholder Information Line which you should call on 1300 668 378 if you have any questions about your ASG Shares or any other matter in this document. The Shareholder Information Line is open between Monday and Friday from 9:00am to 5:00pm (AWST). ASG Shareholders should consult their legal, financial or other professional adviser before making any decision regarding the Scheme.

Supplementary information

In certain circumstances, ASG may provide additional disclosure to ASG Shareholders in relation to the Scheme after the date of this Scheme Booklet. To the extent applicable, ASG Shareholders should have regard to any such supplemental information in determining how to vote in relation to the Scheme.

Interpretation

Capitalised terms and certain abbreviations used in this Scheme Booklet have the meanings set out in the Glossary in Section 9 of this Scheme Booklet. The documents reproduced in the annexures to this Scheme Booklet may have their own defined terms, which are sometimes different from those in the Glossary.

Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Scheme Booklet. All numbers are rounded unless otherwise indicated.

Unless otherwise specified, all references to \$, A\$, AUD and cents are references to Australian currency.

All references to times in this Scheme Booklet are references to time in Perth (being AWST), unless otherwise stated.

Date

This Scheme Booklet is dated 2 November 2016.

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► IMPORTANT DATES

2 November 2016	Date of this Scheme Booklet
2 November 2016	First Court Date
10:00am (AWST) on 6 December 2016	Latest time and date for receipt of proxy forms and powers of attorney for Scheme Meeting
4:00pm (AWST) on 6 December 2016	Time and date for determining eligibility to vote at the Scheme Meeting
10:00am (AWST) on 8 December 2016	Scheme Meeting – ASG Shareholders' meeting to vote on the Scheme

If the Scheme is approved by ASG Shareholders

12 December 2016	Second Court Date (Second Court Hearing for approval of the Scheme)
12 December 2016	Effective Date Court order is lodged with ASIC and announcement by ASG to ASX that Scheme takes effect Last day of trading in ASG Shares
Close of trading on 12 December 2016	Suspension of ASG Shares from trading on ASX
5:00pm (AWST) on 19 December 2016	Record Date for determining entitlement to receive Scheme Consideration
23 December 2016	Implementation of the Scheme (Implementation Date) Payment of the Scheme Consideration to Scheme Participants

All dates following the date of the Scheme Meeting are indicative only and, among other things, are subject to all necessary approvals from the Court and other Regulatory Authorities. Any changes to the above timetable (which may include an earlier or later time for the Second Court Date) will be announced through ASX and notified on ASG's website at www.asggroup.com.au.

All references to time in this Scheme Booklet are references to Perth time (being AWST), unless otherwise stated. Any obligation to do an act by a specified time in an Australian time zone must be done at the corresponding time in any other jurisdiction.

► LETTER FROM THE CHAIRMAN OF THE IBC

Dear fellow ASG Shareholder

On 30 September 2016, ASG Group Limited (**ASG**) announced that it had entered into a Scheme Implementation Agreement with Nomura Research Institute, Ltd. (**NRI**) under which it is proposed that NRI will acquire all of the issued shares in ASG at a price of \$1.63 per ASG Share in cash by way of a scheme of arrangement, subject to regulatory and shareholder approvals and the satisfaction or waiver of other conditions precedent.

I am pleased to provide you with this Scheme Booklet which contains important information in relation to the Scheme.

If the Scheme is approved and implemented, you will receive a cash payment of \$1.63 for each ASG Share (**Scheme Consideration**) you hold on the Record Date (currently anticipated to be 19 December 2016). Payment would then be made to you on or about 23 December 2016. No brokerage or other transaction costs will be payable for the transfer of your shares under the Scheme. The Scheme Consideration of \$1.63 cash per ASG Share values the fully diluted equity of ASG at approximately \$349 million and represents attractive premia of:

- 20% to the closing price of ASG Shares of \$1.36 on 29 September 2016;
- 27% to the 10 trading day volume weighted average price (**VWAP**) of \$1.28;
- 38% to the 3 month VWAP of \$1.18; and
- 49% to the 6 month VWAP of \$1.10.¹

IBC Recommendation

Following receipt of NRI's non-binding indicative proposal in relation to the Scheme (**NRI Proposal**), ASG formed an independent board committee (**IBC**) to consider the NRI Proposal and evaluate whether engagement with NRI was in the best interests of ASG's Shareholders. The IBC comprises Ian Campbell, Grant Pestell and myself as Chair.²

The IBC unanimously recommends that you vote in favour of the Scheme, in the absence of a Superior Proposal, and subject to the Independent Expert maintaining its recommendation that the scheme is in the best interests of ASG Shareholders.

Subject to these qualifications, each member of the ASG Board and Senior Executive Team, who in aggregate represent approximately 11% of the total ASG Shares on issue, intends to vote all the ASG Shares held or controlled by them in favour of the Scheme.

The IBC has formed its recommendation that the Scheme is in the best interests of ASG Shareholders because it believes that:

- the Scheme Consideration represents a material premium to ASG's last close on 29 September 2016 as well as the 10 trading day, 3 month and 6 month VWAPs up to and including 29 September 2016;
- the Scheme Consideration provides ASG Shareholders with an opportunity to realise immediate, substantial and certain value for their investment in ASG; and
- the benefits of the Scheme outweigh its potential disadvantages and risks.

The full reasons for your IBC's recommendation to vote in favour of the Scheme are set out in detail in Section 2.2. There are also reasons you may choose to vote against the Scheme and these are set out in Section 2.3.

The IBC notes that, in the event that the Scheme does not proceed and no Superior Proposal emerges, the market price of ASG Shares on the ASX is likely to fall below current trading levels.

¹ 29 September 2016 being the last trading date prior to ASG announcing it had entered into the Scheme Implementation Agreement, with VWAPs in each case calculated up to that date.

² Geoffrey Lewis is not a member of the IBC as NRI sought to specifically retain Mr Lewis' services as an ASG executive following the Scheme. Mr Lewis has entered into a new executive services agreement which will take effect on implementation of the Scheme [see Section 8.3(c) for more information].

Independent Expert

The IBC's recommendation is supported by PwC, the Independent Expert engaged by the IBC to prepare an opinion as to whether the Scheme is in the best interests of ASG Shareholders. The Independent Expert has assessed the underlying value of ASG to be in the range of \$1.48 and \$1.62 per ASG Share with a midpoint value of \$1.55. The Scheme Consideration of \$1.63 per ASG Share is above the Independent Expert's estimate of the underlying value of the ASG Shares. PwC has concluded that the Scheme is in the best interests of ASG Shareholders on the basis it is both fair and reasonable, in the absence of a Superior Proposal. The IBC encourages you to read and consider the Independent Expert's Report in full, which is set out in Annexure A of this Scheme Booklet.

Next Steps

Your vote is important and on behalf of the IBC, I strongly encourage you to vote on this significant transaction.

You may vote by personally attending the Scheme Meeting to be held at Parmelia Hilton Perth Hotel, 14 Mill Street, Perth WA, on 8 December 2016 commencing at 10:00am (AWST) or by appointing a proxy or in the case of a corporate ASG Shareholder, a corporate representative to attend the Scheme Meeting and to vote on your behalf. If you wish to appoint a proxy to vote on your behalf, you must return the accompanying proxy form so that it is received at the address shown on the proxy form by 10:00am (AWST) on 6 December 2016.

I encourage you to read this Scheme Booklet (including the report of the Independent Expert) carefully to assist you in making an informed decision on how to vote. If you require any further information, please contact the ASG Shareholder Information Line on 1300 668 378 between 9:00am and 5:00pm (AWST) Monday to Friday and, if required, seek your own legal, financial or other professional advice before making any decision in relation to your ASG Shares.

On behalf of the IBC, I recommend that you read this Scheme Booklet in full (which contains the reasons for the IBC's recommendation that you vote in favour of the Scheme) and thank you, as always, for your support of ASG.

Yours sincerely



Mr Stephen Johnston

Chairman of the IBC

The background is a complex geometric pattern composed of various-sized triangles in shades of green and yellow. The triangles are arranged in a way that creates a sense of depth and movement. The colors range from a vibrant lime green to a pale, almost white yellow.

1.

SUMMARY OF THE SCHEME

1. SUMMARY OF THE SCHEME

What is the Scheme?

On 30 September 2016, ASG announced that it had entered into the Scheme Implementation Agreement. The Scheme Implementation Agreement sets out a framework for ASG to propose a scheme of arrangement between itself and ASG Shareholders (**Scheme**) under which NRI will acquire 100% of the shares in ASG for \$1.63 cash per ASG Share.

A “scheme of arrangement” is a statutory procedure that can be used to enable one company to acquire another company. It requires a vote in favour of the Scheme by a Requisite Majority of ASG Shareholders at a meeting of ASG Shareholders being:

- ▶ a majority in number (more than 50%) of ASG Shareholders who are present and voting either in person or by proxy, attorney or, in the case of corporate ASG Shareholders, by corporate representative; and
- ▶ at least 75% of the total number of votes cast on the resolution to approve the Scheme.

The Scheme also requires Court approval and is subject to the satisfaction or waiver of a number of other Conditions Precedent (summarised in Sections 5.7 and 8.11(b)) including approval by the Court.

If the Scheme becomes Effective, NRI will acquire all ASG Shares and ASG will become a wholly owned subsidiary of NRI.

If the Scheme is approved and you remain an ASG Shareholder on the Record Date, when the Scheme is implemented you will receive \$1.63 per ASG Share in cash.

The terms of the Scheme are set out in full in Annexure B.

What should I do?

You should read this Scheme Booklet carefully in its entirety before deciding on how to vote at the Scheme Meeting. Answers to various frequently asked questions are set out in Section 3. If you have any additional questions in relation to this Scheme Booklet or the Scheme please consult your legal, financial or other professional adviser or call the Shareholder Information Line on +61 1300 668 378 between Monday and Friday from 9:00am to 5:00pm (AWST).

Your choices

As an ASG Shareholder you have the following choices, you may:

- ▶ vote in favour or against the Scheme at the Scheme Meeting (either in person, by attorney, by proxy or, in the case of corporate ASG Shareholders, by corporate representative);
- ▶ elect not to vote at the Scheme Meeting; or
- ▶ sell your ASG Shares on ASX.

Further information about your choices is set out in Section 4.6.

Am I eligible to vote?

If you are registered on the Register at 4:00pm (AWST) on 6 December 2016 as an ASG Shareholder, you will be entitled to vote on the resolution to approve the Scheme at the Scheme Meeting.

Registrable transmission applications or transfers registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting.

If ASG Shares are jointly held, only one of the joint ASG Shareholders is entitled to vote. If more than one joint ASG Shareholder votes, only the vote of the ASG Shareholder whose name appears first on the Register will be counted.

How do I vote?

How to vote in person

To vote in person at the Scheme Meeting, ASG Shareholders must attend the Scheme Meeting to be held at Parmelia Hilton Perth Hotel, 14 Mill Street, Perth WA on 8 December 2016 at 10:00am (AWST).

ASG Shareholders who wish to attend and vote at the Scheme Meeting in person will be admitted to the Scheme Meeting and given a voting card upon disclosure of their name and address at the point of entry. Please arrive at least 30 minutes prior to the time designated for the meeting so that your identity and number of ASG Shares for voting can be verified.

Shareholders who wish to appoint an attorney to attend the meeting on their behalf must ensure that the original or a certified copy of the power of attorney is received by the ASG Share Registry no later than 10:00am on 6 December 2016 (48 hours prior to commencement of the Scheme Meeting), unless it has already been noted by ASG.

Persons who are attending as a corporate representative for a corporation must bring evidence of their appointment. The appointment must comply with section 250D of the Corporations Act and must include their name, address and the identity of their appointer.

How to vote by proxy

Your personalised proxy form for the Scheme Meeting accompanies this Scheme Booklet. Information setting out how you may vote by proxy is contained in the Notice of Meeting set out in Annexure D. If your proxy is signed by an attorney, please also enclose the authority under which the proxy is signed (or a certified copy of the authority).

Proxy forms may be lodged:

- a) **electronically** by visiting www.linkmarketservices.com.au and logging on using the holding details as shown on the Proxy Form (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form). Once logged in, select 'Voting' and follow the prompts to lodge your vote;
- b) by **mailing** the completed proxy form to Link Market Services Limited using the reply paid envelope;
- c) by **faxing** the completed proxy form to Link Market Services Limited on +61 2 9287 0309; or
- d) in **person** on Monday to Friday between 9:00am and 5:00pm (AWST) by delivering the completed proxy form to Link Market Services Limited located at 1A Homebush Bay Drive, Rhodes NSW 2138.

Proxy forms, together with any power of attorney or authority under which the proxy form is signed, must be received no later than 10:00am on 6 December 2016 (48 hours prior to commencement of the Scheme Meeting). Proxy forms received after this time will be invalid.

A proxy will be admitted to the Scheme Meeting and given a voting card upon providing written evidence of their name and address at the point of entry to the Scheme Meeting. The sending of a proxy form will not preclude an ASG Shareholder from attending in person and voting at the Scheme Meeting. However, the presence of an ASG Shareholder at a meeting suspends his or her proxy's rights to speak and vote.

What is the IBC's recommendation?

The IBC believes that the Scheme is in the best interests of ASG Shareholders and unanimously recommends that, in the absence of a Superior Proposal and subject to the Independent Expert maintaining its recommendation that the scheme is in the best interests of ASG Shareholders, ASG Shareholders vote in favour of the Scheme at the Scheme Meeting.

In making their recommendation, the members of the IBC have assessed the Scheme having regard to the reasons to vote for and against, the Scheme, as set out in this Scheme Booklet.

The IBC believes that the Scheme Consideration represents a material premium to the trading levels of ASG up to the time that the Scheme was announced and provides an opportunity for ASG Shareholders to realise certain value in cash which may not be achieved if the Scheme does not proceed.

Each member of the ASG Board and Senior Executive Team, who in aggregate represent approximately 11% of the total ASG Shares on issue, intends to vote the ASG Shares that they own or control in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert maintaining its conclusion that the Scheme is in the best interests of ASG Shareholders.

If a Superior Proposal emerges after the date of this Scheme Booklet, or the Independent Expert changes its conclusion, the IBC will carefully reconsider the Scheme and advise you of its recommendation.



2.

MATTERS RELEVANT TO YOUR
VOTE ON THE SCHEME

2. MATTERS RELEVANT TO YOUR VOTE ON THE SCHEME

Reasons to vote for the Scheme

- ✓ The IBC unanimously recommends that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert maintaining its recommendation that the Scheme is in the best interests of ASG Shareholders
- ✓ The Independent Expert has concluded that the Scheme is in the best interests of ASG Shareholders on the basis that it is both fair and reasonable, in the absence of a Superior Proposal
- ✓ The Scheme Consideration of \$1.63 per ASG Share represents significant premia to the trading levels of ASG Shares before the Scheme was announced
- ✓ The \$1.63 cash per ASG Share under the Scheme provides you with certainty of cash for your ASG Shares
- ✓ No Superior Proposal has emerged as at the date of this Scheme Booklet
- ✓ If the Scheme does not proceed and no Superior Proposal emerges, the price of ASG Shares is likely to fall below prevailing prices, and you will continue to be subject to the risks and uncertainties associated with owning ASG Shares and other general market risks
- ✓ No brokerage or other transaction costs payable on the disposal of your ASG Shares under the Scheme

Reasons to vote for the Scheme are discussed in more detail in Section 2.2 of this Scheme Booklet.

Reasons not to vote for the Scheme

- ✗ You may disagree with the IBC's unanimous recommendation and/or the Independent Expert's conclusion and believe that the Scheme is not in your best interests
- ✗ You may wish to maintain an interest in a publicly listed investment with ASG's specific characteristics and maintain your investment profile
- ✗ You will lose the ability to participate in any potential upside that may result from remaining an ASG Shareholder
- ✗ You may believe that there is potential for a Superior Proposal to materialise in the foreseeable future
- ✗ The tax consequences of the Scheme may not suit your financial position

Reasons why you may not want to vote for the Scheme are discussed in more detail in Section 2.3 of this Scheme Booklet.

2.1 Introduction

The Scheme has a number of advantages and disadvantages which may affect ASG Shareholders in different ways, depending on their individual circumstances. ASG Shareholders should seek professional advice on their particular circumstances, as appropriate.

Section 2.2 provides a summary of some of the reasons why the IBC considers that you should vote in favour of the Scheme in the absence of a Superior Proposal. Section 2.2 should be read in conjunction with Section 2.3 which sets out some of the reasons why you may wish to vote against the Scheme and Section 2.4 which sets out other relevant considerations to your decision.

You should read this Scheme Booklet in full, including the Independent Expert's Report, before deciding how to vote at the Scheme Meeting. While the IBC acknowledges the reasons to vote against the Scheme, it believes the advantages of the Scheme significantly outweigh the potential disadvantages.

2.2 Reasons to vote for the Scheme

✓ **The IBC unanimously recommends that you vote in favour of the Scheme, in the absence of a Superior Proposal**

The IBC unanimously recommends that, in the absence of a Superior Proposal and subject to the Independent Expert maintaining its conclusion that the Scheme is in the best interests of ASG Shareholders on the basis that it is both fair and reasonable, ASG Shareholders should vote in favour of the Scheme at the Scheme Meeting.

In arriving at its recommendation, the IBC assessed the Scheme having regard to the reasons to vote in favour of it and the reasons to vote against it, as set out in this Scheme Booklet and ASG's current strategic plans.

Each member of the ASG Board and Senior Executive Team, who in aggregate represent approximately 11% of the total ASG Shares on issue, intends to vote all ASG Shares held or controlled by them in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert maintaining its conclusion that the Scheme is in the best interests of ASG Shareholders. If a Superior Proposal emerges after the date of this Scheme Booklet, the IBC will carefully reconsider the Scheme and advise ASG Shareholders of its recommendation.

The interests of the Directors and Senior Executive Team and the number and description of ASG Shares held by or on behalf of each of them are set out in Section 8.2.

In considering whether to vote for the Scheme, the IBC encourages you to:

- ▶ carefully read the whole of this Scheme Booklet (including the Independent Expert's Report);
- ▶ consider the choices available to you as outlined in Section 1;
- ▶ have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- ▶ consult your legal, financial or other professional adviser.

✓ **The Independent Expert has concluded that the Scheme is in the best interests of ASG Shareholders on the basis that it is both fair and reasonable, in the absence of a Superior Proposal**

The Independent Expert has assessed the underlying value of ASG to be in the range of \$1.48 and \$1.62 per ASG Share with a midpoint value of \$1.55. As the value implied by the Scheme Consideration of \$1.63 is above the estimate of the underlying value of the ASG Shares, the Independent Expert has concluded that the Scheme is in the best interests of ASG Shareholders on the basis that it is both fair and reasonable, in the absence of a Superior Proposal.

A full copy of the Independent Expert's Report is set out in Annexure A of this Scheme Booklet. The IBC encourage you to read the Independent Expert's Report in its entirety before making a decision as to whether or not to vote in favour of the Scheme.

✓ **The Scheme Consideration of \$1.63 per ASG Share represents significant premia to the trading levels of ASG Shares before the Scheme was announced**

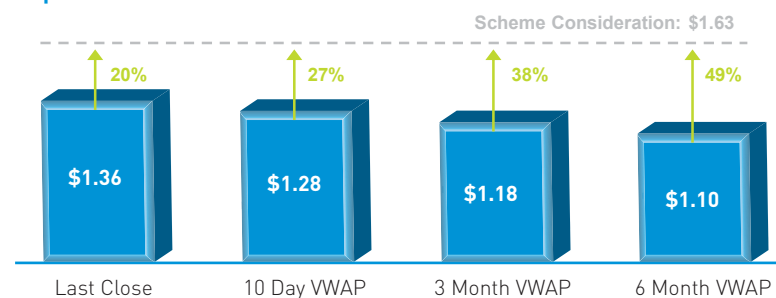
The Scheme Consideration of \$1.63 per ASG Share also represents significant premia of:

- ▶ 20% to the last close on 29 September 2016 of \$1.36;
- ▶ 27% to the 10 trading day VWAP of \$1.28;
- ▶ 38% to the 3 month VWAP of \$1.18; and
- ▶ 49% to the 6 month VWAP of \$1.10.

The VWAPs displayed are based on the cumulative trading for the respective periods up to and including 29 September 2016 being the day prior to ASG announcing that it had entered into the Scheme Implementation Agreement.

Accordingly, the Scheme provides an opportunity for ASG Shareholders to realise their investment in ASG at attractive premia to ASG trading levels before the Scheme was announced.

Implied Premia:



✓ **The \$1.63 per ASG Share under the Scheme provides you with certainty of cash for your ASG Shares**

The offer from NRI is a 100% cash offer.

If implemented, the Scheme Consideration of \$1.63 per ASG Share provides a high degree of certainty of value and timing for receipt of the Scheme Consideration.

Specifically, if all of the Conditions Precedent for the Scheme are satisfied or waived, as applicable, you will receive \$1.63 cash for each ASG Share you hold as at the Record Date (currently proposed to be 5:00pm (AWST) on 19 December 2016). Your Scheme Consideration will be paid to you on the Implementation Date (currently proposed to be 23 December 2016), either by direct payment to your nominated bank account (if you have validly registered your bank account details with ASG's Share Registry by the Record Date) or otherwise by cheque posted to your registered address.

The certainty of the all cash Scheme Consideration should be compared with the risks and uncertainties of remaining an ASG Shareholder. If the Scheme does not proceed, you will not receive the Scheme Consideration and the value which you may realise for your investment in ASG will necessarily be less certain.

✓ **No Superior Proposal has emerged as at the date of this Scheme Booklet**

Since the announcement that ASG had entered into the Scheme Implementation Agreement and up to the date of this Scheme Booklet, no Superior Proposal has emerged.

The IBC has not become aware of any alternative proposal and has no basis for believing that an alternative proposal will be received.

The Scheme Implementation Agreement prohibits ASG from seeking competing proposals (see Section 8.11 for more details). However, it does not prevent a third party from making an alternative proposal and does not prevent the IBC from responding to an unsolicited written proposal if failing to do so would breach their fiduciary or statutory duties.

Under the Scheme Implementation Agreement, ASG is required to make a payment of \$3,300,000 to NRI if certain events occur (for example, if the Scheme does not proceed because ASG enters into a legally binding agreement to undertake a Competing Transaction or any member of the ASG Board recommends a Competing Transaction) (see Section 8.11 for more details).

The IBC will notify ASG Shareholders if a Superior Proposal is received before the Scheme Meeting.

- ✓ **If the Scheme does not proceed and no Superior Proposal emerges, the price of ASG Shares is likely to fall below prevailing prices, and you will continue to be subject to the risks and uncertainties associated with owning ASG Shares and other general market risks**

Since 29 September 2016, being the last trading day prior to ASG announcing that it had entered into the Scheme Implementation Agreement, ASG's share price has risen 17.6% up to \$1.60 on 31 October 2016, being the last practicable trading day prior to the date of this Scheme Booklet.

Given the many factors that are likely to affect the price of ASG Shares, the IBC is unable to predict the price at which ASG Shares will trade in the future. Nevertheless, if the Scheme does not proceed and no Superior Proposal emerges, the IBC believes that it is likely that the market price for ASG Shares is more likely to fall than rise from current trading levels.

Amongst other things, the value of ASG Shares will continue to be subject to the performance of ASG's business from time to time, general market volatility, including general stock market movements, the impact of general economic conditions and the demand for listed securities.

The Scheme removes the risks and uncertainties for ASG Shareholders and allows ASG Shareholders to fully realise their investment in ASG at a price that the IBC considers to be attractive. If the Scheme is approved and implemented, the risks and uncertainties will be assumed by NRI, as the sole shareholder of ASG following implementation of the Scheme.

- ✓ **No brokerage or transaction costs are payable on the disposal of your ASG Shares under the Scheme**

ASG Shareholders will not be required to pay any brokerage or other transaction costs on the disposal of their ASG Shares under the Scheme.

2.3 Possible reasons not to vote for the Scheme

- ✗ **You may disagree with the IBC's unanimous recommendation and/or the Independent Expert's conclusion and believe that the Scheme is not in your best interests**

Despite the unanimous recommendation of the IBC and the conclusion of the Independent Expert, you may believe that the Scheme is not in your best interests.

In particular, you may believe that a continuing investment in ASG as an independent ASX-listed company will deliver higher returns over the long term than the \$1.63 cash per ASG Share offered under the Scheme. You may also consider that the future growth prospects of ASG are not fully reflected in the Scheme Consideration.

You are not obliged to accept the IBC's recommendation or to agree with the opinion of the Independent Expert.

- ✗ **You may wish to maintain an interest in a publicly listed investment with ASG's specific characteristics and maintain your investment profile**

You may wish to retain your ASG Shares as you may want to preserve your investment in a publicly listed company with the specific characteristics of ASG.

Implementation of the Scheme may represent a disadvantage if you do not want to change your investment profile. You should seek legal, financial or other professional advice in relation to your own circumstances.

- ✗ **You will lose the ability to participate in any potential upside that may result from remaining an ASG Shareholder**

If the Scheme is implemented, you will cease to be an ASG Shareholder. This means that you will lose the ability to participate in any potential upside that may result from remaining an ASG Shareholder. However, as with all investments in securities, there can be no guarantee as to ASG's future performance.

✖ **You may believe that there is potential for a Superior Proposal to materialise in the foreseeable future**

You may believe that there is potential for a Superior Proposal to materialise in the foreseeable future. However, as at the date of this Scheme Booklet, the IBC is not aware of any Superior Proposal and has no basis for believing that a Superior Proposal will be received. The IBC also notes that, since the Scheme was announced on 30 September 2016, there has been a significant period of time for a Superior Proposal to emerge and none has emerged as at the date of this Scheme Booklet.

The Scheme Implementation Agreement does not prevent a third party from making a Superior Proposal and does not prevent the IBC from responding to an unsolicited written proposal if failing to do so would breach their fiduciary or statutory duties. The IBC will notify ASG Shareholders if a Superior Proposal is received before the Scheme Meeting.

✖ **The tax consequences of the Scheme may not suit your financial position**

Implementation of the Scheme may potentially result in taxation consequences for you, which may not be optimal depending on your individual circumstances.

A general guide to the Australian taxation implications of the Scheme is set out in Section 7 of this Scheme Booklet. This guide is expressed in general terms only and you should seek professional advice regarding the taxation consequences applicable to your personal circumstances.

2.4 Other relevant considerations

(a) The Scheme has a number of Conditions Precedent

In addition to the need to obtain ASG Shareholder approval, FIRB approval and Court approval, the Scheme is subject to a number of other Conditions Precedent. These Conditions Precedent are set out in full in Schedule 2 of the Scheme Implementation Agreement and are summarised in Section 4.7 and Section 8.11(b) of this Scheme Booklet. All of these Conditions Precedent need to be satisfied (or alternatively waived, in the case of certain Conditions Precedent that are capable of being waived) in order for the Scheme to proceed.

The IBC does not consider the Conditions Precedent to be unduly onerous or inconsistent with market practice for a transaction of this nature. As at the date of this Scheme Booklet, the IBC is not aware of any matter that would result in a breach or non-fulfilment of any of the Conditions Precedent.

(b) The Scheme may be implemented even if you do not vote or vote against it

You should be aware that even if you do not vote, or vote against the Scheme, the Scheme may still be implemented if it is approved by the Requisite Majority of ASG Shareholders and the Court. If this occurs, your ASG Shares will be transferred to NRI and you will receive \$1.63 cash per ASG Share even though you did not vote on, or voted against, the Scheme.

(c) Costs

ASG has incurred costs in responding to the NRI Proposal and revisions of that proposal to the point that it is capable of being submitted to ASG Shareholders for their consideration. These costs include negotiations with NRI, retention of advisers, provision of information to NRI, facilitating NRI's access to due diligence, engagement of the Independent Expert and preparation of this Scheme Booklet.

If the Scheme is implemented, these costs will effectively be met by NRI as the ultimate controller of ASG following Implementation of the Scheme. If the Scheme is not implemented and if no Superior Proposal emerges and becomes effective, ASG expects to incur total costs of approximately \$1,000,000 which will be paid in the financial year ending 30 June 2017.

(d) NRI break fee

A fee of \$3,300,000 (known as a "break fee") is payable by ASG to NRI if the Scheme does not proceed because certain events occur including if the Scheme does not proceed because ASG enters into a legally binding agreement to undertake a Competing Transaction or any member of the ASG Board recommends a Competing Transaction (see Section 8.11 for more details).

3.

FREQUENTLY ASKED QUESTIONS

3. FREQUENTLY ASKED QUESTIONS

This Section provides summary answers to some questions you may have and will assist you to locate further detailed information in this Scheme Booklet. It is not intended to address all relevant issues for ASG Shareholders. If you have any additional questions in relation to this Scheme Booklet or the Scheme please consult your legal, financial or other professional adviser or call the Shareholder Information Line on +61 1300 668 378 between Monday and Friday from 9:00am to 5:00pm (AWST).

Question	Answer	More information
The Scheme at a glance		
What is the Scheme?	<p>The Scheme is a scheme of arrangement between ASG and its Shareholders.</p> <p>If the Scheme proceeds, NRI will acquire all ASG Shares for \$1.63 per ASG Share, ASG will become a wholly owned subsidiary of NRI and ASG will be de-listed from the ASX.</p> <p>A "scheme of arrangement" is a statutory procedure that can be used to enable one company to acquire another company. It requires a vote in favour of the Scheme by a Requisite Majority of ASG Shareholders at a meeting of ASG Shareholders and Court approval.</p>	The terms of the Scheme are set out in full in Annexure B
What does the IBC recommend?	The IBC unanimously recommends that, in the absence of a Superior Proposal and subject to the Independent Expert maintaining its conclusion that the Scheme is in the best interests of ASG Shareholders, ASG Shareholders should vote in favour of the Scheme at the Scheme Meeting.	The basis for this recommendation is set out in Section 2
How does the ASG Board and Senior Executive Team intend to vote?	Each member of the ASG Board and Senior Executive Team, who in aggregate represent approximately 11% of the total ASG Shares on issue, intends to vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert maintaining its conclusion that the Scheme is in the best interests of ASG Shareholders.	Further information about the intentions of the Directors is set out in Section 8.2
What is the Independent Expert's conclusion?	The Independent Expert has concluded that the Scheme is in the best interests of ASG Shareholders on the basis that it is both fair and reasonable, in the absence of a Superior Proposal.	The Independent Expert's Report is set out in full in Annexure A
What are the prospects of receiving a Superior Proposal?	The IBC notes that, since the Scheme was announced on 30 September 2016, there has been a significant period of time for a Superior Proposal to emerge and none has emerged. Given the time that has elapsed, the IBC's view is that a Superior Proposal is unlikely to emerge prior to the Scheme Meeting.	N/A

Question	Answer	More information
What should I do?	<p>You should read this Scheme Booklet in full, including the Independent Expert's Report, before deciding how to vote at the Scheme Meeting.</p> <p>You may vote by attending the Scheme Meeting or by appointing a proxy to vote on your behalf.</p> <p>Alternatively, you could sell your ASG Shares at any time prior to the Record Date.</p> <p>ASG Shareholders who sell some or all of their ASG Shares on ASX:</p> <ul style="list-style-type: none"> ▶ may receive payment (which may vary from the Scheme Consideration) for the sale of their ASG Shares sooner than they would receive the Scheme Consideration under the Scheme; ▶ may incur a brokerage charge; ▶ will not be able to participate in the Scheme, or a Superior Proposal, if one was to emerge, in respect of those ASG Shares they have sold; and ▶ may be liable for CGT on the disposal of their ASG Shares. 	<p>Further information about your choices is set out in Section 4.6 and information about how to vote is set out in Section 4.9 and in the Notice of Meeting in Annexure D</p>
The bidder		
Who is NRI?	<p>NRI is a leading global provider of system solutions and consulting services, including IT management consulting, system development and integration, and IT management and solutions for the banking, financial services, manufacturing, distribution and other service industries. Clients partner with NRI to expand businesses, design corporate structures and create new business strategies. NRI as at the Last Practicable Date has a market capitalisation of approximately ¥875 billion (equivalent to approximately A\$11 billion) and has approximately 10,000 employees across 37 offices globally with reported annual sales of over US\$4 billion.</p>	<p>Section 5.1 contains further details about NRI and its business</p>
How will NRI fund the Scheme Consideration?	<p>NRI will fund the Scheme Consideration through its balance sheet resources. As at 30 June 2016, NRI (on a consolidated basis) reported cash reserves exceeding the maximum total consideration payable by NRI in respect of the Scheme.</p>	<p>Section 5.4 contains further information about the way in which NRI will fund the Scheme Consideration</p>

Question	Answer	More information
What you will receive under the Scheme		
What will I receive if the Scheme becomes Effective?	If the Scheme becomes Effective, you will receive \$1.63 cash for each ASG Share you hold on the Record Date.	Section 4 contains further details about the Scheme
When and how will I be paid?	<p>Payment of the Scheme Consideration is expected to be made on or about the Implementation Date (currently proposed to be 23 December 2016).</p> <p>All payments will be made in Australian currency either by direct payment to your nominated bank account (if you have validly registered your bank account details with the ASG Share Registry by the Record Date) or otherwise by cheque sent to your registered address.</p>	<p>See clause 6 of the Scheme contained in Annexure B</p> <p>See Section 4.2 for further details on how and when you will receive the Scheme Consideration, including how to change or nominate a bank account in which to receive payment of your Scheme Consideration</p>
When will I receive the Scheme Consideration?	If you hold ASG Shares on the Record Date, you will be paid your Scheme Consideration on or around the Implementation Date.	Section 4.2 contains further details about the payment of the Scheme Consideration
What are the tax consequences of the Scheme?	You should consult with your own tax adviser regarding the tax consequences of disposing of your ASG Shares in accordance with the Scheme in light of current tax laws and your particular circumstances.	Section 7 provides a general outline of the Australian income tax, capital gains tax, goods and services tax and stamp duty consequences for ASG Shareholders who dispose of their ASG Shares in accordance with the Scheme
Will I have to pay brokerage fees or stamp duty?	No brokerage fees or Australian stamp duty will be payable on the transfer of ASG Shares under the Scheme.	Section 7 provides a general outline of the Australian income tax, capital gains tax, goods and services tax and stamp duty consequences for ASG Shareholders who dispose of their ASG Shares in accordance with the Scheme

Question	Answer	More information
Voting to approve the Scheme		
When and where will the Scheme Meeting be held?	The Scheme Meeting will be held at 10:00am (AWST) on 8 December 2016 at Parmelia Hilton Perth Hotel, 14 Mill Street, Perth WA.	See the Notice of Meeting set out in Annexure D
Am I entitled to vote at the Scheme Meeting?	If you are registered as an ASG Shareholder on the Share Register at 4:00pm (AWST) on 6 December 2016, you will be entitled to vote at the Scheme Meeting.	Section 4.10 provides further information on who is entitled to vote at the Scheme Meeting
What vote is required to approve the Scheme?	<p>For the Scheme to proceed, the resolution to approve the Scheme at the Scheme Meeting must be approved by:</p> <ul style="list-style-type: none"> ▶ unless the Court orders otherwise, a majority in number (more than 50%) of ASG Shareholders, who are present and voting either in person or by proxy, attorney or, in case of corporate ASG Shareholders, by corporate representative; and ▶ at least 75% of the total number of votes cast on the resolution to approve the Scheme. <p>It is also necessary for the Court to approve the Scheme before it can become Effective.</p>	Section 4.3 for the key steps to implement the Scheme
What choices do I have as an ASG Shareholder?	<p>As an ASG Shareholder you have the following choices, you can:</p> <ul style="list-style-type: none"> ▶ vote in person or by proxy at the Scheme Meeting; ▶ elect not to vote at the Scheme Meeting; or ▶ sell your ASG Shares on ASX. If you sell your ASG Shares on ASX you may incur brokerage costs. 	See Section 4.6 for more information
Should I vote?	Voting is not compulsory. However, the IBC believes that the Scheme is important to ASG Shareholders and the IBC unanimously recommends that you vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert maintaining its conclusion that the Scheme is in the best interests of ASG Shareholders.	Section 2 provides further information about matters relevant to your vote
How do I vote?	<p>You may vote in person by attending the Scheme Meeting to be held at 10:00 am (AWST) on 8 December 2016. Alternatively, you may vote by completing and lodging the proxy form that is enclosed with this Scheme Booklet. The proxy form can be lodged in person, by mail, by fax or sent electronically by visiting www.linkmarketservices.com.au and using your holding details as shown on the proxy form attached to the Notice of Meeting.</p> <p>You can also vote by appointing a corporate representative (if you are a corporate shareholder) or an attorney.</p>	Full details of how to vote and how to lodge a proxy form, corporate representative appointment or power of attorney are set out in the Notice of Meeting in Annexure D
What happens if I do not vote, or I vote against the Scheme?	<p>The Scheme may not be approved at the Scheme Meeting. If this occurs the Scheme will not proceed, you will not receive the Scheme Consideration and you will remain an ASG Shareholder.</p> <p>However, if the Scheme is approved and implemented your ASG Shares will be transferred to NRI and you will receive the Scheme Consideration for your ASG Shares even if you did not vote or you voted against the Scheme.</p>	<p>For further information on the key implementation steps refer to Section 4.3</p> <p>For further information on the transfer of your ASG Shares in circumstances where you vote against the Scheme refer to Section 2.4(b)</p>

Question	Answer	More information
What happens if the Scheme is not approved at the Scheme Meeting or is not approved by the Court?	<p>If the Scheme is not implemented:</p> <ul style="list-style-type: none"> ▶ ASG will remain listed on ASX; ▶ you will retain your ASG Shares; ▶ ASG Shareholders will not receive the Scheme Consideration; and ▶ ASG Shareholders will remain exposed to the risks of ASG, as discussed in Section 5.5. <p>The IBC believes that if the Scheme is not implemented, the price of ASG Shares may fall.</p> <p>Before the Scheme Meeting, ASG estimates that it will have incurred or committed transaction costs of approximately \$1,000,000 in relation to the Scheme. Those costs will be payable by ASG regardless of whether or not the Scheme is approved and becomes Effective.</p> <p>If the Scheme does not proceed you will retain your ASG Shares. In such circumstances, your Directors intend to continue to operate ASG as a listed public company providing IT business solutions, IT management and consulting services and business intelligence and thought leadership under the guidance of the current senior management. The ASG Board has not formed any plans to make any significant changes to the business of ASG, redeploy any of its operating assets or change or affect the future employment of the present employees of ASG.</p> <p>Section 6.3 provides details on NRI's intentions in respect of ASG if the Scheme is implemented.</p>	Section 5.5 provides further details on ASG's future prospects in the event that the Scheme does not proceed
When will the result of the Scheme Meeting be known?	The results of the Scheme Meeting will be available shortly after the conclusion of the Scheme Meeting and will be announced on the ASX announcements platform once available. The results will also be published on www.asggroup.com.au soon after the Scheme Meeting.	N/A
Other		
Can I keep my ASG Shares?	If the Scheme is implemented, your ASG Shares will be transferred to NRI. This will happen even if you did not vote or you voted against the Scheme.	Section 2.4(b) provides further information on the transfer of your ASG Shares in circumstances where you vote against the Scheme
What happens if a Superior Proposal emerges?	If a Superior Proposal is received this will be announced to ASX and the IBC will carefully consider the proposal and advise you of its recommendation. In accordance with the Scheme Implementation Agreement, NRI also has a right to match any such proposal.	N/A

Question	Answer	More information
What happens if ASG is approached in relation to a Competing Transaction?	<p>If ASG is approached in relation to a Competing Transaction, the IBC will carefully consider the proposal having regard to ASG's obligations under the Scheme Implementation Agreement and advise you of its recommendation.</p> <p>ASG must notify NRI of any approach in relation to a Competing Transaction in accordance with the Scheme Implementation Agreement.</p>	Section 8.11 contains a summary of the key terms of the Scheme Implementation Agreement
How will ASG Options held by participants be treated under the Scheme?	Optionholders have agreed to cancel their ASG Options in accordance with the terms of the Option Cancellation Deeds entered into by each Optionholder. In consideration for the cancellation of each ASG Option, NRI will provide ASG with sufficient funds to pay, or at the direction of ASG pay, to each Optionholder the Option Consideration on the Implementation Date.	Section 8.5 sets out information relating to the treatment of ASG Options under the Scheme
Are any other approvals required?	The Scheme must be approved by the Court in addition to being approved by a Requisite Majority of ASG Shareholders. If the Scheme is approved by a Requisite Majority of ASG Shareholders at the Scheme Meeting, ASG will apply to the Court for approval of the Scheme. The Court hearing is expected to be held on 12 December 2016 (although this may change).	<p>Further details of the approval process are set out in Section 4.3</p> <p>Implementation of the Scheme is subject to certain regulatory approvals as summarised in Section 8.10</p>
Is the Scheme subject to any conditions?	<p>Implementation of the Scheme is subject to a number of Conditions Precedent that will need to be satisfied or waived (where capable of being waived) before the Scheme can become Effective.</p> <p>In summary, as at the date of this Scheme Booklet, the outstanding Conditions Precedent include:</p> <ul style="list-style-type: none"> ▶ approvals from all relevant Australian regulatory bodies such as FIRB being received; ▶ ASG Shareholders' approval of the Scheme at the Scheme Meeting by the Requisite Majority; ▶ Court approval of the Scheme in accordance with section 411(4)(b) of the Corporations Act; ▶ no Prescribed Event or Material Adverse Change having occurred as stipulated in the Scheme Implementation Agreement; and ▶ the Scheme Implementation Agreement not being terminated. 	<p>See Sections 4.7 and 8.11(b) for further details</p> <p>The Conditions Precedent are set out in full in Schedule 2 of the Scheme Implementation Agreement, a copy of which is available on ASX's website at www.asx.com.au and on ASG's website at www.asgggroup.com.au</p>

Question	Answer	More information
When do the conditions have to be satisfied by?	<p>Apart from the Conditions Precedent relating to Court and ASG Shareholder approval, the outstanding Conditions Precedent must be satisfied or waived (if applicable) prior to or as at 8:00am on the Second Court Date.</p> <p>The Second Court Date is scheduled for Monday 12 December 2016. If a Condition Precedent is not satisfied or waived (if applicable) by 8:00am on this date, ASG will make an application to the Court to change the date of this hearing.</p> <p>In any case, the Conditions Precedent must be satisfied or waived (where capable of waiver) by the End Date. The End Date is 30 June 2017, unless ASG and NRI agree otherwise in writing.</p> <p>If the relevant Conditions Precedent are not satisfied or waived (if applicable) by the End Date, the Scheme will not be implemented.</p>	N/A
Can the Scheme Implementation Agreement be terminated?	Yes. In certain circumstances ASG and NRI are each entitled to terminate the Scheme Implementation Agreement in which case the Scheme will not become Effective. NRI may terminate the Scheme Implementation Agreement in certain circumstances, including if at any time prior to 8:00am on the Second Court Date the IBC changes its recommendation to vote in favour of the Scheme or a Material Adverse Change occurs.	See clause 15.1 of the Scheme Implementation Agreement and Section 8.11
When could ASG be required to pay a Break Fee?	<p>Under the Scheme Implementation Agreement, ASG has agreed to pay NRI \$3,300,000 if the Scheme does not proceed because certain events occur, including:</p> <ul style="list-style-type: none"> ▶ a Competing Transaction is announced on or before the End Date and either ASG enters into a legally binding agreement to undertake the Competing Transaction; or any member of the ASG Board recommends the Competing Transaction; ▶ at any time during the Exclusivity Period or within 3 months afterwards, the proponent of the Competing Transaction acquires control of ASG; ▶ any member of the IBC fails to recommend the Scheme or withdraws their recommendation, or any ASG Director supports a Competing Transaction, except in certain circumstances; ▶ NRI validly terminates the Scheme Implementation Agreement for a material breach of the Scheme Implementation Agreement by ASG in certain circumstances; or ▶ a Prescribed Event occurs prior to 8:00am on the Second Court Date and the Scheme Implementation Agreement is validly terminated following a period of consultation between the parties. 	Section 8.11 contains a summary of the key terms of the Scheme Implementation Agreement

Question	Answer	More information
Do I need to do or sign anything to transfer my ASG Shares?	<p>No. If the Scheme becomes Effective, ASG will automatically have authority to sign a transfer document on behalf of Scheme Participants, who will then be paid the Scheme Consideration as set out above.</p> <p>You should be aware that, if you are a Scheme Participant, you will be deemed to have warranted to ASG, and authorised ASG to warrant to NRI on your behalf, that:</p> <ul style="list-style-type: none"> ▶ all of your ASG Shares are fully paid and free from all encumbrances (for example, mortgages or other security interests); and ▶ you have full power and capacity to transfer your ASG Shares to NRI. 	See clauses 5.2, 5.6 and 8.1 of the Scheme, a copy of which is set out in Annexure B
What happens if NRI breaches the Scheme Implementation Agreement?	If NRI is in material breach of the Scheme Implementation Agreement and the circumstances giving rise to the breach have not been remedied in the requisite time period and ASG exercises its right to terminate the Scheme Implementation Agreement, NRI must pay ASG a fee of A\$3,300,000 as reimbursement for the costs incurred by ASG in connection with the transaction	See clause 12 of the Scheme Implementation Agreement
Why has this proposed transaction been structured as a scheme of arrangement?	<p>ASG and NRI consider that the Scheme represents the most efficient structure to implement the proposed transaction.</p> <p>This structure provides the greatest certainty that if the Scheme is agreed to by ASG Shareholders and approved by the Court and proceeds to implementation, 100% ownership and control of ASG will be acquired by NRI within a specific timeframe that meets the commercial objectives of both NRI (as the intended acquirer) and ASG (as the target company).</p>	N/A
What other information is available and who can help answer my questions about the Scheme?	If you have any questions, you should contact your financial, legal or other professional advisor immediately. Alternatively, you can call the ASG Shareholder Information Line on +61 1300 668 378 between 9:00 am to 5:00 pm (AWST) Monday to Friday or visit ASG's website at www.asggroup.com.au .	N/A

The background is a complex geometric pattern composed of various-sized triangles in shades of green and yellow. The triangles are arranged in a way that creates a sense of depth and movement, with some triangles pointing upwards and others downwards. The colors range from a light, pale yellow to a vibrant, medium green.

4.

DETAILS OF THE SCHEME

4. DETAILS OF THE SCHEME

4.1 Overview

On 30 September 2016, ASG announced that it had entered into a Scheme Implementation Agreement with NRI under which, subject to the satisfaction or waiver of a number of Conditions Precedent, ASG agreed to propose the Scheme to ASG Shareholders. A summary of the key terms of the Scheme Implementation Agreement is included in Section 8.11 of this Scheme Booklet.

4.2 Payment of Scheme Consideration

If the Scheme is implemented, ASG Shareholders on the Register on the Record Date, being 5:00pm (AWST) on the fifth Business Day following the Effective Date (Scheme Participants) will be entitled to receive \$1.63 per ASG Share they hold as at the Record Date in cash from NRI (Scheme Consideration). Such ASG Shareholders will be paid the Scheme Consideration on or about the Implementation Date.

(a) Scheme Participants who have nominated a bank account with ASG

If the ASG Share Registry has received a valid request from a Scheme Participant to receive payment by direct credit by the Record Date (currently proposed to be 5:00pm (AWST) on 19 December 2016), the Scheme Consideration will be paid directly to their nominated bank account.

You can change or nominate an Australian bank account in which to receive payment of the Scheme Consideration by visiting www.linkmarketservices.com.au, click on "Investor Login", key in ASG Group Limited or ASZ in the Issuer Name field, enter your Securityholder Reference Number (SRN) or Holder Identification Number (HIN), enter your postcode or, if your registered address is overseas, click on the "OUTSIDE AUSTRALIA" link to look up your country of residence, type in the security code, click on the box regarding the terms and conditions and then click on Login. Click on Payments & Tax and then Update Payments instructions. Alternatively, you may call the Shareholder Information Line on +61 1300 668 378 between 9:00am and 5:00pm (AWST) to request a hard-copy direct credit instruction form. Scheme Participants must validly register their bank account details with the ASG Share Registry before the Record Date (currently proposed to be 5:00pm (AWST) on 19 December 2016).

In the event that ASG is unable to pay the Scheme Consideration by direct credit to the Scheme Participants who have a nominated bank account with the ASG Share Registry, those Scheme Participants will receive the Scheme Consideration by cheque sent by pre-paid post.

(b) Scheme Participants who have not nominated a bank account with ASG

If the ASG Share Registry does not receive details of a Scheme Participant's nominated bank account by the Record Date, they will receive the Scheme Consideration by cheque sent by pre-paid post.

If you would like to receive the Scheme Consideration by direct credit to your bank account, you must nominate an Australian bank account in accordance with the process set out in Section 4.2(a) by the Record Date (currently proposed to be 5:00pm (AWST) on 19 December 2016).

4.3 Key steps to implement the Scheme

The key steps to implement the Scheme are as follows:

- (a) ASG Shareholders will vote on whether to approve the Scheme at the Scheme Meeting. Each ASG Shareholder who is registered on the Register at 4:00 pm (AWST) on 6 December 2016 is entitled to vote at the Scheme Meeting.
- (b) If the Scheme is approved by the Requisite Majority at the Scheme Meeting ASG will apply to the Court to approve the Scheme on the Second Court Date (expected to be 12 December 2016). Section 4.8 contains details on this procedure. The Corporations Act and the relevant Court rules provide a procedure for ASG Shareholders to oppose the approval by the Court of the Scheme.
- (c) If the Court approves the Scheme, and all Conditions Precedent to the Scheme have been satisfied or waived, the Scheme will become effective when ASG lodges with ASIC an office copy of the Court order approving the Scheme. ASG expects to lodge this with ASIC on 12 December 2016 and will give notice of that event to ASX.

- (d) With effect from the start of the Business Day following the day on which the office copy of the Court order is lodged with ASIC, ASG Shares will be suspended from trading on ASX.
- (e) ASG Shareholders will be entitled to receive the Scheme Consideration under the Scheme if they are registered as the holders of ASG Shares at 5:00pm (AWST) on the Record Date. The Record Date is currently expected to be 19 December 2016.
- (f) No later than 2 Business Days before the Implementation Date, NRI will deposit the aggregate amount of the Scheme Consideration into the Trust Account. On the Implementation Date, ASG will pay the Scheme Consideration to each Scheme Participant by cheque or direct credit.
- (g) If requested by NRI, ASG will apply for termination of the official quotation of ASG Shares on ASX and to have itself removed from the official list of the ASX following the Implementation Date.

4.4 IBC Recommendation

The IBC unanimously considers that the Scheme is in the best interests of ASG Shareholders and recommends that you vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert maintaining its conclusion that the Scheme is in the best interests of ASG Shareholders. The IBC believes that the reasons for ASG Shareholders to vote in favour of the Scheme outweigh any reasons to vote against it.

Geoffrey Lewis, who is also an ASG Director, has entered into a new executive services agreement, on terms which have not materially changed from his existing arrangements, which will take effect on the Effective Date. This is because NRI has sought to retain his services as ASG's Managing Director if the Scheme is successful. As a result of this Mr Lewis does not consider it appropriate for him to make a recommendation to ASG Shareholders in relation to the Scheme. See Section 8.3 for more information.

4.5 Independent Expert's conclusion

The Independent Expert has assessed the underlying value of ASG to be in the range of \$1.48 and \$1.62 per ASG Share with a midpoint value of \$1.55. As the value implied by the Scheme Consideration of \$1.63 is above the estimate of the underlying value of the ASG Shares, the Independent Expert has concluded that the Scheme is in the best interests of ASG Shareholders on the basis that it is both fair and reasonable, in the absence of a Superior Proposal.

A full copy of the Independent Expert's Report is set out in Annexure A of this Scheme Booklet. The IBC encourage you to read the Independent Expert's Report in its entirety before making a decision as to whether or not to vote in favour of the Scheme.

4.6 Your choices as an ASG Shareholder

As an ASG Shareholder you have the following choices, you can:

- (a) vote at the Scheme Meeting in person, by attorney, by proxy or, in the case of corporate shareholders, by corporate representative;
- (b) elect not to vote at the Scheme Meeting; or
- (c) sell your ASG Shares on ASX. If you sell your ASG Shares on ASX you may incur brokerage costs. If the Scheme becomes Effective, ASG Shares will cease trading on ASX at close of trading on the Effective Date. Accordingly, you can sell your ASG Shares on market at any time before the close of trading on the day that the Scheme becomes Effective (although normal brokerage and other expenses on sale may be incurred). This is expected to occur on 12 December 2016.

4.7 Conditions Precedent to the Scheme

The implementation of the Scheme is subject to a number of Conditions Precedent as set out in Schedule 2 of the Scheme Implementation Agreement. A full copy of the Scheme Implementation Agreement is available on ASX's website at www.asx.com.au and on ASG's website at www.asggroup.com.au.

As at the date of this Scheme Booklet, implementation of the Scheme remains conditional on:

- (a) approvals from all relevant Australian regulatory bodies such as FIRB;
- (b) ASG Shareholders' approval of the Scheme at the Scheme Meeting by the Requisite Majority;

- (c) Court approval of the Scheme in accordance with section 411(4)(b) of the Corporations Act;
- (d) no Prescribed Event or Material Adverse Change having occurred as stipulated in the Scheme Implementation Agreement; and
- (e) the Scheme Implementation Agreement not being terminated.

4.8 Court approval

On 2 November 2016, the Court made the requisite orders that the Scheme Meeting be convened and that this Scheme Booklet be dispatched to ASG Shareholders. The orders made by the Court convening the Scheme Meeting do not constitute an endorsement of, or any other expression of opinion on, the Scheme or this Scheme Booklet.

ASG will apply to the Court for an order approving the Scheme if the Scheme is approved by the Requisite Majority of ASG Shareholders at the Scheme Meeting. The Court has discretion as to whether to grant the orders approving the Scheme, even if the Scheme is approved by the Requisite Majority of ASG Shareholders.

Each ASG Shareholder and, with the Court's permission, any other interested person has the right to appear at the Second Court Hearing.

The Corporations Act and the *Federal Court (Corporations) Rules 2000* (Cth) provide a procedure for ASG Shareholders to oppose the approval by the Court of the Scheme. If you wish to oppose the approval of the Scheme at the Second Court Hearing you may do so by filing with the Court and serving on ASG a notice of appearance in the prescribed form together with any affidavit on which you wish to rely at the hearing. With leave of the Court, you may also oppose the approval of the Scheme by appearing at the Second Court Hearing and applying to raise any objections you may have at the hearing. ASG should be notified in advance of an intention to object. The date for the Second Court Hearing is currently scheduled to be 12 December 2016, though an earlier or later date may be sought. Any change to this date will be announced through ASX and notified on ASG's website (www.asggroup.com.au).

4.9 How to vote

ASG Shareholders can vote in either of two ways:

- (a) by attending the Scheme Meeting and voting in person or by attorney or, in the case of corporate shareholders, by corporate representative; or
- (b) by appointing a proxy to attend and vote on their behalf.

See the Notice of Meeting set out in Annexure D for full details on how to vote.

4.10 Eligibility to vote

The time for determining eligibility to vote at the Scheme Meeting is 4:00pm (AWST) on 6 December 2016. Only those ASG Shareholders entered on the ASG Register at that time will be entitled to attend and vote at the Scheme Meeting.

4.11 Determination of persons entitled to the Scheme Consideration

To establish the identity of the Scheme Participants, dealings in ASG Shares will only be recognised by ASG if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the relevant ASG Shares on or before 5:00pm (AWST) on the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before 5:00pm (AWST) on the Record Date at the place where the Register is kept.

4.12 Register

ASG must register any registrable transmission applications or transfers of the ASG Shares received on or before 5:00pm (AWST) on the Record Date.

4.13 No disposals after Effective Date

If the Scheme becomes Effective, you may not dispose of any ASG Shares after the Effective Date. Any dealings in ASG Shares after this time will not be recognised.

4.14 Maintenance of the Register

For the purpose of determining entitlements to the Scheme Consideration, ASG will maintain the Register until the Scheme Consideration has been paid to the Scheme Participants and NRI has been entered in the Register as the holder of all the ASG Shares. The Register in this form on the Record Date will solely determine entitlements to the Scheme Consideration.

4.15 Deemed warranty on transfer of ASG Shares to NRI

Under the terms of the Scheme, each Scheme Participant is deemed to have warranted to NRI (and appointed and authorised ASG as its attorney and agent to warrant to NRI) that:

- ▶ all of their ASG Shares will, at the date of the transfer, be fully paid and free from all encumbrances (such as mortgages and other security interests); and
- ▶ they have full power and capacity to transfer their ASG Shares (including any rights and entitlements attaching to those ASG Shares) to NRI (see clause 5.6 of the Scheme in Annexure B).

You must ensure that your ASG Shares are free of any such mortgages or security interests.

4.16 Deed Poll

On 25 October 2016 NRI executed the Deed Poll under which NRI agreed, subject to the Scheme becoming Effective, to pay the aggregate Scheme Consideration payable to Scheme Participants into the Trust Account no later than 2 Business Days before the Implementation Date. A summary of the key terms of the Deed Poll is set out in Section 7.12 of this Scheme Booklet. A copy of the Deed Poll is also included in Annexure C.

4.17 Australian taxation implications

A general guide to the Australian taxation implications of the Scheme for ASG Shareholders is set out in Section 7 of this Scheme Booklet. This guide is expressed in general terms and is not intended to provide taxation advice in respect of the particular circumstances of any ASG Shareholder.

4.18 Suspension of trading

ASG will apply to ASX for suspension of trading in ASG Shares on ASX after close of trading on the day the Scheme becomes Effective. Following final implementation of the Scheme, ASG will, if directed by NRI, request ASX to remove it from the official list of ASX.



5.

INFORMATION ABOUT ASG

5. INFORMATION ON ASG

5.1 Background

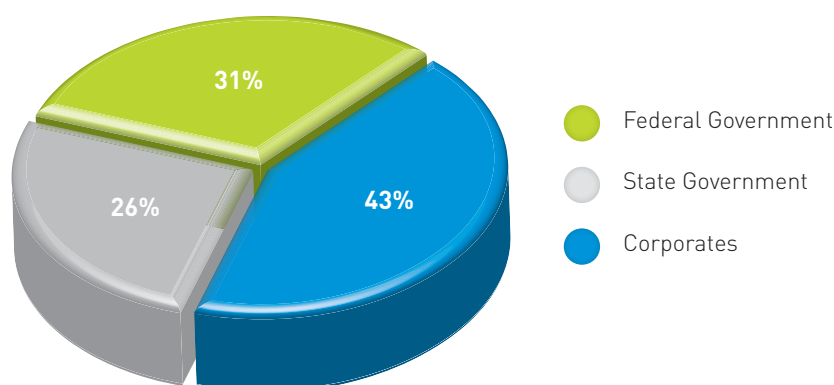
ASG is an award winning Australian IT business solutions provider, offering IT management and consulting services, business intelligence and thought leadership to organisations within both the private and public sectors.

ASG was established in 1996 and listed on the ASX in 2002 through a merger with eSec Limited. Since then, ASG has grown through a combination of acquisitions and organic growth.

ASG is headquartered in Perth with offices also located in Sydney, Melbourne, Canberra and Brisbane. ASG has approximately 850 full-time equivalent staff.

ASG has a well-established customer base diversified across a broad range of industries including construction and engineering, health, energy and utilities, mining, oil and gas, telecommunications, banking and financial, education and transport. ASG also has a strong presence in both State and Federal government sectors.

Revenue by sector for the financial year ending 30 June 2016



In the financial year ended 30 June 2016, ASG reported revenue of approximately \$189 million and EBITDA of approximately \$27 million.

5.2 Overview of operations

ASG predominantly provides outsourced IT services, also known as managed services, under long-term agreements to commercial and government enterprises. ASG also provides non-managed services such as bespoke project work for data analytics / big data or consulting and implementation of SAP and Oracle. These services are described in more detail below.

(a) Managed services

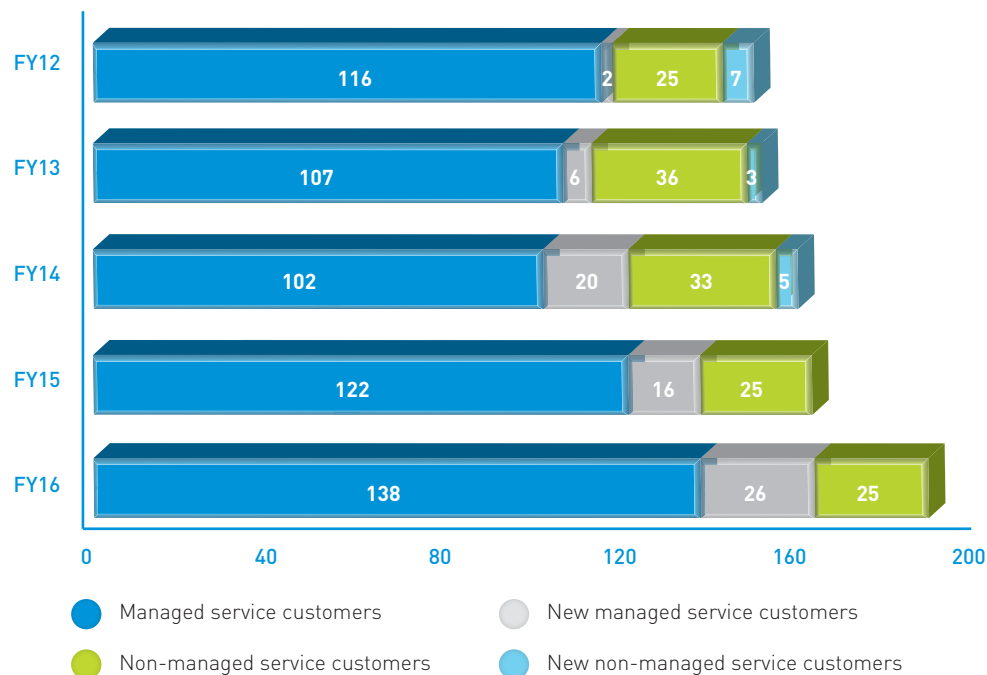
Managed services comprise the largest proportion of ASG's business, accounting for over 85% of ASG's revenue for the financial year ended 30 June 2016. ASG's managed services are typically based on 3 to 5 year fixed-price contracts in the range of A\$10 million to A\$100 million (in aggregate) with client options to extend.

Managed services allow organisations to outsource their IT portfolios and realise cost savings by enabling pricing to be based on fees for services rendered rather than having to incur heavy capital spend or maintenance costs.

ASG's managed services division is comprised of functions and technologies including:

- ▶ Application Managed Services covering application technology from Oracle and SAP;
- ▶ Enterprise Resource Planning as a Service (ERPaaS) solutions leveraging technology from a variety of industry leading application providers;
- ▶ Cloud Management covering Infrastructure as a Service (IaaS), Platform as a Service (PaaS) and Software as a Service (SaaS) solutions; and
- ▶ Infrastructure Managed Services covering End User Computing and Central Compute Services.

Revenue by division FY12 to FY16



(b) Non-managed services

From its core of supporting infrastructure and managed services, ASG also provides non-managed services such as bespoke project work for data analytics / big data or consulting and implementation of SAP and Oracle.

ASG's core expertise in this area include:

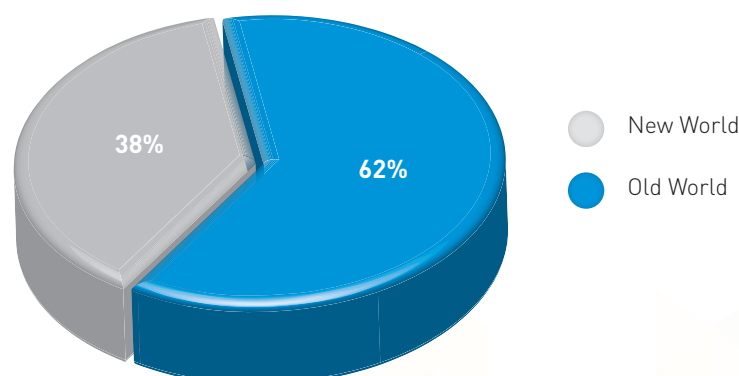
- ▶ Strategy and Architecture;
- ▶ Transformation – Information and Communications Technology (ICT) and Process;
- ▶ Service Management and Information Technology Infrastructure Library (ITIL) Consulting;
- ▶ Project and Programme Management; and
- ▶ Business Analyst services.

(c) New World

ASG's "New World" service builds off its capabilities in managed and non-managed services and is unique in the Australian marketplace. Development of "New World" intellectual property first began in 2011 to strategically re-position ASG to capitalise on the trend of organisations moving away from IT asset ownership towards an operating utility consumption model.

ASG's "New World" services are directed at supporting business transformation in a SaaS / PaaS context utilising hybrid cloud models including Amazon Web Services and Microsoft Azure to provide a "whole of house" IT services solution. Many of ASG's new contracts are now "New World" which involve business and IT change for its clients.

Revenue by type for the year ended 30 June 2016



5.3 Directors and senior management

The current directors of ASG are:

- ▶ Mr Ian Campbell (Non-Executive Chairman and IBC member);
- ▶ Mr Geoffrey Lewis (Managing Director);
- ▶ Mr Stephen Johnston (Non-Executive Director and IBC member); and
- ▶ Mr Grant Pestell (Non-Executive Director and IBC member).

The current executive management of ASG comprises:

- ▶ Mr Geoffrey Lewis (Chief Executive Officer);
- ▶ Mr Dean Langenbach (Chief Operating Officer and Chief Financial Officer); and
- ▶ Mr Gerald Strautins (Executive, Strategy).

Mr Peter Torre is the Company Secretary.

Mr Lewis has entered into a new executive services agreement, on terms which have not materially changed from his existing arrangements, which will take effect on the Effective Date. See Section 8.3(c) for more information. Mr Lewis is not a member of the IBC. If the Scheme is approved, the intentions of NRI in relation to employees generally is set out in Section 6.3.

5.4 ASG Securities

As at the Last Practicable Date, ASG had the following securities on issue:

Class of Securities	Number
ASG Shares (being ordinary fully paid shares)	201,781,465
ASG Options	12,540,000

Refer to Section 8.5 for information about how the ASG Options will be treated under the Scheme.

5.5 Risks relating to an investment in ASG

In considering the Scheme, you should be aware that there are a number of general risk factors as well as risks specific to ASG and/or the industries in which it operates, which could materially affect the future operating and financial performance of ASG, the value of ASG Shares and any future dividends. Many of these risks, while currently relevant to ASG Shareholders, will only continue to be relevant to ASG Shareholders if the Scheme does not proceed and you retain your current investment in ASG.

If the Scheme proceeds, the Scheme Participants will receive the Scheme Consideration, cease to be an ASG Shareholder and no longer be exposed to the risks set out in this Section 5.5.

The Directors and executive management of ASG, in the ordinary course of business, assess material risks associated with the operations of ASG and take appropriate steps to mitigate them. While some of these risks can be mitigated, some are out of the control of ASG, its Directors and executive management, and cannot be mitigated.

Before deciding to vote on the Scheme you should have a sufficient understanding of these risks and consider whether continuing to hold ASG Shares is a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. The outline of the risks set out in this Section 5.5 is a summary only and should not be considered exhaustive. This Section 5.5 does not purport to list every risk that may be associated with continuing to hold ASG Shares now or in the future. The risks identified do not take into account your individual investment objectives, financial situation, position or the particular needs of each ASG Shareholder.

You should carefully consider the risk factors discussed in this Section 5.5, as well as other information contained in this Scheme Booklet before voting on the Scheme.

(a) General risks

Like many listed companies, ASG is exposed to a number of general risks which could materially affect its profitability, dividends, assets and liabilities, reputation, return of capital, market price or value. These matters will be influenced by a number of factors, including factors beyond the control of ASG which may include changes in:

- ▶ investor sentiment and overall performance of the Australian and international capital markets;
- ▶ general business industry cycles (e.g. in IT services, consulting and advisory) and economic conditions including economic growth, consumer demand, interest rates, exchange rates, inflation and employment levels in Australia and internationally;
- ▶ general government fiscal, monetary, regulatory and foreign policies in relevant jurisdictions and changes to political, regulatory or judicial policies or conditions which may cause disruption to supply and demand dynamics;
- ▶ natural disasters and catastrophes, whether on a global, regional or local scale; and
- ▶ accounting or financial reporting standards which affect the financial performance and position reported by ASG.

(b) Risks specific to ASG**Reliance on key personnel**

ASG is reliant on the expertise, knowledge and specialist skills of its employees and contractors. ASG's growth and profitability may be limited if a significant number of its key personnel leave ASG. ASG may also be adversely affected by the inability to attract new suitably qualified personnel or by increased compensation costs associated with attracting and retaining key personnel.

Revenue from government agencies

Approximately 57% of ASG's revenue for the financial year ended 30 June 2016 was derived from services rendered to Federal and State governments. Of this amount, approximately 31% of total revenue for the financial year ended 30 June 2016 was from the Federal Government. A material decrease in demand for services from government agencies driven by restricted government spending or change in government may have a significant adverse impact on ASG's revenue.

ASG's business model

Since 2011, ASG's business model has expanded to include new service offerings whose revenue is less reliant on hourly or daily rates and more reliant on the fees associated with the provision of IT hardware infrastructure and software as a customised service (e.g. ASG's "New World" and other cloud related service models). This model is designed to enable ASG to grow its revenue without necessarily increasing employee and contractor head count and to enable greater scale and more recurring business. If the ongoing execution of this business plan is materially delayed or is unsuccessful, this may adversely affect ASG's financial performance and future growth prospects. Additionally, ASG generates revenues through the provision of non-managed services of which contracts are generally shorter in nature than managed services contracts. ASG must continually win new non-managed services business in order to achieve its earnings targets. If ASG does not win new non-managed services business, its financial performance may be adversely affected.

Contracted services

ASG has entered into various strategic partnerships with third party software providers and providers of technology based infrastructure associated with its business, including Oracle, Amazon, SAP, Hewlett Packard, Microsoft, Nextgen, Symantec, NextDC, Larsen & Toubro, Microland, Canberra Data Centres, CISCO and Marval. There is no guarantee of renewal of these strategic partnership agreements on terms which are commercially attractive to ASG, or at all, or that clients will continue to purchase such contracted services through ASG. The loss, non-renewal or renewal on less favourable terms of such agreements may adversely affect ASG's ability to conduct its business, or to maintain its profitability.

Cash flow

As part of ASG's strategic positioning to secure engagements on larger and longer projects, there is a risk that ASG's cash flow may be impacted by reliance on the achievement of milestones or deferred timing of milestone payments on some engagements. ASG's cash flow may also be impacted by project deferrals and delays by clients across industry sectors.

Competition

ASG operates in a highly competitive and dynamic industry. This exposes ASG to a number of risks associated with maintaining its market position. These risks include:

- ▶ there being a material adverse effect on ASG's business, results of operations and financial conditions as a result of certain pricing, service or marketing decisions or acquisitions or divestments made by ASG as a strategic response to changes in the competitive environment;
- ▶ other parties developing products or services that compete with ASG or supersede or supplant products or services of ASG, or are more competitively priced than ASG's products or services;
- ▶ there being unexpected changes in customer demands or expectations for ASG's products or services; and
- ▶ professional indemnity, product and other liability claims being successfully made or asserted against ASG, given that the testing, marketing, sale and implementation of technology based products and services entails an inherent risk of liability.

Market share

ASG's strategy for increasing (or at least maintaining) its market share relies on ASG's ability to meet the changing service requirements and value expectations of its customers. The ability of ASG to respond to such market factors will be critical to the continued performance and profitability of ASG and any reduction in market share could adversely impact ASG's growth and profitability, absent offsetting factors.

Changes in outsourcing practices

Client changes in their practices and perspectives in relation to outsourcing and spending on IT needs and projects may decrease the demand for services provided by ASG. In particular, ASG derives a considerable amount of its revenue from working with government agencies, which have a heightened risk of altering their spending commitments.

Reputational risk

ASG's brand and reputation is important to winning contracts and generating revenue. ASG has developed a reputation in the name and mark "ASG", which it uses in the services provided by it. There is a risk that an event may cause ASG to suffer a loss of reputation. If ASG's brand or reputation is damaged in any way, ASG's ability to win contracts will be impacted, which could have an adverse effect on its revenue or profitability.

Technology changes

The environment in which ASG operates is constantly evolving with new technologies which could act as substitutes for the services offered by ASG. To remain competitive, ASG will need to gain relevant knowledge and expertise as and when new technologies emerge. There is no guarantee that ASG can effectively keep pace with changes in technological developments. Failure to do so could result in ASG finding it increasingly difficult to compete in its chosen target segments.

Litigation and disputes

As with any company, ASG is exposed to the risks of claims and litigation (either as the complainant or as the defendant) which may have a material adverse effect on the financial position of ASG. To the extent that such claims or litigation are not covered by insurance, an adverse outcome in litigation or the cost of initiating or responding to potential or actual claims or litigation may have a material adverse impact on ASG's financial performance. Moreover, even when such claims or litigation are covered by insurance, ASG may be adversely affected by the requirement to pay the initial excess / deductible under the policy and potential increases in its future insurance premiums or deductibles.

Regulatory risks

Companies operating within the information, communication and technology industry are subject to various laws and regulations. Amendments to current laws and regulations governing operations or more stringent implementation thereof could have a material adverse impact on ASG and cause increases in expenses, capital expenditure or costs. Further, changes to relevant laws and regulations can give rise to periods of uncertainty which may negatively impact ASG's business.

Taxation risk

Changes to income tax (including capital gains tax), goods and services tax, withholding tax, payroll tax, duty or other revenue legislation, case law, rulings or determinations issued by the Commissioner of Taxation or other practices of tax authorities may change or adversely affect ASG's profitability, net assets and cash flow. In particular, both the level and basis of taxation may change.

5.6 Financial information

(a) Basis of preparation

The following section summarises certain historical financial information about ASG for the financial years ended 30 June 2016, 30 June 2015 and 30 June 2014. The financial information has been extracted from the audited financial reports of ASG which are audited by BDO Audit (WA) Pty Ltd. ASG Shareholders can obtain a full copy of the audited financial reports of ASG for the years ended 30 June 2016, 30 June 2015 and 30 June 2014 from the ASX website (www.asx.com.au) or by requesting a copy from ASG's company secretary on +61 8 9420 5420.

The financial information in this section is a summary only and is prepared for the purpose of this Scheme Booklet. The summary financial information is intended to provide a high level overview of ASG's historical financial position and is not intended to provide the level of detail or understanding which is available from a review of the published financial reports which are available on ASX's or ASG's website.

It should be noted that past financial performance is not a reliable indicator of future performance.

(b) Consolidated statement of profit or loss and comprehensive income

Set out below is a summary of ASG's consolidated statements of profit or loss and comprehensive income as at 30 June 2016, 30 June 2015 and 30 June 2014.

The summarised historical consolidated statements of profit or loss and comprehensive income of ASG which are set out in:

- ▶ the first numerical column of the table below, have been extracted from the audited financial statements of ASG for the year ended 30 June 2016 as disclosed within ASG's Appendix 4E and 2016 annual report;
- ▶ the second numerical column of the table below, have been extracted from the audited financial statements of ASG for the year ended 30 June 2015 as disclosed within ASG's Appendix 4E and 2015 annual report; and
- ▶ the third numerical column of the table below, have been extracted from the audited financial statements of ASG for the year ended 30 June 2014 as disclosed within ASG's Appendix 4E and 2014 annual report.

	2016 A\$'000	2015 A\$'000	2014 A\$'000
Revenue from continuing operations	188,720	162,708	159,129
Total Revenue	188,720	162,708	159,129
Other Income	39	1,565	944
Expenses			
Change in work in progress	2,583	621	(764)
Cost of products sold and consumables used	(27,205)	(17,744)	(17,397)
Employee benefits expense	(119,864)	(109,135)	(102,561)
Depreciation and amortisation expenses	(8,309)	(6,945)	(6,490)
Finance costs	(1,442)	(1,737)	(2,950)
Operating lease payments	(1,295)	(1,137)	(1,218)
Impairment and write-downs	-	-	(4)
Gain (loss) on sale of property, plant and equipment	-	-	(28)
Other expenses	(16,239)	(16,210)	(16,075)
Acquisition expenses	-	(350)	-
Total Expenses	(171,771)	(152,637)	(147,487)
Profit before income tax	16,988	11,636	12,586
Income tax expense	(4,964)	(2,097)	(3,612)
Profit for the year attributable to members of ASG Group Limited	12,024	9,539	8,974
Other Comprehensive Income	-	-	-
Total Comprehensive Income for the year, net of tax attributable to members of ASG Group Limited	12,024	9,539	8,974
Basic earnings per share (cents)	5.88	4.61	4.34
Diluted earnings per share (cents)	5.79	4.58	4.34

(c) Consolidated statement of financial position

Set out below is a summary of ASG's consolidated statements of financial position as at 30 June 2016, 30 June 2015 and 30 June 2014.

The summarised historical consolidated statements of financial position of ASG which are set out in:

- ▶ the first numerical column of the table below, have been extracted from the audited financial statements of ASG for the year ended 30 June 2016 as disclosed within ASG's Appendix 4E and 2016 annual report;
- ▶ the second numerical column of the table below, have been extracted from the audited financial statements of ASG for the year ended 30 June 2015 as disclosed within ASG's Appendix 4E and 2015 annual report; and
- ▶ the third numerical column of the table below, have been extracted from the audited financial statements of ASG for the year ended 30 June 2014 as disclosed within ASG's Appendix 4E and 2014 annual report.

	2016 A\$'000	2015 A\$'000	2014 A\$'000
ASSETS			
Current assets			
Cash and cash equivalents	18,095	13,846	16,123
Trade and other receivables	31,869	33,204	28,045
Work in Progress	3,434	817	196
Other Assets	5,554	1,126	1,967
Asset Classified as held for sale	-	-	9,740
Total current assets	58,952	48,993	56,071
Non-current assets			
Trade and other receivables	1,545	0	0
Property, plant and equipment	21,601	20,417	21,572
Intangible Assets	95,319	94,440	92,484
Deferred Tax Assets	9,935	13,278	9,664
Total non-current assets	128,400	128,135	123,720
Total assets	187,352	177,128	179,791
LIABILITIES			
Current liabilities			
Trade and other payables	33,536	31,628	33,154
Unearned Revenue	2,974	245	964
Provisions	6,963	6,446	6,204
Borrowings	5,733	5,902	8,825
Current Tax Liabilities	-	2,219	1,718
Total current liabilities	49,206	46,440	50,865
Non-current liabilities			
Trade and other payables	2,573	0	0
Provisions	485	402	719
Borrowings	15,296	19,296	29,038
Deferred tax liabilities	8,979	7,670	5,712
Total non-current liabilities	27,333	27,368	35,469
Total liabilities	76,539	73,808	86,334
Net assets	110,813	103,320	93,457
EQUITY			
Contributed equity	114,927	120,034	120,087
Reserves	2,302	1,726	1,349
Accumulated losses	(6,416)	(18,440)	(27,979)
Total equity	110,813	103,320	93,457

(d) Consolidated statement of cash flow

Set out below is a summary of ASG's consolidated statements of cash flows as at 30 June 2016, 30 June 2015 and 30 June 2014.

The summarised historical consolidated statements of cash flow of ASG which are set out in:

- ▶ the first numerical column of the table below, have been extracted from the audited financial statements of ASG for the year ended 30 June 2016 as disclosed within ASG's Appendix 4E and 2016 annual report;
- ▶ the second numerical column of the table below, have been extracted from the audited financial statements of ASG for the year ended 30 June 2015 as disclosed within ASG's Appendix 4E and 2015 annual report; and
- ▶ the third numerical column of the table below, have been extracted from the audited financial statements of ASG for the year ended 30 June 2014 as disclosed within ASG's Appendix 4E and 2014 annual report.

	2016 A\$'000	2015 A\$'000	2014 A\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operation	209,802	173,728	159,692
Cash payments in the course of operations	(182,282)	(161,845)	(134,775)
Interest received	11	86	19
Finance expenses	(1,442)	(1,737)	(2,950)
Income Tax Paid	(2,234)	(1,736)	-
Net cash inflow from operating activities	23,855	8,496	21,986
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment	(4,530)	(1,236)	(644)
Payments for software	(3,825)	(4,897)	(3,496)
Proceeds from sale of assets	-	10,710	29
Payments for purchase of business (net of cash received)	-	(350)	(1,000)
Net cash inflow/(outflow) from/(used in) investing activities	(8,355)	4,227	(5,111)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	-	3,000	8,000
Repayment of borrowings	(4,000)	(15,808)	(5,250)
Finance lease payments	(2,189)	(2,213)	(1,502)
Proceeds from Issue of Shares	5	21	-
Share buy back	(5,067)	-	-
Net cash inflow/(outflow) from/(used in) financing activities	(11,251)	(15,000)	1,248
Net increase/(decrease) in cash held	4,249	(2,277)	18,123
Cash and cash equivalents at beginning of reporting period	13,846	16,123	(2,000)
Cash and cash equivalents at end of reporting period	18,095	13,846	16,123

5.7 Material changes in ASG's financial position

To the knowledge of the IBC, and except as disclosed elsewhere in this Scheme Booklet, the financial position of ASG has not materially changed since 30 June 2016.

5.8 Recent share price history

The latest recorded price of ASG Shares on ASX on 29 September 2016, being the day before ASG's entry into the Scheme Implementation Agreement was publicly announced, was \$1.36. The recorded price of ASG Shares on ASX on the Last Practicable Date was \$1.60.

The current price of ASG Shares on ASX can be obtained from the ASX website (www.asx.com.au).

5.9 Publicly available information

As an ASX listed company and a "disclosing entity" for the purposes of section 111AC(1) of the Corporations Act, ASG is subject to regular reporting and disclosure obligations. Broadly, these require it to announce price sensitive information to ASX as soon as it becomes aware of the information, subject to exceptions for certain confidential information. ASG's most recent announcements are available from its website www.asggroup.com.au. Further announcements concerning ASG will continue to be made available on this website after the date of this Scheme Booklet.

ASX maintains files containing publicly available information about entities listed on their exchange. ASG's files are available for inspection at ASX during normal business hours and are available on ASX's website (www.asx.com.au).

Additionally copies of documents lodged with ASIC in relation to ASG may be obtained from or inspected at an ASIC service centre or online at www.asic.gov.au. Please note ASIC may charge a fee in respect of such services.

The following documents are available for inspection free of charge prior to the Scheme Meeting during normal business hours at the registered office of ASG:

- ▶ constitution of ASG;
- ▶ ASG's annual report for the financial year ended 30 June 2016; and
- ▶ ASG's public announcements.

ASG's 2014, 2015 and 2016 annual reports and public announcements are also available at www.asggroup.com.au.

The background is a complex geometric pattern composed of various-sized triangles in shades of green and yellow. The triangles are arranged in a way that creates a sense of depth and movement. The colors range from light yellow to a vibrant green.

6.

INFORMATION ABOUT NRI

6. INFORMATION ABOUT NRI

The information in this Section of the Scheme Booklet has been prepared by NRI. The information concerning NRI and the intentions, views and opinions contained in this section are the responsibility of NRI.

ASG and ASG's Directors and officers do not assume any responsibility for the accuracy or completeness of this information except to the extent that ASG has provided NRI with information for the purpose of NRI preparing information on the merged entity following implementation of the Scheme.

6.1 Overview of NRI

NRI is a leading Tokyo-based, global provider of IT system solutions and consulting services, including IT management consulting, system development and integration and IT management and solutions for the banking, financial services, manufacturing, distribution and other service industries. NRI is listed on the Tokyo Stock Exchange.

After being established 50 years ago as a boutique management consulting and financial IT specialist with 130 employees, NRI has since grown to become a global IT Services leader, with over 10,000 employees in 37 offices and annual sales revenue over US\$4 billion. NRI in its current form was created in 1988 as a merged entity of Nomura Research Institute, Japan's first private think tank and Nomura Computer Systems, a pioneer in IT solutions and systems integration. As at the Last Practicable Date NRI's market capitalisation was ¥875 billion, which equates to approximately A\$11 billion.

NRI's market offering is broad, with major services grouped into the following four categories:

(a) Consulting

NRI works with its clients to develop business strategies, re-engineer operations, support government/public agencies, and implement administrative reforms. NRI also provides a variety of services to improve the effective business use of IT, including IT strategic development, business reengineering planning and execution support, standardised architecture implementation and global cross-functional IT governance. NRI's services in this category range from policy recommendations, strategy consulting and operational consulting offering support for business reform to systems consulting for all phases of IT management.

(b) Financial IT Solutions

NRI's Financial IT Solutions comprises IT system solutions and systems consulting services including system development, system management and operation and shared online services for broker-dealers, asset managers, banks, insurance providers and other financial service providers. NRI has an understanding of the operational issues financial services firms face globally, and provides innovative and research driven solutions to ensure success.

(c) Industrial IT Solutions

NRI provides solutions to clients across a broad range of industries, including distribution, services, manufacturing and retail ranging from consulting services to systems integration. NRI's Industrial IT Solutions comprise integrated consulting, system development and system operation services for the distribution, manufacturing, retail and public sectors. Information systems applying NRI's know how in areas such as the building of supply chain management and client management is one of NRI's strengths.

(d) IT Platform Services

As business systems grow larger and more complex in connection with strategic business growth and IT utilisation, the size and complexity of the underlying system infrastructure takes on an even more important role. NRI looks ahead in order to forecast and create advanced technologies, and continually integrate strategic solutions into its services. NRI's IT Platform Services comprise the provision of services such as management and operation of data centres and IT platform/network development to the Financial IT Solutions and Industrial IT Solutions businesses. This business also provides IT platform solutions and information security services to clients in various industries. NRI also carry out research toward development of new IT solution businesses and products, and research of cutting edge information technology.

More information about NRI's business can be sourced from its 2016 Annual Report (English version) situated at: <http://www.nri.com/global/ir/library/index.html>.

6.2 Members of the Board

NRI's Board of Directors is comprised of the following members:

- ▶ Mr Tadashi Shimamoto (Chairman)
- ▶ Mr Masahiro Muroi (Vice Chairman)
- ▶ Mr Hiroyuki Suzuki (Vice Chairman)
- ▶ Mr Shingo Konomoto (President & CEO)
- ▶ Mr Hiroshi Itano (Senior Executive Managing Director)
- ▶ Mr Ayumu Ueno (Senior Executive Managing Director)
- ▶ Mr Mamoru Suenaga
- ▶ Mr Shoei Utsuda
- ▶ Ms Miwako Doi
- ▶ Mr Masatoshi Matsuzaki

6.3 NRI's intentions following implementation of the Scheme

This Section sets out NRI's intentions in relation to:

- ▶ the continuation of the business of ASG;
- ▶ any major changes to the business of ASG, including any redeployment of the fixed assets of ASG; and
- ▶ the future employment of the present employees of ASG,

assuming NRI acquires 100% of the shares in ASG as a result of implementation of the Scheme.

These intentions of NRI are based on the information concerning ASG, its business and the general business environment which is known to NRI at the time of preparation of the NRI Information for inclusion in this Scheme Booklet, which is limited to publicly available information and additional confirmatory due diligence information provided by ASG.

NRI does not currently have full knowledge of all material information, facts and circumstances that are necessary to assess the operational, commercial, tax and financial implications of its current intentions. Final decisions regarding these matters will only be made by NRI in light of material information and circumstances at the relevant time.

Accordingly, the statements set out in this Section 6.3 are statements of current intention only, which may change as new information becomes available to NRI or as circumstances change.

(a) Board of Directors and delisting

If the Scheme is implemented, it is intended that NRI would:

- ▶ arrange for ASG to be removed from the Official List of the ASX; and
- ▶ replace a number of members of the ASG Board with nominees of NRI. The number and identities of the relevant nominees have not yet been identified. Final decisions on the replacement of directors and selection of nominees will be made in light of the circumstances at the relevant time.

(b) Strategy and operations

If the Scheme is implemented, NRI intends to conduct a general review of ASG's operations and organisation covering strategic, financial and operational matters. This review may identify opportunities to improve the performance of the ASG business generally and realise any synergies and future opportunities available to ASG and the larger combined group.

Based on its current understanding and evaluation of the ASG business, NRI intends to operate ASG in substantially the same manner in which it currently operates as part of the larger combined group.

Whilst NRI is a global business with 37 offices around the world, it does not have an established presence in Australia. This acquisition presents the opportunity for a combined group to implement a broader service offering across an expanded geographical footprint. ASG is a high quality business with strong prospects and NRI considers there to be significant synergies on offer if the two businesses are combined, including:

- ▶ allowing NRI to immediately establish a significant footprint in Australia to grow its existing business, with no overlap in geographical footprint;
- ▶ complementary technical expertise and capabilities, particularly in the area of cloud-based managed services;
- ▶ providing NRI with the ability to service its own and ASG's customers with the enhanced expertise, service offering and capabilities of the combined business;
- ▶ providing NRI with the ability to target new customers globally with the new capabilities contributed by ASG; and
- ▶ significant alignment of corporate growth objectives.

In view of the above, it is not NRI's present intention to make any material divestments of assets or redundancies if the Scheme is implemented.

(c) Head office and employees

For the immediate future, NRI intends to retain key executives in their current positions. Post-acquisition, NRI intends to undertake a detailed review of the corporate head office functions to, in the context of delisting, assess the required corporate support function required on an ongoing basis. This review will also involve specific considerations of staffing and organisational structure.

(d) Limitation on intentions

The intentions and statements of future conduct, and the ability of NRI to implement its intentions, set out in this Section 6.3 must be read as being subject to:

- ▶ Australian law (including the Corporations Act);
- ▶ the legal obligation of the NRI directors at the time to act in good faith in the best interests of NRI and for proper purposes and to have regard to the interests of all NRI shareholders; and
- ▶ the outcome of the review processes referred to in this Section 6.3, which may alter or prevent the achievement of certain intentions set out above.

6.4 Funding arrangements for Scheme Consideration

(a) Introduction

The Scheme Consideration will be paid wholly in cash. If the Scheme is approved and implemented NRI will pay:

- ▶ A\$1.63 in cash for every ASG Share held as at the Record Date (including any ASG Shares issued on the proper exercise of ASG Options before the Record Date); and
- ▶ up to A\$10.7 million in cash consideration for the cancellation of all ASG Options.

(b) Funding sources for aggregate Scheme Consideration

NRI has access to A\$328.9 million to pay \$1.63 for every ASG Share held as at the Record Date and up to A\$10.7 million as consideration for the cancellation of all ASG Options. The total amount payable by NRI as consideration is therefore A\$339.6 million.

That consideration will be funded by NRI's balance sheet resources. As at 30 June 2016, NRI (on a consolidated basis) reported cash reserves of approximately ¥134 billion or approximately A\$1.7 billion (based on an AUD/¥ exchange rate of 77.15, as at 29 September 2016), which exceeds the maximum total consideration payable by NRI in respect of the Scheme.

6.5 Interests and dealings in ASG securities

As at the date of this Scheme Booklet:

- ▶ neither NRI nor any of its associates has any Relevant Interest in any ASG Shares or any voting power in ASG; and
- ▶ no director or senior manager of NRI has any Relevant Interest in any ASG Shares.

6.6 No dealing in ASG Shares in previous four months

Except for the consideration to be provided under the Scheme, during the period of 4 months before the date of this Scheme Booklet, neither NRI nor any of its associates have provided or agreed to provide consideration for any ASG Shares under a purchase or agreement.

6.7 Benefits to holders of ASG Shares

Other than as set out in this Scheme Booklet, neither NRI nor any of its associates has given or offered to give or agreed to give a benefit to another person that was likely to induce the other person, or an associate of that person to:

- ▶ vote in favour of the Scheme; or
- ▶ dispose of ASG Shares,

during the period of 4 months ending on the date of this Scheme Booklet and which was not offered to all other ASG Shareholders.

6.8 No other material information

(a) Foreign investment approval

It is a Condition Precedent to the Scheme that NRI receives approval from FIRB for the acquisition of the ASG Shares. This Condition Precedent must be satisfied by the Second Court Date and, in the event that the Second Court Date is delayed, by 31 December 2016. NRI submitted an application to the Federal Treasurer to obtain FIRB Approval on 5 October 2016.

(b) Benefits in connection with retirement from office

There is no retirement payment or other benefit that is proposed to be made or given to any director, secretary or executive officer of ASG as compensation for the loss of or consideration for or in connection with his or her retirement from an office of ASG in connection with the Scheme.

NRI will not be making any payment or giving any benefit to any current member of the ASG Board as compensation or consideration for, or otherwise in connection with, their resignation from the ASG Board, if the Scheme becomes effective and the ASG Board is accordingly reconstituted.

(c) No other information

Except as set out in this Section 6, there is no other information regarding NRI, or its intentions regarding ASG, that is material to the making of a decision by an ASG Shareholder in relation to the Scheme, being information that is within the knowledge of any director of NRI as at the date of this Scheme Booklet, which has not been previously disclosed to ASG Shareholders.

7.

TAX IMPLICATIONS OF THE SCHEME

7. TAX IMPLICATIONS OF THE SCHEME

7.1 Taxation outline

The following is a general description of the Australian tax consequences for an ASG Shareholder that disposes of their ASG Shares under the Scheme (assuming it becomes Effective). The comments set out below are relevant only to those ASG Shareholders who hold their ASG Shares on capital account. The description is based upon the Australian law and administrative practice in effect at the date of this Scheme Booklet, but is general in nature and is not intended to be an authoritative or complete statement of the laws applicable to the particular circumstances of an ASG Shareholder.

This description does not apply to all ASG Shareholders. For example, it does not apply to ASG Shareholders that:

- (a) hold their ASG Shares on revenue account or as trading stock;
- (b) are temporary residents of Australia for Australian taxation purposes;
- (c) hold their ASG Shares in connection with a business carried on through a permanent establishment outside their country of residence;
- (d) acquired their ASG Shares by exercising an, ASG Option or performance right;
- (e) are subject to the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* in relation to gains and losses on their ASG Shares;
- (f) obtained rollover relief in connection with the acquisition of their ASG Shares; or
- (g) has not been resident in the same country for tax purposes throughout the period they have owned the ASG Shares.

ASG Shareholders should seek independent professional advice in relation to their particular circumstances.

ASG Shareholders who are tax residents of a country other than Australia (whether or not they are also residents, or are temporary residents, of Australia for tax purposes) should take into account the tax consequences of the Scheme under the laws of their country of residence, as well as under Australian law.

This section does not consider the tax consequences of the cancellation of any ASG Options.

Unless otherwise indicated, this description applies to ASG Shareholders who are individuals.

7.2 Australian resident shareholders

(a) Capital Gains Tax (CGT)

The Scheme will result in the disposal by ASG Shareholders of their ASG Shares to NRI. This change in the ownership of the ASG Shares will constitute CGT event A1 for Australian CGT purposes.

The date of disposal of the ASG Shares for CGT purposes will be the Implementation Date.

(b) Calculation of capital gain or capital loss

ASG Shareholders may make a capital gain on the disposal of ASG Shares to the extent that the 'capital proceeds' from the disposal of the ASG Shares are more than the 'cost base' of those ASG Shares. Conversely, ASG Shareholders may make a capital loss to the extent that the 'capital proceeds' are less than their 'reduced cost base' of those ASG Shares.

► Cost base

The 'cost base' of ASG Shares generally includes the cost of acquisition and any incidental costs of acquisition and disposal that are not deductible to the ASG Shareholder. The 'reduced cost base' of the ASG Shares is usually determined in a similar, but not identical, manner.

► Capital proceeds

The 'capital proceeds' received in respect of the disposal of each ASG Share should be the consideration received of \$1.63 per ASG Share.

(c) CGT discount

Australian resident Shareholders who are individuals, complying superannuation entities or trustees may be entitled to reduce the amount of any capital gain made on the disposal of their ASG Shares if they have held their ASG Shares for at least 12 months prior the Implementation Date (excluding the acquisition date and the Implementation Date). This reduction is referred to as the **CGT discount**.

The CGT discount, if it is available, is applied only after any available capital losses have been applied to reduce the capital gain.

The discount rate is 50% for individuals and trustees, and 33.3% for complying superannuation entities. For trusts the ultimate availability of the discount may depend on a beneficiary's entitlement to a discount.

The CGT discount is not available to, amongst others, ASG Shareholders that:

- i. are companies; or
- ii. acquired their ASG Shares before 21 September 1999 where the ASG Shareholder chose to index the cost base of their ASG Shares for CGT purposes.

Capital gains and capital losses made by an ASG Shareholder in a year of income from all sources are aggregated to determine whether they make a net capital gain or capital loss for the year of income. A net capital loss is not deductible from the assessable income for a ASG Shareholder. However, a net capital loss may be able to be carried forward to offset capital gains made by the ASG Shareholder in future years of income, subject to various requirements being met.

7.3 Non-resident shareholders

For an ASG Shareholder who:

- (a) is not a resident of Australia for Australian tax purposes; and
- (b) does not hold their ASG Shares in carrying on a business through a permanent establishment in Australia;

the disposal of ASG Shares will generally only result in Australian CGT implications if, in broad terms:

- (a) that ASG Shareholder together with its associates held an interest of 10 percent or more in ASG at the time of disposal or for a 12 month period within 2 years preceding the disposal (referred to as a "non-portfolio interest"); and
- (b) more than 50% of the market value of ASG's assets is attributable to direct or indirect interests in "taxable Australian real property" (as defined in the income tax legislation).

If an ASG Shareholder holds a "non-portfolio" interest in ASG, they should obtain independent advice as to the tax implications of sale.

7.4 Foreign Resident Capital Gains Withholding (FRCGW)

The FRCGW regime may impose a 10% "withholding" obligation (calculated by reference to the purchase price) on the purchasers of certain assets (including shares which are "indirect Australian real property interests" as defined in the income tax legislation) in certain circumstances.

On the basis that, broadly speaking, less than 50% of the market value of ASG's assets is attributable to direct and indirect interests in "taxable Australian real property" (as defined in the income tax legislation), the FRCGW regime should not apply to NRI's acquisition of ASG Shares from an ASG Shareholder.

7.5 Australian Goods and Services Tax (GST)

ASG Shareholders should not be liable to GST in respect of a disposal of ASG Shares pursuant to the Scheme.

ASG Shareholders may incur GST on costs (such as third party brokerage and adviser fees) that relate to the Scheme. ASG Shareholders that are registered, or required to be registered, for GST may not be entitled to full input tax credits for any GST payable on such costs but may be entitled to "reduced input tax credits" (at the rate of 75%) for some acquisitions. This will depend on each ASG Shareholders' individual circumstances.

7.6 Australian stamp duty

No stamp duty should be payable in any Australian jurisdiction by ASG Shareholders in respect of the disposal of their ASG Shares.



8.

ADDITIONAL INFORMATION

8. ADDITIONAL INFORMATION

This Section sets out additional statutory information, as well as some additional information that may be of interest to ASG Shareholders.

8.1 Substantial Shareholders

As at the close of trading on the Last Practicable Date, the following persons had notified ASG that they had voting power in 5% or more of ASG Shares:

Name	Number of ASG Shares in which they have voting power	% of ASG Shares
National Australia Bank Limited	14,941,394	7.37%
Geoffrey Lewis	14,841,797	7.34%
Ausbil Investment Management	13,131,206	6.35%
Pengana Capital Limited	10,397,538	5.15%

8.2 ASG Shares held by or controlled by Directors and Senior Executive Team

No ASG Shares are held or controlled by ASG Directors and no such persons are otherwise entitled to such securities as at the time of lodgement of this Scheme Booklet for registration by ASIC other than as listed below, all of which are held beneficially:

Director	Class of securities	Number of securities
Geoffrey Lewis	Ordinary fully paid shares	14,841,797
Ian Campbell	Ordinary fully paid shares	130,000
Stephen Johnston	Ordinary fully paid shares	3,772,605

* In addition to ASG Shares, Geoffrey Lewis holds 3,000,000 ASG Options and Ian Campbell holds 2,000,000 ASG Options which will be cancelled for consideration if the Scheme is Effective (see Section 8.5 for more details).

Members of ASG's Senior Executive Team who hold or control ASG Shares are as follows:

Senior Executive	Class of securities	Number of securities
Dean Langenbach	Ordinary fully paid shares	2,950,000
Gerald Strautins	Ordinary fully paid shares	550,000

Each member of the ASG Board and Senior Executive Team, who in aggregate represent approximately 11% of the total ASG Shares on issue, intends to vote all of the ASG Shares held by or on behalf of him or her in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert maintaining its conclusion that the Scheme is in the best interests of ASG Shareholders. Each of these ASG Shareholders have authorised ASG to disclose their intentions.

Except as stated in this section of the Scheme Booklet:

- (a) there are no ASG Shares held by or on behalf of Directors as at the date of this Scheme Booklet;
- (b) there are no marketable securities of NRI held by or on behalf of ASG Directors as at the date of this Scheme Booklet; and
- (c) there has been no dealing by any ASG Director in any ASG Shares or marketable securities of NRI in the four months preceding the date of this Scheme Booklet.

8.3 Benefits and agreements

(a) Benefits in connection with retirement from office

It is not proposed that any payment or other benefit be made or given to any director, secretary or executive officer of ASG (or of its Related Bodies Corporate) as compensation for loss of, or as consideration for, or in connection with his or her retirement from, office in ASG or in any of its Related Bodies Corporate as a result of the Scheme other than in his or her capacity as an ASG Shareholder and other than benefits payable in accordance with the terms of relevant existing arrangements with ASG.

ASG pays premiums in respect of a directors and officers (D&O) insurance policy for the benefit of its Directors and executive officers.

(b) Remuneration in connection with remaining in office

If any of the non-executive ASG Directors remain on the ASG Board following implementation of the Scheme, it is anticipated that the non-executive ASG Directors would receive remuneration and expense reimbursement arrangements for their services commensurate with a position as an ASG non-executive director.

(c) Agreements connected with or conditional on the Scheme

Except as set out below or otherwise disclosed in this Section:

- ▶ no ASG Director has any other interests in a contract entered into by NRI;
- ▶ there are no contracts or arrangements between an ASG Director and any person, including NRI in connection with or conditional on the outcome of the Scheme; and
- ▶ no ASG Director has a material interest in relation to the Scheme other than in their capacity as an ASG Shareholder or as an Optionholder.

NRI has sought to retain the services of ASG's Managing Director, Geoffrey Lewis, if the Scheme becomes Effective. Accordingly, Mr Lewis has entered into an executive service agreement with ASG, at the request of NRI, which varies his current employment terms with effect from the Effective Date. The majority of Mr Lewis' employment terms have not materially changed, including his fixed annual remuneration. Mr Lewis' long term incentive arrangements have not been agreed, however Mr Lewis will be eligible to receive such incentives, with the specific terms and conditions to be determined within 3 months of the Effective Date. The material changes to Mr Lewis' existing employment terms were announced by ASG on the ASX announcements platform on 30 September 2016 and are as follows:

Item	Description
Termination events	Either ASG or Mr Lewis can terminate on 12 months' notice without cause or in certain other circumstances.
Restraint following cessation	Following cessation of his employment, Mr Lewis is restricted from competing with ASG or being involved in a business similar to the ASG core business in either Australia or New Zealand for a maximum period of 12 months.
Short term incentives (STIs)	Mr Lewis remains eligible to receive STI payments, however the amount he is entitled to be paid in respect of those STIs is now referable to the achievement of pre-established financial targets. Depending on the extent to which those targets are achieved, Mr Lewis may be eligible to receive an amount which is greater or less than that which applies under his existing arrangements.

8.4 Effect of the Scheme on ASG's material customer contracts

ASG has 2 Material Contracts which contain change of control provisions which may be triggered by the Scheme. In the event consent is not received from the relevant counterparties, this may constitute an event of default under those contracts or otherwise give rise to termination rights in favour of those counterparties. These contracts represent approximately 12.1% of ASG's FY2016 revenue.

As at the date of this Scheme Booklet, to the extent a Material Contract contains a provision requiring ASG to seek that counterparty's consent to the change of control that would be caused by the Scheme, that counterparty has provided its consent to the Scheme, such that the Condition Precedent contained in item 7 of Schedule 2 of the Scheme Implementation Agreement has been satisfied.

8.5 Implication of the Scheme for holders of ASG Options

(a) Overview of Options

As at the Last Practicable Date, ASG had the following equity incentives on issue:

- ▶ 7,540,000 options issued to employees of ASG pursuant to ASG's employee option plan; and
- ▶ 5,000,000 options issued to ASG Directors pursuant to terms and conditions approved by ASG Shareholders.

Details of the ASG Options on issue are set out in the table below.

Number	Exercise price	Grant Date	Expiry Date
30,000	\$0.87	1 January 2006	31 December 2016
10,000	\$0.79	8 November 2006	30 June 2017
10,000	\$0.79	1 July 2007	30 June 2017
10,000	\$0.79	1 July 2007	30 July 2017
90,000	\$1.19	1 January 2007	30 December 2017
60,000	\$1.74	1 July 2007	30 June 2017
20,000	\$1.72	1 January 2010	7 October 2017
50,000	\$1.63	1 January 2008	30 December 2018
70,000	\$1.01	1 July 2008	30 June 2019
60,000	\$0.73	1 January 2009	30 December 2019
60,000	\$0.91	1 July 2009	30 June 2019
70,000	\$1.43	1 January 2010	30 December 2019
1,000,000	\$0.44	27 June 2014	1 August 2019
3,500,000	\$0.44	27 June 2014	29 April 2020
2,000,000	\$1.09	30 September 2015	30 September 2021
5,000,000	\$0.87	6 November 2014	29 April 2020
500,000	\$1.13	30 August 2016	1 July 2022

(b) Implications of the Scheme for Optionholders

Under the terms of the Scheme Implementation Agreement, each Optionholder has entered into an Option Cancellation Deed, subject to ASG obtaining necessary waivers of the ASX Listing Rules and with effect from the Effective Date, pursuant to which each Optionholder agrees to cancel each of their ASG Options for the Option Consideration.

In consideration of the cancellation of each ASG Option, NRI will provide ASG with sufficient funds to pay, or at the direction of ASG pay, to each Optionholder the Option Consideration on the Implementation Date. Optionholders will receive:

- ▶ for each ASG Option which is in the money, \$1.63 less the relevant ASG Option exercise price (which, as set out in the table in Section 8.5(a) above ranges from \$0.44 to \$1.43); and
- ▶ for each ASG Option which is at or out of the money, the consideration agreed between NRI, ASG and the relevant Optionholder, up to a maximum of \$30,000 in aggregate to all such Optionholders.

In the case of the ASG directors that are Optionholders, Mr Geoffrey Lewis will receive \$2,280,000 and Mr Ian Campbell will receive \$1,520,000. The payment to Optionholders (including Messrs Lewis and Campbell) was negotiated with NRI after NRI submitted its offer price to ASG, and did not impact on the total consideration offered to ASG Shareholders in relation to the Scheme.

ASG has applied for, and ASX has granted a waiver of the requirements of Listing Rule 6.23.2 to permit the ASG Options to be dealt with in this way. See Section 8.10 for more information regarding the waiver granted.

8.6 Consents

The following parties have given and have not withdrawn, before the registration of this Scheme Booklet by ASIC, their written consent to be named in this Scheme Booklet in the form and context in which they are named:

- ▶ King & Wood Mallesons as legal adviser to ASG;
- ▶ Citi as financial adviser to ASG;
- ▶ PwC as Independent Expert;
- ▶ BDO Audit (WA) Pty Ltd as auditor of ASG;
- ▶ Link Market Services Limited as ASG's Registry; and
- ▶ NRI in respect of the NRI Information only.

PwC has also given and has not withdrawn, before the time of registration of this Scheme Booklet with ASIC, its written consent to the inclusion of its Independent Expert's Report in this Scheme Booklet in the form and context in which it is included and to all references in this Scheme Booklet to that Report in the form and context in which they appear.

NRI has also given and has not withdrawn, before the time of registration of this Scheme Booklet by ASIC, its written consent to the inclusion of the statements in the NRI Information in the form and context in which those statements appear.

8.7 Disclaimers

None of the persons referred to in Section 8.6 have authorised or caused the issue of this Scheme Booklet and do not make or purport to make any statement in this Scheme Booklet other than those statements made in the capacity and to the extent the person has provided its consent, as referred to above.

To the maximum extent permitted by law, each person referred to in Section 8.6 disclaims all liability in respect of, makes no representation regarding and takes no responsibility for, any part of this Scheme Booklet other than as described in this section with that person's consent.

The NRI Information has been prepared by and is the responsibility of NRI. ASG does not assume responsibility for the accuracy or completeness of the NRI Information.

8.8 Fees

Each of the persons named in Section 8.6 of this Scheme Booklet as performing a function in a professional, advisory or other capacity in connection with the Scheme and the preparation of this Scheme Booklet, will be entitled to receive professional fees charged in accordance with their normal basis of charging.

8.9 Foreign jurisdictions

The distribution of this Scheme Booklet outside of Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities law. ASG disclaims all liabilities to such persons. ASG Shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed. No action has been taken to register or qualify this Scheme Booklet or any aspect of the acquisition in any jurisdiction outside of Australia.

8.10 Regulatory

All regulatory approvals that are Conditions Precedent to the Scheme are set out in clause 3.1 and Schedule 2 of the Scheme Implementation Agreement.

ASX has granted ASG a waiver in respect of Listing Rule 6.23.2 to permit the cancellation of all ASG Options for consideration without obtaining the approval of ASG Shareholders.

The waiver application was made on the basis that ASG Shareholders are provided with information about the proposed treatment of ASG Options in this Scheme Booklet and are therefore able to consider this information when determining whether to vote in favour of the Scheme. The waiver is conditional upon the Scheme being approved by the Court.

Further details regarding the treatment of the ASG Options are set out in Section 8.5.

8.11 Key terms of the Scheme Implementation Agreement

(a) Overview

ASG and NRI entered into the Scheme Implementation Agreement on 30 September 2016. The Scheme Implementation Agreement sets out the steps required to be taken by ASG and NRI to give effect to the Scheme. Key terms of the Scheme Implementation Agreement are summarised below.

A full copy of the Scheme Implementation Agreement is available on ASX's website at www.asx.com.au and on ASG's website at www.asggroup.com.au.

(b) Conditions Precedent

The implementation of the Scheme is subject to a number of Conditions Precedent as set out in Schedule 2 of the Scheme Implementation Agreement. A full copy of the Scheme Implementation Agreement is available on ASX's website at www.asx.com.au and on ASG's website at www.asggroup.com.au.

As at the date of this Scheme Booklet, implementation of the Scheme remains conditional on:

- ▶ **Approvals or Restraints:** before 8.00am on the Second Court Date:
 - ▶ **ASIC:** ASIC has issued or provided such consents or approvals or has done such other acts which the parties agree are reasonably necessary or desirable to implement the acquisition by NRI of all ASG Shares through the Scheme;
 - ▶ **FIRB approval:** either:
 - ▶ the Treasurer (or his delegate) has provided notice that there are no objections to the Scheme either unconditionally or with conditions reasonably acceptable to NRI; or
 - ▶ following notice of the Scheme having been given by NRI to the Treasurer under the FATA, the Treasurer has ceased to be empowered to make any order because of lapse of time;
 - ▶ **Regulatory Authority:** all other approvals of a Regulatory Authority which NRI and ASG agree are necessary to implement the Scheme are obtained;
 - ▶ **Court orders:** no Court of competent jurisdiction has issued or taken steps to issue an order, temporary restraining order, preliminary or permanent injunction, preliminary or permanent decision, notice of objection, decree or ruling or taken any action enjoining, restraining or otherwise imposing a legal restraint or prohibition preventing the Scheme and no such order, decree, ruling, other action or refusal is in effect;
- ▶ **Scheme approval:** ASG Shareholders' approval of the Scheme at the Scheme Meeting by the Requisite Majority;
- ▶ **Court approval:** Court approval of the Scheme in accordance with section 411(4)(b) of the Corporations Act;
- ▶ **No Prescribed Event:** no Prescribed Event occurs before (and including) 8.00am on the Second Court Date;
- ▶ **No Material Adverse Change:** before the Second Court Date ASG does not become aware of any information which:
 - ▶ ASG would be obliged to tell ASX immediately pursuant to ASX Listing Rule 3.1 if it was not relying upon the exception in ASX Listing Rule 3.1A; or
 - ▶ if the Scheme were proceeding by way of a takeover bid pursuant to Chapter 6 of the Corporations Act, it would be required to include in a target's statement pursuant to section 638 of the Corporations Act,
 where that information would, or would be reasonably likely to, result in a Material Adverse Change in relation to ASG; and
- ▶ **No termination:** the Scheme Implementation Agreement not being terminated.

The Scheme will not proceed unless all the Conditions Precedent are satisfied or waived (if applicable). As at the date of this Scheme Booklet the IBC are not aware of any circumstances which would cause any of the outstanding Conditions Precedent not to be satisfied.

(c) NRI warranties in respect of funding

NRI has warranted that it has sufficient funds to satisfy its obligation to pay the Scheme Consideration.

(d) No shop

ASG has agreed that during the Exclusivity Period it must not, and must ensure that its Related Bodies Corporate and Representatives do not solicit, invite, encourage or initiate any Competing Transaction. This does not prevent ASG from continuing to make normal presentations to, and respond to queries from, brokers, portfolio investors and analysts in the ordinary course of business.

(e) No talk

ASG has agreed that during the Exclusivity Period, neither it nor its Related Bodies Corporate or Representatives will participate in or continue discussions or negotiations or provide any non-public information to a third party regarding a Competing Transaction even if that Competing Transaction was not directly or indirectly solicited or invited by ASG. The no talk restriction does not apply if the IBC has determined in good faith and acting reasonably that the Competing Transaction which was not solicited by ASG could reasonably be considered to become a Superior Proposal and that failing to respond to such a Competing Transaction would be likely to constitute a breach of their fiduciary or statutory obligations.

(f) No due diligence

ASG has agreed that during the Exclusivity Period it must not, and must ensure that its Related Bodies Corporate and Representatives do not, make available any non-public information relating to ASG or any of its Related Bodies Corporate in connection with a Competing Transaction. The no due diligence restriction does not apply if the IBC has determined in good faith and acting reasonably that the Competing Transaction which was not solicited by ASG could reasonably be considered to become a Superior Proposal and that failing to respond to such a Competing Transaction would be likely to constitute a breach of their fiduciary or statutory obligations.

(g) Notice of approaches

ASG has agreed that during the Exclusivity Period, ASG must promptly (and in any event no later than 5 Business Days following the relevant event) inform NRI if it or any of its Related Bodies Corporate or Representatives receives or becomes aware of any approach with respect to any Competing Transaction or the provision of any information relating to ASG to any person in connection with a Competing Transaction and must disclose all material details of the Competing Transaction (including details of the bidder and the terms and conditions of the Competing Transaction).

(h) Matching right

Until 31 March 2017, ASG as agreed that it will not enter into any legally binding arrangements or publicly support a Competing Transaction unless the IBC determines it is likely to be a Superior Proposal and ASG has provided NRI with the material details of the Competing Transaction and given NRI 5 Business Days to provide a matching or superior proposal to the terms of the Competing Transaction.

(i) ASG Break Fee

ASG has agreed to pay NRI \$3,300,000 if the Scheme does not proceed because:

- ▶ a Competing Transaction is announced on or before the End Date and either:
- ▶ ASG enters into a legally binding agreement to undertake a Competing Transaction;
- ▶ any member of the ASG Board recommends the Competing transaction;
- ▶ at any time on or prior to the date three months after the end of the Exclusivity Period, the proponent of the Competing Transaction acquires control of ASG (within the meaning of section 50AA of the Corporations Act), or voting power or an economic interest in more than 50% of ASG Shares, more than 50% of the shares in any material Subsidiary or acquires or obtains an economic interest in more than 50% (by value) of the assets (excluding cash), cash or business of the ASG Group;
- ▶ on or before the End Date, any member of the IBC fails to recommend or support the Scheme, changes or withdraws his recommendation in favour of the Scheme or any ASG Director publicly supports a Competing Transaction, except

as a result of the Independent Expert revising its report to conclude that the Scheme is not in the best interests of ASG Shareholders or where ASG is entitled to terminate the Scheme Implementation Agreement for a material breach; or

- ▶ NRI has terminated the Scheme Implementation for a material breach or for failure to satisfy the “No Prescribed Event” Condition Precedent.

(j) NRI Reimbursement Fee

NRI has agreed to pay ASG \$3,300,000 if the Scheme does not proceed because:

- ▶ NRI is in material breach of the Scheme Implementation Agreement and the circumstances giving rise to the breach have not been remedied within 10 Business Days (or any shorter period ending at 8:00 am on the day before the Second Court Date), and ASG terminates the Scheme Implementation Agreement as a result; or
- ▶ NRI does not pay the Scheme Consideration in accordance with the terms and conditions of the Scheme Implementation Agreement and the Deed Poll.

(k) Termination by NRI

NRI may terminate the Scheme Implementation Agreement at any time prior to 8:00 am (AWST) on the Second Court Date if:

- ▶ the IBC or any of its members changes or withdraws its recommendation to vote in favour of the Scheme, including any adverse modification to its recommendation, or otherwise makes a public statement indicating that it no longer supports the NRI Proposal or that any ASG Director supports a Competing Transaction;
- ▶ a Material Adverse Change occurs; or
- ▶ there is a breach, non-fulfilment or circumstances preventing satisfaction of a Condition Precedent which may be waived and exists for the benefit of NRI only and the parties cannot reach agreement as to an alternative way forward after consulting in good faith.

(l) Termination by ASG

ASG may terminate the Scheme Implementation Agreement at any time prior to 8:00am (AWST) on the Second Court Date if:

- ▶ NRI fails to obtain FIRB approval (as that term is used in Schedule 2 of the Scheme Implementation Agreement) by 31 December 2016; or
- ▶ there is a breach, non-fulfilment or circumstances preventing satisfaction of a Condition Precedent which may be waived and exists for the benefit of ASG only, and if the parties cannot reach agreement as to an alternative way forward after consulting in good faith.

(m) Termination by either party

Either party may terminate the Scheme Implementation Agreement at any time prior to 8:00am (AWST) on the Second Court Date:

- ▶ if the Scheme has not become effective on or before the End Date;
- ▶ if the other party is in material breach of the Scheme Implementation Agreement provided that the relevant party exercising the right of termination has, given notice to the other setting out the relevant circumstances and stating an intention to terminate and, the relevant circumstances continue to exist 10 Business Days (or any shorter period ending at 8:00 am on the day before the Second Court Date) after the time such notice is given;
- ▶ if the resolution submitted to the Scheme Meeting is not approved by the Requisite Majority;
- ▶ if a Court or other Regulatory Authority has issued a final and non-appealable order, decree or ruling or taken other action which permanently restrains or prohibits the Scheme;
- ▶ there is a breach, non-fulfilment or circumstances preventing satisfaction of a Condition Precedent which may be waived and exists for the benefit of ASG and NRI and if the parties cannot reach agreement as to an alternative way forward after consulting in good faith; or
- ▶ if the Court refuses to make orders convening the Scheme Meeting or approving the Scheme and that decision is not appealed as a result of agreement in writing between ASG and NRI, or on legal advice regarding the success of such an appeal or the IBC forms the bona fide view that there is a Superior Proposal which should be recommended in preference to the Scheme.

8.12 Deed Poll

NRI has entered into the Deed Poll in favour of the ASG Shareholders under which NRI has undertaken to deposit the Scheme Consideration into the Trust Account two Business Days prior to Implementation Date if the Scheme becomes Effective.

The Deed Poll may be relied upon by any ASG Shareholder despite the fact that they are not a party to it and each ASG Shareholder appoints ASG as its agents to enforce their rights under the Deed Poll against NRI.

8.13 Other information material to the making of a decision in relation to the Scheme

Except as set out in this Scheme Booklet, so far as the IBC is aware, there is no other information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any Director or any director of a Related Body Corporate of ASG which has not previously been disclosed to ASG Shareholders.

8.14 Supplementary information

ASG will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following, between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date:

- (a) a material statement in this Scheme Booklet is false or misleading in a material respect;
- (b) a material omission from this Scheme Booklet;
- (c) a significant change affecting a matter included in this Scheme Booklet; or
- (d) a significant new matter has arisen which would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

The form which the supplementary document may take will depend on the nature and timing of the new or changed circumstances. In all cases, the supplementary document will be available from ASG's website at www.asggroup.com.au/investors/company-announcements/ and from the ASX website at www.asx.com.au.



9.

GLOSSARY

9. GLOSSARY

The following is a glossary of certain terms used in this Scheme Booklet.

Term	Definition
ASG	ASG Group Limited (ABN 57 070 045 117).
ASG Board	The board of directors of ASG.
ASG Group	ASG and its Subsidiaries.
ASG Information	the information regarding ASG contained in this Scheme Booklet, other than the NRI Information and the Independent Expert's Report.
ASG Options	the options issued by ASG in respect of ASG Shares, whether vested or unvested.
ASG Share	a fully paid ordinary share in the capital of ASG.
ASG Shareholder	each person registered in the Register as a holder of ASG Shares.
ASG Share Registry	Link Market Services Limited.
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited or the Australian Securities Exchange, as appropriate.
AWST	Australian Western Standard Time.
Business Day	a business day as defined in the ASX Listing Rules.
Competing Transaction	<p>any proposal, agreement, arrangement, reorganisation or transaction which, if entered into or completed, would mean a person (other than NRI or NRI's Related Bodies Corporate) either alone or together with its associates, would:</p> <ul style="list-style-type: none"> (a) directly or indirectly, acquire an interest or Relevant Interest in, or become the holder of, or otherwise acquire or have a legal, beneficial or economic interest in: <ul style="list-style-type: none"> (i) 20% or more of the ASG Shares; or (ii) all, or a substantial or material part, of the ASG Group's business or assets; (b) acquire control of ASG or any of its material Subsidiaries, within the meaning of section 50AA of the Corporations Act; or (c) otherwise acquire or merge with ASG, <p>whether by way of takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction or buy-back, sale or purchase of assets, sale or purchase of shares, joint venture, reverse takeover, dual-listed company structure or other synthetic merger or other transaction or arrangement.</p>
Conditions Precedent	each of the conditions set out in Schedule 2 of the Scheme Implementation Agreement and summarised in Section 4.7 and 8.11(b) of this Scheme Booklet.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Corporations Regulations	the <i>Corporations Regulations 2001</i> (Cth).
Court	the Federal Court of Australia or Supreme Court of Western Australia, or such other Australian court of competent jurisdiction agreed to in writing by NRI and ASG.
Data Room	the documents contained in the virtual data room established by ASG containing information relating to the ASG Group (including all written responses provided in response to written questions or requests for information) and to which NRI and its Representatives have had access to in the period 15 August 2016 to the date of the Scheme Implementation Agreement, an index of which is in the agreed form.
Deed Poll	the deed poll dated 25 October 2016 executed by NRI under which NRI covenants to carry out its obligations under the Scheme.

Term	Definition
Director	a director of ASG.
EBITDA	earnings of the ASG Group before interest, tax, depreciation and amortisation after non-recurring items and non-operating items and calculated in accordance with the accounting policies and practices applied by ASG as at 30 September 2016 (being the date of the Scheme Implementation Agreement), excluding abnormal items such as fees, costs and expenses associated with the Scheme.
Effective	when used in relation to the Scheme, means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under sections 411(4)(b) and 411(6) of the Corporations Act in relation to the Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.
Effective Date	the date on which the Scheme becomes Effective.
Encumbrance	any mortgage, lien, charge, pledge, encumbrance, assignment by way of security, security interest (including any 'security interest' within the meaning of section 12 of the Personal Property Securities Act 2009 (Cth)), title retention, preferential right or trust arrangement, contractual right of set-off, claim, covenant, or any other security arrangement or any other arrangement having the same effect, whether registered or unregistered.
End Date	30 June 2017 or such other date as is agreed in writing by NRI and ASG.
Exclusivity Period	the period from and including the date of the Scheme Implementation Agreement to the earliest of termination of the Scheme Implementation Agreement in accordance with its terms, the Effective Date and the End Date.
FATA	the <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth)
FIRB	the Foreign Investment Review Board.
IBC	the independent board committee, being a subcommittee of the ASG Board, that has been established to consider the NRI Proposal and which comprises Ian Campbell, Stephen Johnston and Grant Pestell.
Implementation Date	the fourth Business Day following the Record Date or such other date agreed in writing by ASG and NRI.
Indebtedness	<p>any debt or other monetary liability (whether actual or contingent), together with all interest, fees and penalties accrued thereon, in respect of moneys borrowed or raised or any financial accommodation including under or in respect of any:</p> <ul style="list-style-type: none"> (a) bill, bond, debenture, note or similar instrument; (b) acceptance, endorsement or discounting arrangement; (c) guarantee or letter of credit; (d) finance or capital lease; (e) swap, option, hedge, forward, futures or similar transaction; (f) redeemable share or security; (g) deferral of a purchase price or other payment in relation to the acquisition of any asset or service; (h) obligation to deliver assets or services paid for in advance by a financier, or any guarantee of the obligations of another person with respect to the foregoing; (i) all recourse and non-recourse liabilities and other liabilities (whether conditional or unconditional, present or future) arising from any transactions related to the assignment or securitisation of receivables for financing purposes to any third party, including all factoring agreements and similar agreements executed for the purpose of obtaining financing and including any amount raised pursuant to such agreements but which, in accordance with applicable accounting standards, have not otherwise been recognised on the balance sheet as a liability; or

Term	Definition
	<p>(j) all interest and non-interest bearing loans or other financing liabilities or obligations, including overdrafts and any other liabilities in the nature of borrowed money (whether secured or unsecured),</p> <p>but excluding contingent liabilities arising from bank guarantees and surety bonds or any equivalent instrument provided by ASG as surety for contracts entered into in the ordinary course of business.</p>
Independent Expert	PwC.
Independent Expert's Report	the report from the Independent Expert, as set out in Annexure A, including any update or supplementary report.
Insolvent	has the meaning it has in the Scheme Implementation Agreement.
Last Practicable Date	31 October 2016.
Material Adverse Change	<p>Specified Events which are not disclosed or properly taken into account in the preparation of the ASG Group's financial statements and which had they been so disclosed or properly taken into account, individually or when aggregated with all such events, would:</p> <ul style="list-style-type: none"> (a) be reasonably likely to result in the value of the consolidated net assets of the ASG Group as to be reported in the ASG Group's financial statements for the year ending 30 June 2017 being reduced by at least A\$10,000,000, other than as a result of any non-cash impairment or changes to the ASG Group's deferred tax asset position; or (b) be reasonably likely to result in the value of EBITDA of the ASG Group as to be reported in the ASG's Group financial statements for the year ending 30 June 2017 being less than A\$28,300,000; or (c) be reasonably likely to increase the consolidated Net Indebtedness of the ASG Group as to be reported in the ASG Group's financial statements for the year ending 30 June 2017 above A\$2,900,000, calculated exclusive of the amount of any advisers' fees, costs and other related expenses incurred by ASG in undertaking the Scheme; <p>but does not include:</p> <ul style="list-style-type: none"> (d) any matter, event or circumstance disclosed to, or actually known by, NRI or its Representatives before the date of the Scheme Implementation Agreement (including as a result of disclosures made by ASG to ASX); (e) any matter, event or circumstance arising from changes in law or general economic, political or regulatory conditions in Australia or Japan or that affects or otherwise has an impact on Australia or Japan; (f) any change in accounting policy required by law; (g) any change occurring directly or indirectly as a result of any matter, event or circumstance required by the date of the Scheme Implementation Agreement, the Scheme or the transactions contemplated by them; (h) any change or disruption to the existing financial markets of Australia or Japan; (i) any change to currency exchange or commodity market conditions in Australia or Japan; (j) an event, change, matter, thing or condition that is reasonably likely to have resulted from, been caused by or occurred in response to, the Scheme or its announcement; (k) any matter, event or circumstance agreed to by NRI in writing; or (l) a change resulting directly from a general deterioration in equity markets, interest rates, exchange rates or credit spreads, that impacts the ASG Group and its competitors in a similar manner.
Material Contract	a contract or commitment with a customer or client in the ASG Group involving revenue of more than \$8 million annually in the financial year ended 30 June 2016.

Term	Definition
Net Indebtedness	Indebtedness less the amount of cash, cash equivalents and short term interest bearing deposits, where the terms "cash" and "cash equivalents" are as defined in applicable accounting standards.
Notice of Meeting	the notice of meeting relating to the Scheme Meeting which is contained in Annexure D.
NRI	Nomura Research Institute, Ltd.
NRI Information	<p>(a) the information contained in section 6;</p> <p>(b) the answers to the following questions in section 3:</p> <p>(i) "Who is NRI?"</p> <p>(ii) "How will NRI fund the Scheme Consideration?"</p>
NRI Proposal	the acquisition by NRI of all ASG Shares through the implementation of the Scheme and other transactions contemplated by the Scheme Implementation Agreement.
Optionholder	a holder of ASG Options.
Option Cancellation Deed	the deeds executed by each Optionholder, pursuant to which the Optionholder agrees, subject to the Scheme becoming Effective, to the cancellation of each Option held by the Optionholder in return for the Option Consideration.
Option Consideration	<p>in respect of the ASG Options, the consideration payable for the cancellation of the ASG Options (in aggregate), as set out in each Option Cancellation Deed, which for:</p> <p>(a) each ASG Option which is in the money, equals the Scheme Consideration payable per ASG Share less the relevant ASG Option exercise price; and</p> <p>(b) each ASG Option which is at or out of the money, equals the consideration agreed between NRI and ASG, up to a maximum of \$30,000 in aggregate to all such Optionholders with ASG Options at or out of the money.</p>
Prescribed Event	<p>except to the extent disclosed to NRI or its Representatives in the Data Room or otherwise disclosed to ASX prior to 30 September 2016 (being the date of the Scheme Implementation Agreement), or expressly contemplated by the Scheme Implementation Agreement or the Scheme, any of the events listed below provided that a Prescribed Event listed in items 1 to 11 below will not occur where ASG has first consulted with NRI in relation to the event and NRI has approved the proposed event in writing or has not objected to the proposed event within 5 Business Days of having being so consulted:</p> <ol style="list-style-type: none"> (Conversion) ASG converts all or any of its shares into a larger or smaller number of shares. (Reduction of share capital) ASG (or any of its Subsidiaries) resolves to reduce its share capital in any way or reclassifies, combines, splits or redeems or repurchases directly or indirectly any of its shares. (Buy-back) ASG (or any of its Subsidiaries): <ol style="list-style-type: none"> enters into a buy-back agreement; or resolves to approve the terms of a buy-back agreement under the Corporations Act. (Distribution) ASG makes or declares, or announces an intention to make or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie). (Issuing or granting shares or options) ASG or any of its Subsidiaries: <ol style="list-style-type: none"> issues shares (other than upon exercise of an option granted prior to the date of the Scheme Implementation Agreement); grants a performance right or an option over its shares; or agrees to make such an issue or grant such an option, in each case to a person outside the ASG Group.

Term	Definition
Prescribed Event (cont.)	<p>6 (Securities or other instruments) ASG or any of its Subsidiaries:</p> <ul style="list-style-type: none"> (a) issues securities or other instruments convertible into shares or debt securities; or (b) agrees to issue securities or other instruments convertible into shares or debt securities, <p>in each case to a person outside the ASG Group.</p> <p>7 (Constitution) ASG adopts a new constitution or modifies or repeals its constitution or a provision of it.</p> <p>8 (Disposals) ASG or any of its Subsidiaries disposes, or agrees to dispose of the whole or a substantial part of the ASG Group's business or property.</p> <p>9 (Acquisitions, disposals or tenders) ASG or any of its Subsidiaries:</p> <ul style="list-style-type: none"> (a) acquires or disposes of; (b) agrees to acquire or dispose of; or (c) offers, proposes, announces a bid or tenders for (other than client bids or tenders in the ordinary course of ASG's business), <p>any business, assets, entity or undertaking the value of which exceeds \$3,000,000.</p> <p>10 (Encumbrances) other than in the ordinary course of business and consistent with past practice, ASG or any of its Subsidiaries creates, or agrees to create, any Encumbrance over the whole or a substantial part of its business or property.</p> <p>11 (Insolvency) ASG or any of its Related Bodies Corporate becomes Insolvent.</p> <p>12 (Listing) ASG ceases to be listed on ASX.</p>
PwC	means PricewaterhouseCoopers Securities Ltd (ACN 003 311 617).
Record Date	5:00 pm (AWST) on the fifth Business Day following the Effective Date or such other date as ASG and NRI agree in writing.
Register	the register of shareholders maintained by ASG in accordance with the Corporations Act.
Regulatory Authority	<p>includes:</p> <ul style="list-style-type: none"> (a) ASX and ASIC; (b) the Takeovers Panel; (c) a government or governmental, semi-governmental or judicial entity or authority in Australia; (d) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government in Australia; and (e) any regulatory organisation established under statute in Australia.
Related Body Corporate	has the meaning given to it in the Corporations Act.
Relevant Interest	has the meaning given to it in the Corporations Act.
Representatives	any person acting for or on behalf of a party including any director, officer, employee, agent, contractor or professional advisor of a party.
Requisite Majority	<p>in relation to the resolution to be put to the Scheme Meeting, the resolution being passed by:</p> <ul style="list-style-type: none"> (a) unless the Court orders otherwise, a majority in number (more than 50%) of ASG Shareholders, who are present and voting, either in person or by proxy, attorney or in the case of a corporation its duly appointed corporate representative; and (b) at least 75% of the total number of votes cast on the resolution

Term	Definition
Scheme	the scheme of arrangement under Part 5.1 of the Corporations Act under which all of the Shares held by Scheme Participants will be transferred to NRI substantially in the form set out in Annexure B.
Scheme Booklet	this booklet.
Scheme Consideration	A\$1.63 payable by NRI in respect of each ASG Share.
Scheme Implementation Agreement	the scheme implementation agreement dated 30 September 2016 between ASG and NRI relating to the implementation of the Scheme a copy of which is attached to ASG's ASX announcement of 30 September 2016 available at www.asx.com.au and www.asggroup.com.au .
Scheme Meeting	the meeting of ASG Shareholders to be convened by the Court at which ASG Shareholders will vote on the Scheme, currently scheduled to occur at 10:00am (AWST) on 8 December 2016 at Parmelia Hilton Perth Hotel, 14 Mill Street, Perth WA and includes any meeting convened following any adjournment or postponement of that meeting.
Scheme Participants	each person registered in the Register as an ASG Shareholder at the Record Date.
Second Court Date	the day on which the Court makes an order pursuant to sections 411(4)(b) and 411(6) of the Corporations Act approving the Scheme.
Second Court Hearing	the hearing of the application made to the Court for an order pursuant to sections 411(4)(b) and 411(6) of the Corporations Act approving the Scheme.
Senior Executive Team	those senior executive personnel of ASG as set out in Section 8.2.
Shareholder Information Line	1300 668 378 within Australia and +61 1300 668 378 outside Australia.
Specified Event	any change, event, occurrence, matter or circumstance that: <ul style="list-style-type: none"> (a) occurs after 30 September 2016 (being the date of the Scheme Implementation Agreement); (b) occurs before 30 September 2016 but is only discovered, announced or publicly disclosed after that date; or (c) will or is likely to occur after 30 September 2016 and which had not been publicly announced prior to that date.
Subsidiaries	has the meaning given to it in the Corporations Act.
Superior Proposal	a bona fide Competing Transaction which the IBC, acting in good faith and after receiving written advice from its external legal and financial advisers, determines is: <ul style="list-style-type: none"> (a) reasonably capable of being completed taking into account all aspects of the Competing Transaction and any timing considerations, conditions precedent and the identity of the proponent; and (b) would, if completed substantially in accordance with its terms, be more favourable to ASG Shareholders (as a whole) than the Scheme, taking into account all terms and conditions of the Competing Transaction (including consideration, conditionality, funding, certainty and timing).
Takeovers Panel	the review body continuing in existence under section 261 of the <i>Australian Securities and Investments Commission Act 2001</i> (Cth) and given powers under Part 6.10 of the Corporations Act.
Trust Account	the trust account operated by or on behalf of ASG to hold the Scheme Consideration on trust for the purpose of paying the Scheme Consideration to the Scheme Participants in accordance with the Scheme.
VWAP	volume weighted average price.

Interpretation

In this Scheme Booklet (other than the Annexures):

- (a) except as otherwise provided, all words and phrases used in this Scheme Booklet have the meanings (if any) given to them by the Corporations Act;
- (b) headings are for ease of reference only and will not affect the interpretation of this Scheme Booklet;
- (c) words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders. A reference to a person includes a reference to a corporation;
- (d) all dates and times are Perth, Australia (being AWST) times, unless otherwise stated;
- (e) a reference to \$, A\$, AUD and cents is to Australian currency, unless otherwise stated; and
- (f) a reference to a section or Annexure is to a section in or Annexure to this Scheme Booklet, unless otherwise stated.

Annexure



INDEPENDENT EXPERT'S REPORT

www.pwc.com.au

Independent Expert's Report

ASG Group Limited

*Prepared for the
Independent Board
Committee of ASG
Group Limited in
relation to the
proposed transaction
with Nomura
Research Institute,
Ltd.*

28 October 2016

pwc



The Independent Board Committee
ASG Group Limited
Level 9, 167 St Georges Terrace
Perth WA 6000

28 October 2016

Dear Independent Board Committee Members

Proposed transaction between ASG Group Limited and Nomura Research Institute, Ltd

Introduction

1. On 30 September 2016, ASG Group Limited (ASG) and Nomura Research Institute, Ltd (NRI) announced that they had entered into a Scheme Implementation Agreement (SIA) under which NRI will acquire all of the outstanding shares in ASG via a Scheme of Arrangement (the Scheme) pursuant to Part 5.1 of the Corporations Act 2001 (Corporations Act), (the Transaction).
2. Under the Scheme, holders of ASG shares at the record date (the Scheme Participants), will receive consideration on the Scheme implementation date in the form of \$1.63 in cash for each ASG share held (the Scheme Consideration).
3. If the Scheme is approved and implemented, all of the ASG shares will be transferred to NRI and ASG will become a wholly owned subsidiary of NRI.
4. In order to assist the shareholders of ASG to assess the merits of the Scheme, the Independent Board Committee of ASG has engaged PricewaterhouseCoopers Securities Ltd (PwC Securities) to prepare an independent expert's report setting out whether, in its opinion, the Scheme is in the best interests of the Scheme Participants and to state the reasons for that opinion.
5. In preparing our report, we have had regard to Australian Securities and Investment Commission (ASIC) Regulatory Guide 111 (RG111) *Content of expert reports*. As the Scheme achieves the same outcome as a takeover bid, we have evaluated the Scheme as a control transaction and formed an opinion as to whether the Scheme is "fair and reasonable". RG111.20 indicates that "if an expert would conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the scheme is in the best interests of members of the company".
6. This letter contains a summary of the opinion and main conclusions of PwC Securities and is extracted from the full independent expert's report, a copy of which (including this summary letter) will accompany the Scheme Booklet.

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Our conclusion

The Scheme is in the best interests of the Scheme Participants

7. Our assessment of the Scheme has been undertaken in accordance with the principles of ASIC RG111. In the context of a Scheme, what is in the best interests of members is judged in all the circumstances of the Scheme. Comparing the value of the shares being acquired and the value of the consideration paid is only one element of the assessment.
8. We consider the Scheme to be in the best interests of the Scheme Participants on the basis that it is both fair and reasonable, an approach which is considered consistent with RG111. The reasons for our opinion are set out below and should be read in conjunction with our detailed report which sets out our scope and findings.

The Consideration offered under the Scheme is fair

9. We have assessed the fair market value of an ASG share (on a controlling interest and fully diluted basis) as at the date of this report to be in a range from \$1.48 to \$1.62 with a preferred (midpoint) value of \$1.55. The Scheme Consideration has been assessed to have a fair value of \$1.63 per ASG share, being the cash offer per ASG share held on the record date (the Scheme Shares). On the basis that the assessed value of the Scheme Consideration is greater than our valuation range for a fully paid ordinary share in ASG, we consider that it is fair.

The Scheme is reasonable

10. In accordance with RG111.12, we consider that the Scheme is reasonable on the basis that it is fair. In addition, we consider the Scheme to be reasonable for the following reasons.

The offer is at a premium to ASG share prices before the announcement of the proposed Scheme

11. The one month and three month volume weighted average price (VWAP) of an ASG share prior to the announcement to the Australian Securities Exchange (ASX) on 30 September 2016 of the proposed acquisition of ASG via the Scheme was \$1.27 and \$1.18, respectively.
12. As we have assessed the value of the Scheme Consideration to be \$1.63 per Scheme Share based on the cash offered, this implies that a premium for control of approximately 28% to 38% has been included in the Scheme Consideration when compared to the historical one month and three month VWAP of ASG shares prior to the announcement of the proposed Scheme.

Proposed cash offer enables ASG shareholders to realise the value of their investment in ASG

13. The proposed Scheme enables ASG shareholders to realise the value of their investment in ASG at a cash price which incorporates a premium for control. In the absence of the Scheme, or similar transaction, ASG shareholders could only realise their investment by selling their ASG shares on market at a price that excludes a premium for control and would also incur transaction costs in the form of brokerage or through the receipt of future dividends which are not guaranteed.

Cash offer provides certainty of value being received

14. As the offer is cash, shareholders have certainty regarding the value they will realise and when it will be received.



15. Whilst there may be potential future value above the Scheme Consideration of \$1.63 per ASG share, it is reasonable to conclude that the achievement of that value is uncertain due to business and other risks that ASG is exposed to in the ordinary course of business. An assessment of the risks associated with the ASG business is detailed in Section 5.5 of the Scheme Booklet.

Unanimous Independent Board Committee recommendation

16. ASG's Independent Board Committee has unanimously recommended that shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to the independent expert opining that the proposed Scheme is in the best interests of Scheme Participants.

No alternative proposals have been received

17. The Independent Board Committee of ASG has advised us that to the best of their knowledge the proposal from NRI is the only proposal available to ASG shareholders at the date of this report.
18. We cannot exclude the prospect of an alternative proposal or offer on better terms emerging. In the event that an alternative proposal or offer on better terms emerges before the general meeting of ASG shareholders that is expected to be held mid-December 2016 (the Scheme Meeting), Scheme Participants will be entitled to vote against the Scheme and pursue other opportunities.

If the Scheme is not accepted, the ASG share price is likely to fall

19. The ASG share price increased significantly on the announcement of the Scheme and has traded in a range of \$1.59 to \$1.60 since then (based on closing share prices). We consider that in the absence of the Scheme, an alternative proposal or speculation concerning an alternative proposal, the ASG share price is likely to reduce from current levels. In the medium and longer term, the ASG share price will reflect the market's assessment of ASG's ongoing business model, operating performance as well as general movements in financial markets.

Other matters

20. In preparing this independent expert's report we have considered relevant regulatory guides issued by ASIC, with particular reference to RG111, RG112 *Independence of experts* and Australian Professional and Ethical Standard (APES) 225 *Valuation Services*.
21. The decision to accept or not to accept the Scheme is a matter for individual Scheme Participants based on each shareholder's view as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. If in any doubt as to the action they should take in relation to the Scheme, Scheme Participants may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist in this assessment.
22. This independent expert's report has been prepared solely for the benefit of the Independent Board Committee of ASG and for the benefit of the Scheme Participants. Neither PwC Securities nor its employees, officers and agents undertake responsibility to any person, other than the Independent Board Committee of ASG or the Scheme Participants, in respect of the independent expert's report, including any errors or omissions howsoever caused.



23. ASG has indemnified PwC Securities, PwC and its employees, officers and agents against any claim, liability, loss or expense, cost or damage, including legal costs on a solicitor client basis, arising out of reliance on any information or documentation provided by ASG, which is false and misleading or omits any material particulars or arising from a failure to supply relevant documentation or information.
24. Our assessment was completed using available information as at 11 October 2016. We have reviewed publicly available information subsequent to 11 October 2016 to the date of this letter and do not consider this to alter our opinion that the proposed Scheme is in the best interests of the Scheme Participants.

This letter must be read in conjunction with the remainder of this independent expert's report, including the appendices attached.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Paul Hennessy'.

Paul Hennessy
Authorised Representative
PricewaterhouseCoopers Securities Ltd

A handwritten signature in black ink, appearing to read 'Richard Stewart'.

Richard Stewart
Authorised Representative
PricewaterhouseCoopers Securities Ltd

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Overview of the Scheme

1 Overview of the Scheme

Overview of the Scheme

25. On 30 September 2016, ASG Group Limited (ASG) and Nomura Research Institute, Ltd. (NRI) announced that they had entered into a Scheme Implementation Agreement (SIA) under which NRI will acquire 100% of the shares of ASG via a Scheme of Arrangement (the Scheme) pursuant to Part 5.1 of the Corporations Act 2001 (Corporations Act), (the Transaction).
26. If the Scheme is successful, it enables NRI to establish an immediate footprint in the Australian IT services industry with access to ASG's existing range of corporate and government clients. The proposed acquisition is also expected to facilitate future growth through the expansion of NRI's broader service offerings into the Australian market and through the roll-out of ASG's 'New World' approach to delivering end-to-end IT services across NRI's global business.
27. Under the proposed Scheme, NRI will acquire all of the outstanding shares in ASG at the deemed record date (the Scheme Shares), including shares that have been issued pursuant to the exercise of any options over ASG shares prior to that date from the holders (collectively, the Scheme Participants).
28. Any options over ASG shares that have not been exercised prior to the deemed record date will be subject to a separate arrangement (the Option Deeds). Under the Option Deeds, each option holder (the Option Holders) will be offered consideration equating to either:
 - an amount equivalent to the Scheme Consideration less the exercise price for any options that are in-the-money; or
 - in respect of options that are considered to be at or out-of-the-money, an amount agreed between the relevant Option Holder, NRI and ASG up to a maximum of \$30,000 in aggregate for all at or out-of-the-money options held.
29. ASG has a total of approximately 201.8 million shares and approximately 12.5 million unlisted options on issue, with 130,000 options considered to be at or out-of-the-money when compared to the Scheme Consideration.
30. The proposed Scheme is subject to the satisfaction of a number of conditions which are set out in full in the SIA. The shareholders of ASG are to consider a resolution seeking approval of the Scheme at a general meeting of ASG shareholders that is expected to be held on a date yet to be set but anticipated to be mid-December 2016 (Scheme Meeting).
31. The Scheme is subject to the following key conditions:
 - The receipt of requisite regulatory approvals, including consent or approval from ASIC to implement the proposed Transaction and the Treasurer (or his delegate) has provided notice that there are no objections to the proposed Transaction either unconditionally or with conditions reasonably acceptable to NRI from the Foreign Investment Review Board (FIRB approval);
 - No Court of competent jurisdiction has issued or taken steps to issue an order or ruling, restraining or otherwise prohibiting or preventing the Transaction;
 - An independent expert concluding that the Scheme is in the best interests of the Scheme Participants;
 - The Scheme being approved by the requisite majority of ASG shareholders at a meeting convened pursuant to section 411 (1) of the Corporations Act in respect of the Scheme;
 - No material adverse change in ASG from the date of the SIA to the date of the second court hearing in respect of the Scheme;

Overview of the Scheme

- ASG obtaining consent to the Transaction from each party to a contract identified as being material that contains a provision requiring consent to a change of control (either expressly or so as to avoid a right of termination or other right adverse to the relevant member of ASG arising);
 - The SIA is not terminated in accordance with clause 15 of the SIA;
 - No occurrence of an event as listed in Schedule 1 of the SIA (the Prescribed Events);
 - All Option Holders have either exercised their options or have entered into an Option Deed prior to the first court hearing; and
 - Approval by the court under Section 411(4)(b) of the Corporations Act.
32. Other elements of the Scheme include:
- ASG has agreed to certain exclusivity restrictions including no-talk, no-shop and no-due diligence provisions;
 - A break-fee of \$3.3 million is payable by ASG to NRI in certain circumstances including if any member of ASG's Independent Board Committee or any ASG Director changes adversely or withdraws the recommendation in favour of, or voting intentions in relation to, the Scheme or if before the Scheme becomes effective, a third party announces a superior proposal and, as a result, acquires an economic interest in more than 50% of the issued share capital of ASG;
 - A reimbursement fee of \$3.3 million is payable by NRI to ASG in certain circumstances including if NRI is in material breach of the SIA or does not pay the Scheme Consideration in accordance with the terms of the SIA;
 - Immediate notification by ASG of any competing proposals and NRI having the right to amend the terms of its offer and match the terms of a competing proposal; and
 - An end date of 30 June 2017 (or such other date agreed in writing between ASG and NRI).
33. ASG has agreed to propose the Scheme to the ASG shareholders and the Independent Board Committee of ASG has unanimously recommended that Scheme Participants vote in favour of the Scheme in the absence of a superior proposal and subject to the independent expert concluding that the Scheme is in the best interests of the Scheme Participants.
34. The Independent Board Committee of ASG has engaged PwC Securities to prepare an independent expert's report setting out whether, in its opinion, the Scheme is in the best interests of the Scheme Participants and to state reasons for that opinion.

Scope of independent expert's report

2 *Scope of independent expert's report*

Scope of independent expert's report

35. The proposed takeover of ASG by NRI is to be effected by a members' scheme of arrangement (being the Scheme). Schemes of arrangement are governed by Part 5.1 of the Corporations Act and Schedule 8 of the Corporations Regulations 2001. Before the Scheme can proceed, it must be considered and approved by ASG shareholders and the Court.
36. Part 3 of Schedule 8 to the Corporations Regulations prescribes the information to be sent to the security holders in relation to schemes of arrangement pursuant to Section 411 of the Corporations Act. Part 3 of Schedule 8 requires an independent expert's report in relation to a scheme of arrangement to be prepared when a party to a scheme of arrangement has a prescribed shareholding in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the explanatory statement provided to shareholders is to be accompanied by a report from an independent expert stating whether, in the expert's opinion, the scheme is in the best interests of members of the company subject to the scheme and setting out the reasons for that opinion.
37. Although in the case of the proposed Scheme there is no requirement under the Corporations Act or the ASX Listing Rules for an independent expert's report to be prepared, the SIA contains a condition precedent that an independent expert's report is obtained to opine on whether "the Scheme is in the best interests of the Scheme Participants" (being ASG shareholders at the record date). We have therefore been requested by the Independent Board Committee of ASG to prepare an independent expert's report stating whether, in our opinion, the Scheme is in the best interests of the Scheme Participants and to set out our reasons for that opinion.

Our approach

38. This report has been prepared in accordance with the Corporations Act and ASIC RG111.
39. We have prepared this independent expert's report for the purpose of stating, in our opinion, whether or not the Scheme is in the best interests of the Scheme Participants, and to set out our reasons for that opinion.
40. While there is no definition of "in the best interests of the members" provided in the Corporations Act, relevant guidance is provided in RG111, which is framed largely in terms that relate specifically to control transactions effected by way of a scheme of arrangement.
41. RG111.18 indicates that an expert evaluating a control transaction effected by way of a scheme of arrangement should undertake a form of analysis substantially the same as "fair and reasonable" reports for takeover offers under Section 640 of the Corporations Act. In this context, RG111.18-22 indicates that assessment of whether a proposal is "in the best interests of the members" for reports on control transactions prepared for the purposes of Section 411 should be evaluated by reference to whether the proposal is "fair and reasonable" and should also include an opinion on this basis.
42. RG111 discusses the separate concepts of "fair" and "reasonable" to be applied by an independent expert assessing an offer. An offer is regarded as "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. An offer is "reasonable" if it is "fair" or despite not being "fair", but after considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.
43. RG111.11 requires that the assessment of fairness of a control transaction assumes 100% ownership of the target, irrespective of whether the consideration is made by way of scrip or cash, and therefore reflects ASIC's underlying philosophy that the premium for control of a company subject to a takeover be shared by all members of that company.

Scope of independent expert's report

44. Accordingly, our assessment of the value of ASG's ordinary shares is assessed on a controlling interest basis and our assessment of the consideration to be paid under the Scheme reflects the cash amount offered per ASG share.
45. In assessing fairness, we use the following definition of fair market value:
"the price which would reasonably be negotiated by an informed, willing but not anxious purchaser and an informed, willing but not anxious seller acting at arm's length and within a reasonable timeframe".
46. In evaluating the reasonableness of the Scheme, we have considered other significant factors for Scheme Participants in relation to the Scheme, including the certainty of value to ASG shareholders under the proposed Transaction, the likelihood of another offer being received on better terms and the likely position of shareholders if the Scheme is rejected.

Sources of information

47. In preparing this report, we have used and relied on the information set out in Appendix B and representations made by ASG.
48. We have conducted checks, enquiries and analyses of the information provided to us which we regard as appropriate for the purposes of this report. Based on these procedures, we believe that the information used as the basis for forming the opinions in this report is accurate, complete and not misleading and we have no reason to believe that material information relevant to our report has been withheld by ASG. Whilst our work has involved an analysis of financial information and accounting records, it does not constitute an audit or review of ASG in accordance with Australian Auditing Standards, and accordingly no such assurance is given in this report.
49. The information provided to us includes actual results to 30 June 2016, the ASG budget for the period to 30 June 2017 (FY17) and consensus broker estimates of forecast FY17 results.
50. The achievement of either the prospective financial information prepared by ASG or as contained in broker estimates has been relied on by PwC Securities for the purposes of our assessment of the Scheme and is not warranted or guaranteed by us. This information is based on predictions of future events, many of which are outside the control of management, and is therefore inherently uncertain. Actual results and outcomes may differ materially from the forward looking information provided to us and reflected in this report.
51. Our assessment has been made as at the date of our report. Economic conditions, market factors and changes in exploration or development potential may result in the report becoming outdated. We reserve the right to review our assessments and, if we consider it necessary, to issue an addendum to our report, in the light of any relevant material information which subsequently becomes known to us prior to the closure of the Scheme.
52. All value amounts in the report are denominated in Australian dollars (\$) unless otherwise stated. Financial tables may be subject to rounding.
53. We have provided a draft copy of this independent expert's report to the Independent Board Committee Members for their comments as to factual accuracy, as opposed to opinions, which are our responsibility alone. The Independent Board Committee's review has not caused us to change our methodology or conclusions herein.

General advice

54. In preparing this report, we have considered the interests of the Scheme Participants taken as a whole. This report contains only general financial product advice and does not consider the personal objectives, financial situation or needs of individual shareholders. An individual's decision in relation to accepting or not accepting the Scheme may be impacted by the individual's particular circumstances and Scheme Participants may wish to obtain personal financial product advice from their financial adviser.

Scope of independent expert's report

Scope exclusions

55. This report has been prepared solely for the purpose of assisting the Scheme Participants to consider whether or not to accept the Scheme. This report has not been prepared to provide information to parties considering the purchase or sale of securities in ASG. Accordingly, we do not assume any responsibility or liability for any losses suffered as a result of the use of this report contrary to the provisions of this paragraph.

Overview of ASG

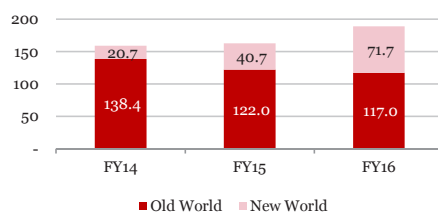
3 Overview of ASG

Profile of ASG

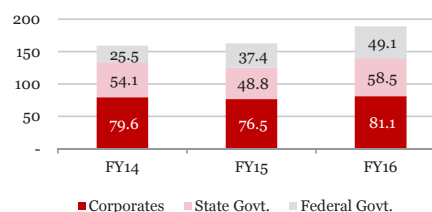
56. ASG was formed in 1996 and is an ASX listed IT solutions provider headquartered in Perth, Western Australia. ASG specialises in the provision of professional IT business solutions to medium to large-scale enterprises and has expertise and experience in IT outsourcing, computer infrastructure, application development, systems integration and the provision of specialist technical services and support. ASG is also an accredited partner of Oracle and SAP who are globally recognised enterprise resource planning (ERP) software companies.
57. ASG serves customers across Australia in the mining, government, utilities, transport, corporate, manufacturing, communication and technology, not for profit and education sectors.
58. ASG has grown significantly since incorporation via a series of strategic acquisitions and through organic growth as the industry has expanded. Organic growth has been achieved through customer retention and through securing medium to long term contracts relating to the provision of recurring services with customers such as the Victorian Department of Education and Training (DET), Western Power, Department of Infrastructure and Regional Development, Department of Finance and the Australian Bureau of Statistics. Notable acquisitions made by ASG include Progress Pacific, Courtland Business Solutions, Capiotech, Dowling Consulting and ADB.
59. ASG provides both Managed Services and Non-managed Services. Managed Services refers to the outsourcing by an entity of a defined set of IT support or maintenance requirements to an external services provider. Non-managed Services broadly relates to services provided to clients in respect of the development, installation and integration of enterprise level applications which are typically undertaken on an individual project by project basis. ASG also designs and implements client specific reporting and analytic solutions.
60. ASG distinguishes between the delivery of its services being 'Old World' or 'New World'. New World services refers to the provision of services to assist customers which are transitioning to an increased use and reliance on cloud based solutions. These New World services are typically delivered under longer-term 'pay-as-you-go' contracts whereby ASG is the sole point of contact regarding the design and successful integration of latest generation IT technology and the provision of necessary IT support services. In addition, under ASG's New World platform, the provision of IT services is planned by the organisation as a whole and is focussed on business outcomes rather than reacting to specific project demands and technology outcomes which has traditionally been the case.

Figure 1: Historical revenue analysis

Revenue type (A\$m)



Revenue by client (A\$m)



Source: ASG Annual Report

Overview of ASG

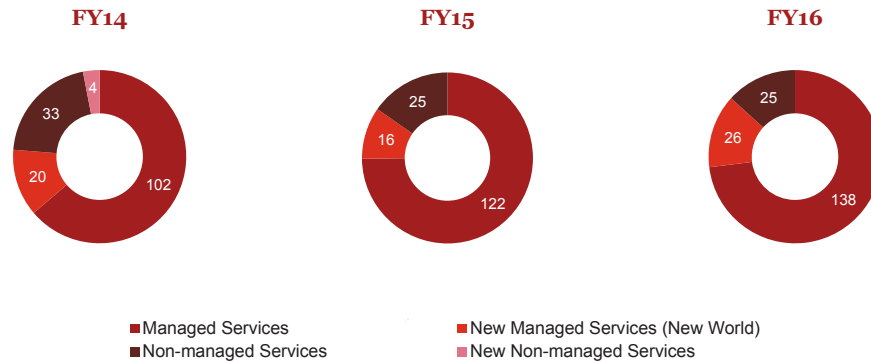
Managed Services

61. ASG's Managed Services business contributed approximately 86% of ASG's FY16 revenue.
62. Managed Services within ASG relates to the provision of ongoing technical and operational services for applications and infrastructure typically under long-term contracts using a combination of client and ASG owned hardware. ASG's business strategy is based on complementing an organisation's existing capabilities with the added functionality of ASG's Service Management Centre to provide cost effective IT services and solutions. One of the key differentiators purported by ASG is that it supports the entire end-to-end lifecycle of a managed service from both a management and operational perspective.
63. The range of services and business solutions offered by ASG's Managed Services business unit include:
 - installation of software through provision of services such as strategy and business process design, performance and service level management, customer management, supply chain, IT architecture, information security, organisational change and business continuity;
 - service brokerage solutions for implementation of electronic service catalogue solutions;
 - development of customised models to provide solutions in the areas of desktop and desk side support, server, storage, network, security, database and data centre management; and
 - Infrastructure as a Managed Service (IaaS) - A full managed service offering that aims to harnesses the innovation of the cloud to provide secure access to reliable, agile, high-performance infrastructure at a cost effective price without impacting service quality or security.

Non-managed Services

64. ASG's non-managed services contributed 14% of ASG's total FY16 revenue.
65. ASG is a recognised enterprise application service provider (ASP) for Oracle and SAP based ERP applications which are leased to organisations, as an on-premise or hosted service. Enterprise applications describes a collection of computer programs with common business applications intended to solve enterprise-wide problems, rather than specific departmental level problems. Typically, these services are delivered on an enterprise level project basis.
66. ASG's analytics 'as a service' offering is also part of ASG's 'New World' capability. ASG has over 100 analytics consultants who provide services across Enterprise Performance Management, Data Science, Business Intelligence and Advanced Analytics.
67. Broadly, ASG provides the following range of non-managed services:
 - implementation, development, performance optimisation, hosting, support and architecting of Oracle database technology, Oracle Fusion middleware, the "Exa" suite of products and applications such as Oracle E- Business Suite, PeopleSoft and Primavera;
 - implementation of various SAP related services including SAP Business Objects, SAP Hosting, SAP Maintenance and Support as well as a cloud based SAP service; and
 - designing and implementing automated business analytical and big data solutions.
68. We have shown below a breakdown of historical revenue for the three financial years ended 30 June 2016:

Overview of ASG

Figure 2: Breakdown of revenue by line of business (\$m)

Source: ASG Annual Report

Company history

69. We have listed below a summary of key events in ASG's history since listing on the ASX:

Date	Event
2003	<ul style="list-style-type: none"> Esec Limited acquires ASG and merged group changes name to ASG and lists on the ASX under the ticker ASZ
2004	<ul style="list-style-type: none"> Acquired Assist (Pty) Ltd, an Oracle solutions and services company Acquired Exceed Systems Integration (Pty) Ltd, a Canberra-based IT services and outsourcing provider
2005	<ul style="list-style-type: none"> Confirmed signing of a \$67 million contract with the WA State Government to provide IT implementation services
2007	<ul style="list-style-type: none"> Awarded a \$65 million, 5 year contract to provide IT services support and infrastructure management for the Victorian Department of Education and Training
2008	<ul style="list-style-type: none"> Secured multi-year contracts with a range of customers namely Multiplex, Virgin Blue, Ericsson and Inpex Acquired Acknowledge-DB Group to increase ASG's exposure to the defence sector
2010	<ul style="list-style-type: none"> Acquired Capiotech, Dowling Consulting, Courtland Business Solutions and Progress Pacific ASG's acquisition of Capiotech positioned ASG as one of the largest business intelligence specialist practices in Australia
2012	<ul style="list-style-type: none"> ASG completed a \$15 million institutional and retail capital raise
2013	<ul style="list-style-type: none"> Secured \$97.5 million in new contracts with a range of public and private sector organisations
2014	<ul style="list-style-type: none"> Completed the sale of its interests in the Bentley Data Centre located in Perth to Vocus Communications for \$11.7 million. ASG confirmed as Oracle's premier business partner for Australia and New Zealand
2015	<ul style="list-style-type: none"> Confirmed new \$35 million contract with CIMIC to provide application and infrastructure managed services via its New World offering
2016	<ul style="list-style-type: none"> Announced \$105 million in contract extensions with the Victorian Department of Education and Training for Oracle PeopleSoft Managed Services under its New World platform Entered into an SIA with NRI

Overview of ASG

Financial information**Historical profit and loss**

70. The reported operating performance of ASG for the three financial years ended 30 June 2016 (audited) is summarised in the table below:

Consolidated Statement of Profit or Loss (AUD millions)	Audited FY14	Audited FY15	Audited FY16
Sale of goods	20.3	18.6	31.4
Rendering of service	138.8	144.1	157.3
Total Revenue	159.1	162.7	188.7
Other income	0.9	1.5	-
Operating expenses	(138.0)	(144.0)	(162.0)
EBITDA	22.0	20.2	26.7
Depreciation and amortisation	(6.5)	(6.9)	(8.3)
EBIT	15.5	13.3	18.4
Finance costs	(2.9)	(1.7)	(1.4)
Profit before tax	12.6	11.6	17.0
Income tax expense	(3.6)	(2.1)	(5.0)
Net Profit	9.0	9.5	12.0
Key Performance Indicators			
% of revenue from Managed Services	84.4%	90.2%	86.4%
% of revenue from Non-managed Services	15.6%	9.8%	13.6%
Revenue growth	3.0%	2.2%	16.0%
EBITDA margin	13.8%	12.5%	14.2%
EBIT margin	9.8%	8.2%	9.8%

Source: ASG Annual Reports

71. In relation to the historical financial performance of ASG, we note:

- The percentage of revenue derived from Managed Services has remained relatively stable across the historical period reflected above and accounted for approximately 86% of total revenue in FY16;
- The increase in total revenue was largely due to new contract wins with CIMIC, the Department of Finance, the Department of Health and Human Services and the Department of Agriculture and Water Resources alongside full year contributions from contracts with Lockheed Martin and the Australian Maritime Safety Authority;
- Margins on longer term Managed Services contracts are considered to be relatively more stable when compared to Non-managed Services due to the variance in the nature of the individual projects undertaken together with the impact of increased industry competition on price;

Overview of ASG

- EBITDA (earnings before interest, tax, depreciation and amortisation) decreased from \$22.0 million in FY14 to \$20.2 million in FY15. This was partially due to the sale of ASG's data centre located in Bentley, Western Australia which contributed \$1.6m to EBITDA in FY14 and also due to the costs associated with setting up a number of longer-term managed service contracts in FY15;
- Revenue increased by 16% in FY16 from \$162.7 million in FY15 to \$188.7 million in FY16 as a result of a \$12.8 million increase in the sale of goods and a \$13.2 million (9.2%) increase in revenue from services. ASG also benefited in FY16 from the first full year impact of several multi-year contracts with corporate and Government clients. Additional revenue of \$19.7 million was delivered through new contracts and one-off project based revenue secured during the year; and
- EBITDA increased by 32% in FY16 from \$20.2 million in FY15 to \$26.7 million in FY16 as a result of ASG's increased ability to manage costs associated with longer-term New World contracts and through its increased utilisation of lower cost offshore service providers to reduce workforce overheads.

72. The table below summarises ASG's key operating expenses for the three financial years ended 30 June 2016:

Operating expenses (AUD millions)	Audited FY14	Audited FY15	Audited FY16
Cost of hardware	5.9	6.7	6.9
Cost of software	11.5	11.0	20.3
Total cost of goods sold	17.4	17.7	27.2
Employee benefits	102.6	109.1	119.9
Marketing and administration	15.5	14.6	15.1
Operating lease payments	1.2	1.1	1.3
Change in WIP	0.8	(0.6)	(2.6)
Acquisition expenses	-	0.4	-
Other expenses	0.5	1.7	1.1
Total Other Expenses	120.6	126.3	134.8
Total Operating Expenses	138.0	144.0	162.0

Source: ASG Annual Reports

73. In relation to the historical operating costs of ASG, we note:

- The gross margin on the sale of goods increased from 5.1% in FY15 to 15.4% in FY16. We note that the level of margin achieved from the sale of goods is lower than that achieved on services and varies according to the mix of products sold in a period;
- Employee related expenses accounted for 74.0% of total operating expenditures in FY16. The relatively high proportion of employee related expenses to total operating expenses reflects the service-oriented nature of ASG's business model; and
- Total operating costs as a percentage of total revenue decreased from 88.5% in FY15 to 85.9% in FY16 due to cost management initiatives and increased use of offshore service providers.

Overview of ASG

Statement of financial position

74. The audited statements of ASG's financial position as at 30 June 2015 and as at 30 June 2016 are set out in the following table:

Consolidated Statement of Financial Position (AUD millions)	Audited 30 June 2015	Audited 30 June 2016
Cash and cash equivalents	13.8	18.1
Trade and other receivables	31.0	31.9
Work in progress	0.8	3.4
Other	1.1	5.6
Total current assets	46.8	59.0
Trade and other receivables	2.2	1.5
Property, plant and equipment	20.4	21.6
Intangible assets	94.4	95.3
Deferred tax assets	13.3	9.9
Total non-current assets	130.3	128.4
Total assets	177.1	187.4
Trade and other payables	(30.3)	(33.5)
Unearned revenue	(0.2)	(3.0)
Provisions	(6.4)	(7.0)
Borrowings	(5.9)	(5.7)
Current tax liabilities	(2.2)	-
Total current liabilities	(45.1)	(49.2)
Trade and other payables	(1.3)	(2.6)
Provisions	(0.4)	(0.5)
Borrowings	(19.3)	(15.3)
Deferred tax liabilities	(7.7)	(9.0)
Total non-current liabilities	(28.7)	(27.3)
Total liabilities	(73.8)	(76.5)
Net assets	103.3	110.8

Source: ASG Annual Reports

Overview of ASG

75. A discussion of ASG's key balance sheet items is set out below:

Net Debt

Net debt (AUD millions)	Audited 30 June 2016
Interest bearing debt:	
Current	(5.7)
Non-current	(15.3)
Total debt	(21.0)
Less: Cash and cash equivalents	18.1
Net debt	(2.9)

Source: Annual Report

- The total interest bearing debt at 30 June comprises of a NAB corporate loan for \$16.0 million and lease liabilities of \$5.0 million. \$5.7 million of the total interest-bearing debt was classified as due within one year at 30 June 2016;
- The corporate loan is subject to a variable interest rate with a weighted average interest rate of 3.94% and is repayable quarterly by equal instalments of \$1.0 million. The loan has a termination date of 31 December 2019;
- Lease liabilities include leases of property, plant and equipment where ASG has substantially all the risks and rewards of ownership;
- Total interest bearing debt reduced from \$26.2 million as at 30 June 2015 due to repayment of the Bankwest loan (\$4.0 million) and repayment of lease liabilities (\$2.2 million), offset by an increase in finance leases due to new equipment acquired; and
- Cash and cash equivalents increased over the year to 30 June 2016 to \$18.1 million as a result of increased cash generated from operations and timing of payments to creditors.

Net working capital

Net working capital (AUD millions)	Audited 30 June 2016
Trade and other receivables	33.4
Work in progress	3.4
Other current assets	5.6
Trade and other payables	(36.1)
Provisions	(7.4)
Unearned revenue	(3.0)
Net working capital	(4.1)

Source: ASG Annual Reports

- Net working capital includes trade and other receivables, work in progress, prepayments, trade and other payables, provisions and unearned revenue;
- Trade and other receivables remained relatively constant between FY15 and FY16. Other receivables generally relate to accrued revenue for rendering of services or sales of goods not yet invoiced to customers. Other receivables classified as non-current (\$1.5 million as at 30 June 2016) relate to revenue recognised in relation to long-term contracts that is not expected to be settled until 12 months after the reporting date;

Overview of ASG

- Work in progress (WIP) represents the cost of employees' time on projects that have commenced and is classified as current. WIP balance is higher as at 30 June 2016 compared to the prior year due to a higher level of ongoing activity;
- Other current assets include prepayments, which are higher as at 30 June 2016 due to ASG incurring costs in respect of future service commitments for key clients;
- ASG's unearned revenue balance of \$3.0 million represents services which ASG has not yet delivered to certain customers but has invoiced those customers in accordance with contractual terms; and
- The net working capital balance at 30 June 2016 was significantly lower than average due to the delayed payment of creditors which were subsequently paid in July 2016. We note that ASG's monthly historical net working capital position reflects some seasonality and is principally driven by the timing of invoicing and payment of creditor balances. However, whilst acknowledging this variability, ASG's monthly net working capital balance typically falls in a range between 3% and 5% of revenue.

Property, plant and equipment

PP&E (AUD millions)	1 July 2015	Additions /Disposals	Depreciation	Audited 30 June 2016
Plant and equipment	11.0	2.8	(2.7)	11.1
Leased plant and equipment	5.8	2.0	(2.0)	5.9
Leasehold improvements	2.8	1.7	(0.6)	4.0
Motor Vehicles	0.8	(0.0)	(0.2)	0.6
Total	20.4	6.5	(5.4)	21.6

Source: ASG Annual Reports

- The written down value of ASG's property, plant and equipment as at 30 June 2016 was \$21.6 million. Plant and equipment is predominantly made up of computer hardware (\$11.0 million), with the remaining balance consisting of furniture, fixtures and fittings. The entire leased plant and equipment balance relates to computer hardware;
- Useful lives of the plant and equipment range from two to ten years. The average useful life of the plant and equipment is approximately 8.3 years and their average age is approximately 4.6 years; and
- Movement in the property, plant and equipment balance in FY16 relates to acquisition of purchased and leased plant and equipment, a small investment in leasehold improvements, offset by depreciation in accordance with the Company's accounting policies and estimates of useful lives of the assets.

Intangible assets

Intangible assets (AUD millions)	Audited 30 June 2016
Goodwill	71.2
Software	12.8
Development costs	10.9
Customer lists	0.4
Total	95.3

Source: ASG Annual Reports

Overview of ASG

- ASG has made a number of acquisitions which has resulted in the accumulation of goodwill totalling \$71.2 million at 30 June 2016 (\$102.1 million net of prior period impairments of \$30.9 million);
- ASG's intangible assets balance as at 30 June 2016 is marginally higher than the previous year end due to net additions to software offset by associated amortisation of capitalised software costs; and
- We note that under ASG's accounting policies, the costs incurred in relation to the acquisition and development of software and associated licenses are capitalised and amortised on a straight line basis over the period of perceived benefit (as opposed to being recognised as an operational cost in the period in which it was incurred) as they are considered by ASG to contribute to future period financial benefit.

Other items

- ASG has recognised both deferred tax assets and deferred tax liabilities. Deferred tax assets predominantly relate to unused tax credits arising from franking deficit tax offsets, tax losses brought forward and timing differences arising from movements in employee leave balances. Deferred tax liabilities relate to timing differences arising from different tax and accounting useful lives of plant and equipment and the treatment of capitalised costs for tax and accounting purposes.

As at 30 June 2016, ASG had \$6.0 million in unused franking deficit tax offsets. The unused tax credits are due to ASG having historically paid franked dividends despite not having sufficient franking credits. These are available to be offset against future income tax obligations. ASG also has \$1.1 million in tax losses which are available to offset future income tax. ASG anticipates being in a tax payable position during FY17;

- In October 2013, ASG entered into a contract with the Victorian Department of Environment, Land, Water and Planning (DELWP) to deliver a Finance, HR/Payroll and Reporting system and associated Managed Services. In October 2015, DELWP gave notice to ASG that it was electing to terminate the contract for convenience. We understand that pursuant to that contract, the State of Victoria is obliged to indemnify ASG for its liabilities and expenses arising from the termination. ASG has now commenced legal proceedings against the State of Victoria to recover the full amount of its claim; and
- ASG also has surety bonds and bank guarantees required for its normal business operations which are not shown on the balance sheet.

Statement of cash flows

76. The audited cash flow statements for ASG for the three financial years ended 30 June 2016 are summarised in the table below:

Statement of Cash Flows (AUD millions)	FY14	FY15	FY16
Cash flows from Operating Activities			
EBITDA	22.0	20.2	26.7
Movement in balance sheet items	4.1	(7.6)	0.6
Other non-cash items	(1.2)	(0.7)	0.2
Net operating cash before tax and finance costs	24.9	11.9	27.5
Tax paid	-	(1.7)	(2.2)
Net finance costs	(2.9)	(1.7)	(1.4)

Overview of ASG

Statement of Cash Flows (AUD millions)	FY14	FY15	FY16
Net cash provided by operating activities	22.0	8.5	23.9
Cash flows from Investing Activities			
Payment for PP&E and intangibles	(0.6)	(1.2)	(4.5)
Payments for software	(3.5)	(4.9)	(3.8)
Proceeds from sale of assets	0.0	10.7	-
Payments for purchase of business (net of cash)	(1.0)	(0.4)	-
Net cash (used in) investment activities	(5.1)	4.2	(8.4)
Cash flows from financing activities			
Proceeds/(repayments) from borrowings	2.8	(12.8)	(4.0)
Finance lease payments	(1.5)	(2.2)	(2.2)
Equity (Issues and buy-backs)	-	0.0	(5.1)
Net cash provided by/(used in) financing activities	1.2	(15.0)	(11.3)
Net increase in Cash	18.1	(2.3)	4.3
Cash at the beginning of the period	(2.0)	16.1	13.8
Cash at the end of the period	16.1	13.8	18.1

Source: Company Information

77. In relation to ASG's historical cash flows shown above, we note that:

- We have included a discussion on the historical earnings of ASG and working capital earlier in this section of this report;
- Net cash from operating activities before tax and net finance costs in FY16 of \$27.5 million was consistent with reported EBITDA of \$26.7 million;
- ASG sold its Bentley Data Centre in August 2014. Total proceeds from the sale were \$11.3 million, of which the Company received \$10.7 million at the time of the sale, the remaining balance being receivable by way of an earn-out in August 2015 contingent on the Data Centre meeting revenue targets. The final amount owing under the earn-out provisions was \$0.5 million which was settled in FY16 against unrelated outstanding invoices payable to the purchaser. Proceeds from the sale of the Data Centre were used to repay debt to the extent of \$10.0 million; and
- On 16 June 2015, ASG announced its intention to undertake an on-market buy-back of up to 20.7 million shares. The buy-back scheme commenced on 1 July 2015 and was completed on 30 June 2016. The Company acquired 4,999,374 shares in the period at a weighted average price of \$1.02 per share. The shares bought back have since been cancelled.

Overview of ASG

Capital structure**Ownership**

78. As at 10 October 2016, ASG had a market capitalisation of \$322.9 million and the issued capital of ASG comprised 201,781,465 ordinary shares.
79. Shares in ASG are considered to be liquid and are widely held with the top 10 shareholders holding 41.3% of the total ordinary shares on issue and we note that no single shareholder has significant influence. The top 10 shareholders and their respective holdings are set out in the table below:

Rank	Holder	Shares (millions)	% held
1	Mr Geoffrey J Lewis	14.8	7.4%
2	Ausbil Investment Management	11.9	5.9%
3	Pengana Capital	10.3	5.1%
4	Paradice Investment Management	8.5	4.2%
5	IFM Investors	7.2	3.6%
6	BT Investment Management	6.7	3.3%
7	Ophir Asset Management	6.7	3.3%
8	Investors Mutual	6.3	3.1%
9	Adam Smith Asset Management	5.7	2.8%
10	MicroEquities	5.3	2.6%
Top 10 shareholders		83.5	41.3%
Remaining Holders Balance		118.3	58.7%
Total		201.8	100.0%

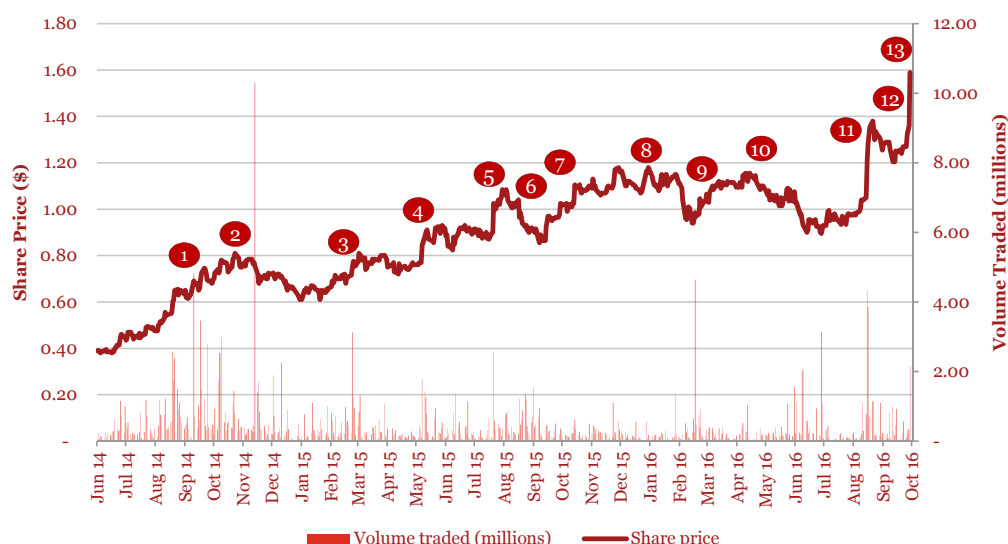
Source: Orient Capital, as at 28 September 2016

Overview of ASG

Recent share price analysis

80. The figure below illustrates the trading performance of ASG shares from 1 June 2014 to 10 October 2016 together with historical volumes traded and key influencing items:

Figure 3: ASG share price and trading volume 1 June 2014 – 10 October 2016



Key influencing items

1	10 September 2014	ASG announced that it had signed a significant multi-year contract with Lockheed Martin as sub-contract partner to Department of Defence's centralised processing project. The deal was expected to generate incremental EBITDA of \$1.5 to \$2.0 million
2	14 November 2014	Ophir Asset Management undertook on market-purchase to become a substantial holder in ASG
3	17 February 2015	ASG half year report released
	27 February 2015	Paradice Investment Management Pty Ltd became a substantial holder
4	8 May 2015	ASG signed a 3 year, \$15 million contract with Synergy to provide full-managed services
5	22 July 2015	ASG signed a 5 year, \$35 million contract with CIMIC to provide global application and infrastructure managed services
6	18 August 2015	ASG half year report released
7	22 September 2015	ASG signed a 5 year, \$24 million contract with the Department of Infrastructure and Regional Development to provide infrastructure services, desktop services and end-to-end services management
8	29 December 2015	ASG signed a 5 year, \$29 million contract with the Department of Finance to deliver an Electronic Work Environment

Overview of ASG

9	29 February 2016	ASG signed a 5+2+2 year contract with the Department of Education and Training (DET) to deliver managed services to the Department's business critical systems
10	14 April 2016	ASG signed a 2 year, \$10 million contract with the Australian Bureau of Statistics to deliver an Enterprise Data Management Environment
11	16 August 2016	ASG share price increased significantly following the release of its FY16 Annual Report which confirmed that the FY16 revenue and EBITDA targets had been achieved and that further growth in revenue and earnings was forecast for FY17
12	30 September 2016	In the one month prior to the announcement of the proposed Scheme on 30 September 2016 ASG's share price traded within a range of \$1.21 and \$1.36, with a VWAP of \$1.27
13	11 October 2016	In the period between the announcement of the proposed Scheme on 30 September 2016 and the date of this report, ASG's share price has traded within a range of \$1.59 and \$1.60 with a VWAP of \$1.60, reflecting the terms of NRI's offer

Source: Capital IQ and ASX Announcements

Liquidity

81. ASG shares are considered to have a moderate level of trading liquidity on the ASX, with approximately 51% of the total number of securities changing hands on average each year since 1 January 2014.

Year	Days Traded	Average Daily Price (\$)	Average Daily Volume Traded (millions)	% of Shares Traded Monthly
2014	251	0.61	0.53	5.4%
2015	254	0.89	0.35	3.6%
2016 (to 29 September)	190	1.09	0.37	3.8%

Source: Capital IQ

Options

82. Long-term incentives are provided by ASG to executives and senior employees through the ASG Group Employee Option Plan (Option Plan) by way of issue of options over ASG shares or issued under terms and conditions approved by shareholders. Options granted under the Option Plan carry no dividend or voting rights. The vesting of options issued under the Option Plan is subject to continuing employment conditions and, in some instances, certain performance-based vesting conditions.
83. The following table sets out the options outstanding as at 11 October 2016:

Grant Date	Expiry Date	Exercise Price (\$)	Number of Options
1 January 2006	31 December 2016	0.87	30,000
8 November 2006	30 June 2017	0.79	10,000
1 July 2007	30 June 2017	1.74	60,000
1 July 2007	30 June 2017	0.79	10,000

Overview of ASG

Grant Date	Expiry Date	Exercise Price (\$)	Number of Options
1 July 2007	30 July 2017	0.79	10,000
1 January 2010	7 October 2017	1.72	20,000
1 January 2007	30 December 2017	1.19	90,000
1 January 2008	30 December 2018	1.63	50,000
1 July 2008	30 June 2019	1.01	70,000
1 July 2009	30 June 2019	0.91	60,000
27 June 2014	1 August 2019	0.44	1,000,000
1 January 2009	30 December 2019	0.73	60,000
1 January 2010	30 December 2019	1.43	70,000
27 June 2014	29 April 2020	0.44	3,500,000
6 November 2015	29 April 2020	0.87	5,000,000
30 September 2015	30 September 2021	1.09	2,000,000
30 August 2016	1 July 2022	1.13	500,000
Total			12,540,000
Weighted average exercise price			\$0.78

Source: Company Information

84. We note that based on the Scheme Consideration of \$1.63 per ASG share held by Scheme Participants, 130,000 options are considered to be at or out-of-the-money at the date of this report (i.e. have an exercise price at, or above, \$1.63).

4 *Industry overview*

Introduction

85. The Information Communications and Technology (ICT) industry in Australia has undergone rapid technological change through the proliferation of big data, cloud based solutions and mobile technology with businesses becoming increasingly reliant on computer systems and the outsourcing of IT related services.
86. The broader ICT sector comprises the following segments:
 - Infrastructure, such as networks, data centres and servers;
 - Internet Service Providers;
 - Development, provision and sourcing of hardware;
 - Software development, such as operating systems and enterprise applications; and
 - IT Services, such as computer system design and integration services, enterprise application installation and related services, business information and analytics and other consulting services.
87. ASG operates in the IT Services segment of the industry and provides professional IT solutions to medium to large-scale corporate and state and federal Government enterprises.

IT Services

Overview

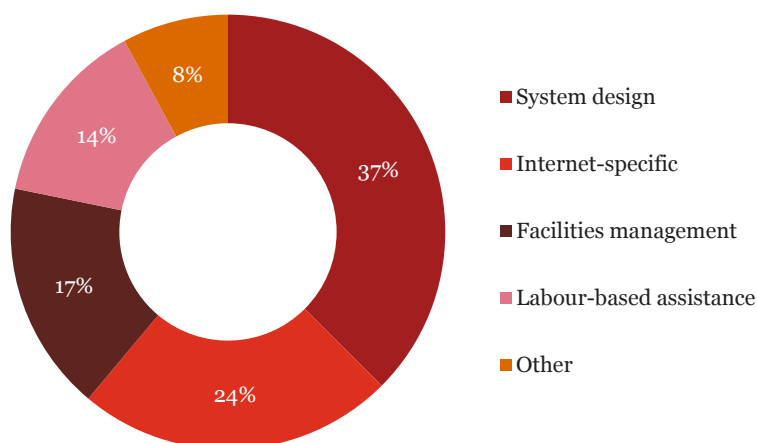
88. The IT Services industry in Australia is purported by IBISWorld to be worth an estimated \$45 billion in 2016¹ and consists of entities that predominantly provide technology based services to organisations such as planning and designing computer systems that integrate computer hardware, software and communication technologies and writing, modifying, testing or supporting software to meet the needs of a particular consumer.
89. Demand for services is driven by capital expenditure on IT, business sentiment and technological change. Businesses will typically review their IT systems for the purposes of increasing productivity or achieving efficiencies and spending tends to decrease during times of economic uncertainty with tighter budgets resulting in upgrades to IT systems being delayed.
90. Recent growth in the industry has been driven by rapidly changing technology and businesses which necessitates regular system upgrades and/or enhancements. The introduction of cloud computing has had a significant impact on the industry as businesses begin to move from a traditional product and project-based IT model to a managed service-based IT model.
91. The primary activities provided by the IT Services industry include:
 - System design – implementation of changes to existing enterprise level IT systems designed to reduce costs and provide an organisation with more timely and meaningful information;
 - Infrastructure management – physical management and maintenance of IT infrastructure;

¹ IBIS World, "Computer System Design Services in Australia Industry Report", June 2016

Industry overview

- Labour-based IT assistance – technical and operational support services and training;
- Internet-specific services – website design and development, assistance with data streaming, internet access, and cloud based services; and
- Other services – including software installation services, software simulation and testing services, systems analysis and the design and provision of data analysis.

Figure 6: IT Services – Products and services segmentation (FY16F)



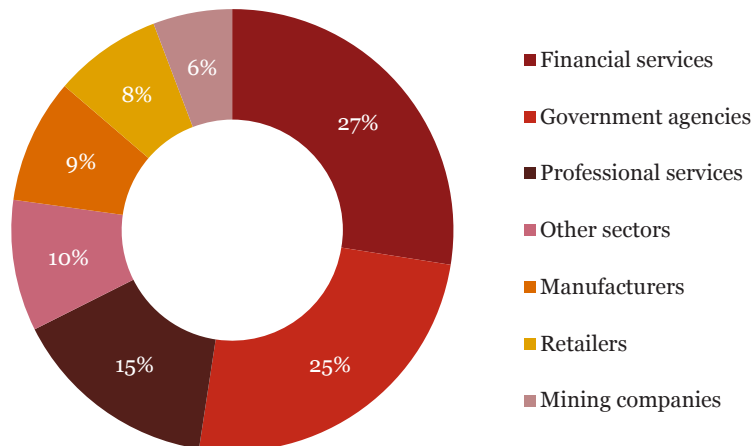
Source: IBISWorld, "Computer System Design Services in Australia Industry Report", June 2016

Markets

92. The largest sectors for the industry have traditionally been the financial services and the public sectors. The financial services sector and public sector contribute to the majority of industry revenue, with a purported 27.5% and 24.9% of the market respectively.² The financial services sector largely comprises banks and insurers who rely heavily on having secure and scalable IT systems to protect the privacy of client information and provide an increasing number of services online.
93. The public sector largely comprises state and federal Government agencies who are required to hold and process large volumes of data and need to ensure protection of information from potential cyber-attacks.
94. Other sectors include professional services and manufacturing which purportedly account for 15.2% and 9.1% of industry revenue respectively.² Other sectors predominantly require IT services to improve the productivity of employees and improve the quality and timeliness of enterprise level information.

² IBIS World, "Computer System Design Services in Australia Industry Report", June 2016

Industry overview

Figure 4: IT Services – Market segmentation (FY16F)

Source: IBISWorld, "Computer System Design Services in Australia Industry Report", June 2016

Recent industry trends and developments

95. Recent developments in the industry include the emergence of cloud computing. There are three 'service' models used to deliver cloud based solutions:
 - Software as a Service (SaaS), which enables clients to use the provider's applications through a thin client interface (such as a web browser) or a program interface without needing to manage the underlying cloud infrastructure;
 - Platform as a Service (PaaS), which enables the user to deploy on cloud infrastructure consumer-created or acquired applications; and
 - Infrastructure as a Service (IaaS), which enables the user to access processing, storage, networks and other resources to deploy and run software (such as operating systems and applications).
96. The emergence of cloud-based solutions is widely considered to have contributed to a change in the way services are now being delivered. The traditional product-based model relied on clients maintaining and updating the software, platform or infrastructure on premises. Cloud computing has facilitated a more managed service-based model which allows businesses to access these resources on demand at a lower upfront cost.
97. Managed IT services broadly relates to the practice by organisations of outsourcing management responsibilities and IT functions and is used by organisations as a strategic method for improving operations and also cutting related expenses. Under a managed service model, the client is the entity that owns or has direct oversight of the organisation or system being managed whereas the Managed Services Provider (MSP) is the service provider delivering the services. Under this model the client and the MSP are typically bound by a contractual, service-level agreement that states the performance and quality metrics of their relationship.
98. A further trend has been the increase in IT services being carried out overseas, primarily by operators in India. It is considered that if future technological advancements reduce threat of security breaches the threat to domestic service providers posed by increased overseas outsourcing could increase.
99. There is also increasing competition between IT and other consulting firms, most notably management consultancies and the larger professional services firms due to the amount of overlap between IT consulting and other providers of business solution services. Many industry players have been merging

Industry overview

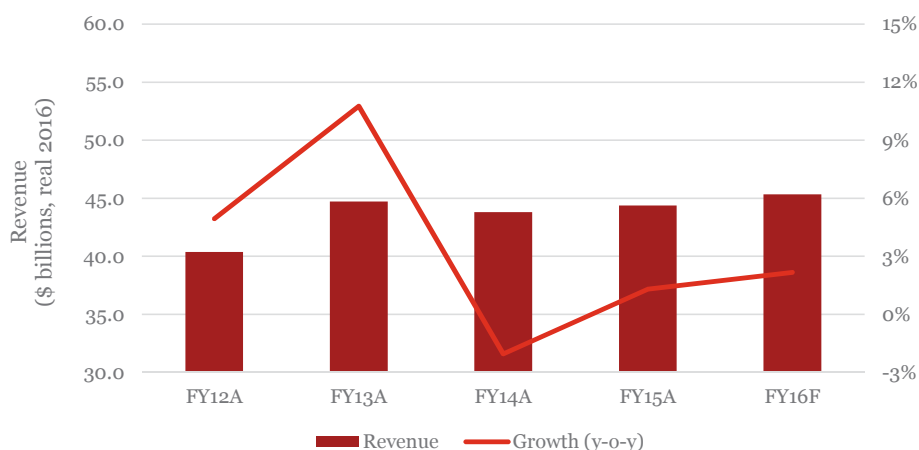
services with other consulting firms to expand the set of service offerings across areas such as strategic planning, enterprise analytics and business research.

100. This trend is seen as continuing as industry participants strive to provide end-to-end service models and is expected to bring larger players into the industry through mergers and acquisitions. Larger firms are also anticipated to acquire smaller well positioned businesses to achieve economies of scale and access to particular markets. International competitors are also considered likely to continue to acquire local Australian firms to improve market coverage, such as the acquisition of UXC by Computer Sciences Corporation (CSC) which completed in February 2016 and the proposed Transaction.

Historical industry performance

101. Despite slower revenue growth in the years immediately following the global financial crisis, the industry has benefited from increased investment in IT projects and growing software requirements. Increased online connectivity and the requirement to regularly upgrade existing systems and hardware has supported strong demand for industry services. Areas of spending that have supported industry growth include increasing data transfer speeds, cloud investments, internet-based telephony services (such as Voice over Internet Protocol or VoIP), unified communication models and IT department outsourcing.
102. The chart below shows the revenue of the industry in Australia over the last five financial years as reflected in IBISWorld's latest report on the industry:

Figure 5: Historical IT Services industry revenue



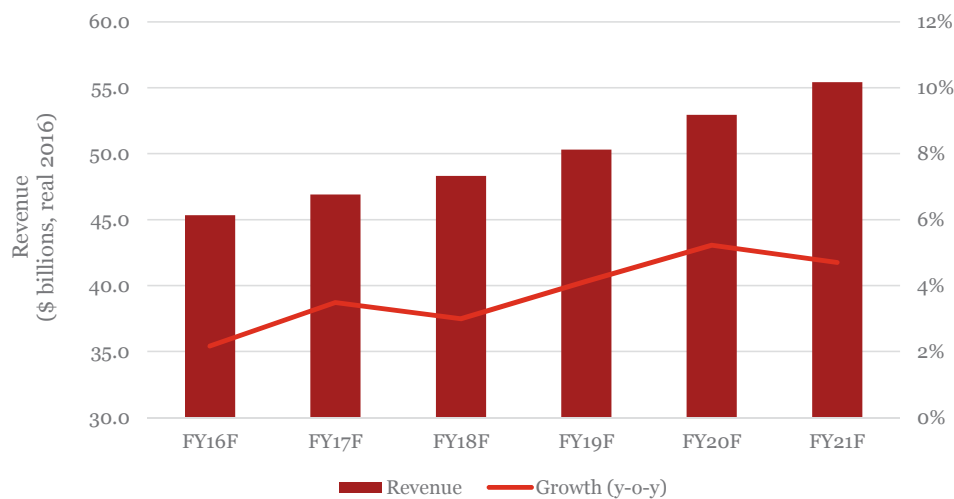
Source: IBISWorld, "Computer System Design Services in Australia Industry Report", June 2016

103. Our high level comments in relation to the historical performance for this industry are as follows:
- The Industry has grown at a CAGR of 3.3% in real terms between FY12 and FY16. Growth has been driven by business expenditure which is subject to cyclical factors and prevailing economic conditions;
 - Weaker economic conditions in Australia resulted in reduced business confidence and therefore businesses delaying the implementation of computer system upgrades. This led to a decline in revenue between FY13 and FY14; and
 - Revenue growth recovered in FY15 and FY16 and is expected to continue over the next five years.

Industry overview

Industry outlook

104. New infrastructure investment, the National Broadband Network (NBN), and improvements in cloud computing will necessitate the requirement to upgrade IT systems and generate future growth in the industry. These upgrades will include hardware, software and cloud technology across all market sectors.
105. In addition, demand for services related to VoIP and internet based telephony will continue to increase and end users will seek to benefit from technological advances and look to IT service providers for solutions. However, the industry's increasing trend towards overseas outsourcing indicates that some services are likely to be provided from outside Australia.
106. The chart below shows forecast revenue for the next five financial years to FY21:

Figure 9: IT Services – Forecast industry revenue

Source: IBISWorld, "Computer System Design Services in Australia Industry Report", June 2016

107. Our high level comments in relation to the outlook for the industry are as follows:
- Revenue is forecast to grow at a CAGR of 4.1% in real terms between FY16 and FY21 to reach \$55 billion (real 2016);
 - The demand for IT services will continue to expand as businesses become increasingly reliant on their IT systems, organisations are required to deal securely with large amounts of data and technology continues to rapidly change;
 - The industry will be subject to greater domestic and international competition in terms of product development and pricing. As competition from the major international service providers increases, domestic consultants are likely to focus more on specialised services and niche clients that overseas firms cannot access. However, the growing use of networking technology and cloud systems may still provide greater work volumes for smaller and niche service providers; and
 - In the near-term, the industry is expected to remain somewhat fragmented, with several smaller industry participants now providing managed IT services under longer-term contracts to a relatively small groups of clients. However, some consolidation is expected among the larger industry players as bigger consultancies acquire smaller and specialist IT services businesses. Companies may also align with niche providers to provide a complete range of computing and consulting services.

Valuation of ASG

5 Valuation of ASG

Valuation summary

108. The value of ASG has been assessed on the basis of fair market value as described in Section 2 of this report.

109. We have assessed the value of ASG's ordinary shares on a controlling, fully diluted basis to be in the range of \$1.48 to \$1.62 with a preferred (midpoint) value of \$1.55 per share.

Our approach

110. There are a number of commonly adopted methodologies that could be used to assess the value of the underlying business (or enterprise value) of ASG. Widely accepted methodologies include:

- **Discounted cash flow** – This method indicates the value of a business based on the present value of the cash flows that the business can be expected to generate in the future. Such cash flows are discounted at a discount rate (the cost of capital) that reflects the time value of money and the risks associated with the cash flows;
- **Capitalisation of future maintainable earnings** – This method involves multiplying an estimation of a level of sustainable earnings (or profits) of a business by a multiple that is reflective of the underlying risks and growth prospects of the business. The estimation of future maintainable earnings is considered a surrogate for the future cash flows of the business and the process of multiplication is referred as the 'capitalisation' of earnings;
- **Net realisable value of assets** – This approach indicates the market value of the equity of an entity by adjusting the asset and liability balances on the subject company's balance sheet to their market value equivalents. The net assets approach has a number of variants. Typically the approach can be applied using a going concern premise which uses the concept of replacement cost as an indicator of value; and
- **Market based assessments** – Market based assessments relate to the valuation of a business, shares or assets using observed prices at which comparable businesses, shares or assets have been exchanged in arm's length transactions. This is often the most reliable evidence of market value but in the case of valuation of companies it can be difficult to find directly comparable transactions. For companies whose shares are publicly traded, the relevant share price is considered indicative of the market value of the shares, if there is sufficient liquidity. However, such market prices usually reflect the prices paid for small parcels of shares and as such do not include a premium for control.

111. Each methodology is appropriate in certain circumstances and the decision as to which methodology to apply generally depends on the nature of the business being valued, the maturity of the business, commonly adopted approaches used to value similar businesses and the availability of information.

112. We have selected the capitalisation of future maintainable earnings (CFME) methodology as our primary valuation methodology to assess the underlying value of the equity in ASG, on a controlling interest basis. In choosing to adopt a CFME approach we have considered a number of factors including:

- The established nature of ASG's operations and the state of the IT Services industry;
- ASG's positive earnings and growth profile; and
- The limited availability and greater level of uncertainty regarding forecast cash flows beyond FY17 and FY18.

113. As the shares in ASG are listed, we have considered the prices at which ASG shares have traded on ASX as a cross check to our primary valuation approach.

Valuation of ASG

Valuation assessment

114. The CFME methodology requires consideration of the following factors:

- Assessment of the enterprise value of ASG which includes:
 - Estimation of a future maintainable level of earnings having regard to historical and projected earnings, consideration of any abnormal or non-recurring items and other factors including industry risks, specific growth prospects and the general economic outlook; and
 - Determination of an appropriate earnings multiple that reflects a controlling interest and reflects the risks inherent in the business.
- Adjustment for any interest bearing debt in the business and any other assets or liabilities considered surplus, including cash.

Assessment of future maintainable earnings

115. The underlying principle of an earnings-based valuation approach is that the value of the business is based on its future maintainable earnings (FME). The estimated FME should reflect an 'average' of the current expected earnings with variability around this average and growth factored into the adopted capitalisation multiple.
116. In applying the CFME approach it is common to use earnings before interest depreciation and amortisation (EBITDA) or EBIT as the appropriate level of earnings to capitalise. We have chosen EBITDA as the appropriate measure of earnings as this:
- Eliminates distortions that the differences in depreciation and amortisation policies may cause;
 - Eliminates the effects of gearing and provides a value which is independent of the current funding structure of the company; and
 - Removes the effect of different taxation regimes and taxation benefits that may be available to the company.
117. We have also adjusted EBITDA for one-off or abnormal items where identified and have also treated the amortisation of capitalised software costs as operating costs, based on the view that these costs are core to operations and necessary to remove any distortions resulting from the variance in the associated accounting policy choices of individual entities.
118. In determining an appropriate level of FME, we have had regard to the reported historical level of earnings of ASG and the level of future earnings as contained in ASG's most recent FY17 budget and as anticipated by market commentators in recent broker reports. We have shown this analysis in the table below.

Valuation of ASG

EBITDA Normalisation (AUD millions)	Audited FY14	Audited FY15	Audited FY16	Consensus Forecasts FY17
Profit before tax	12.6	11.6	17.0	
Add back:				
Depreciation & amortisation	6.5	6.9	8.3	
Net finance costs	2.9	1.7	1.4	
EBITDA	22.0	20.2	26.7	32.9
Adjustments				
Amortisation of software	(1.6)	(1.9)	(2.8)	(2.8)*
Non-cash share based payments	(0.3)	0.4	0.6	-
R&D credits	(0.9)	(0.8)	(0.1)	-
Reversal of doubtful debts	(1.1)	-	-	-
Acquisition related costs	-	0.4	-	-
Gain/Loss on disposal of assets	-	(0.6)	0.1	-
EBITDA (normalised)	18.1	17.7	24.5	30.1

Source: ASG financial information, broker reports and PwC Securities analysis

* Broker forecast FY17 EBITDA has been adjusted to include amortisation of capitalised software as an operating cost and is based on FY16 actual amortisation considered to be materially accurate.

119. As shown in the table presented above, we have considered a number of factors in our assessment of an appropriate level of FME, including:
- Reported earnings have been adjusted to remove the impacts of identified one-off and abnormal expenses as shown in the table above together with an adjustment to restate amortisation of software as an operating cost;
 - A range of broker forecasts reviewed contained stand-alone estimated FY17 EBITDA of between \$32.1 million and \$33.7 million, with the average being \$32.9 million (reflecting two broker forecasts that were current at 11 October 2016). The Independent Board Committee of ASG has advised that the earnings of ASG from normal operations for FY17 are materially consistent with consensus broker forecasts of FY17 earnings;
 - ASG has experienced compound annual growth in normalised earnings of 17% from FY14 to FY16 and the forecast FY17 growth in earnings is 23% with an EBITDA margin of approximately 14% being implied by available broker forecasts, consistent with the level of margin achieved in FY16; and
 - Approximately \$185.0 million of forecast FY17 revenue was secured, as announced by ASG on 16 August 2016.
120. After consideration of all of the above factors and our analysis, we consider an appropriate estimation of future maintainable EBITDA to be \$30.1 million.

Determination of an appropriate earnings multiple

121. The next step in determining the equity value of ASG under the CFME approach is to determine an appropriate multiple to capitalise our assessed level of FME.

Valuation of ASG

122. In our assessment of an appropriate earnings multiple we have had regard to the trading multiples of listed companies within the IT Services industry and the multiples implied by comparable transactions within the industry.

Comparable company analysis

123. We have reviewed Australian listed companies within the IT Services sector and used professional judgment to derive a range of companies that we consider to have comparable (but not identical) operations to that of ASG. We have then calculated relevant trading multiples (on a controlling interest basis) to assess an appropriate earnings based multiple to apply to our assessed level of FME for ASG. Please refer to Appendix C for more detail in relation to this analysis.

Comparable Trading Companies (AUD millions)	Market Capitalisation (control)	Enterprise Value (control)	EV/EBITDA*	
			LTM	FY17F
DWS Limited	227.8	241.6	9.5x	9.2x
Data#3 Ltd	324.3	222.5	11.2x	9.2x
SMS Management & Technology Ltd	154.1	162.4	9.8x	10.0x
Empired Limited	75.9	92.5	23.1x	7.3x
Melbourne IT Limited	258.0	269.5	13.0x	9.2x
RXP Services Limited	160.8	162.0	9.0x	8.1x
Citadel Group Limited	331.3	298.0	17.8x	10.8x
Average			13.3x	9.1x
Median			11.2x	9.2x
Max			23.1x	10.8x
Min			9.0x	7.3x

Source: Capital IQ and PwC Securities analysis, based on information available at 10 October 2016

* Adjusted to include amortisation of capitalised software as an operating cost where required to ensure consistency of treatment across the comparable group. FY17 adjusted based on FY16 actual amortisation, considered to be materially accurate. Multiples are shown inclusive of an assumed premium for control of 35%.

124. We note that the underlying observed trading multiples are based on the market price for minority or portfolio shareholdings and do not include a premium for full control. We have therefore considered and have applied an equity control premium to the observed market capitalisation of the comparable trading companies to reflect that purchasers are normally willing to pay a premium in order to obtain control of a company.
125. A premium for control is applicable when the acquisition for control of a company would give rise to benefits such as:
- Control of the Board of Directors of the company;
 - Control of all the decision making and strategy;
 - Access to cash flows; and
 - Access to tax consolidation benefits.
126. Publicly available research indicates that the average equity control premium in Australia for full control has been in the order of 20% to 40%, however this varies widely depending on the nature of industry and

Valuation of ASG

circumstances and may, in some circumstances, include an element reflecting a strategic premium paid by purchasers.

127. We have assessed an appropriate premium for control to apply to the minority equity value of ASG to lie in the range of between 30% and 40% based on our analysis of the level of premiums observed in comparable transactions and after consideration of there being a wide distribution of ASG shareholders and there being multiple potential acquirers that would be able to realise significant service capability and cost synergies through an acquisition of ASG.
128. In our consideration of an appropriate earnings multiple to apply to the assessed level of FME of ASG we have also:
 - Considered the predominant nature of each entity's core operations;
 - Considered the relative growth and risk profiles of the comparable companies included in our sample, including the mix of customer type (corporate vs Government) and the amount of future revenue already secured under long-term contract compared to increased exposure to more uncertain project based revenue;
 - Considered and discussed with the management of ASG the FY17 forecast revenue and earnings and also the future growth prospects of ASG beyond FY17;
 - Considered the market capitalisations (relative size) of the group of comparable companies.
 - Considered the largely fixed cost structure of ASG and the relative ability to achieve improved margins over time through cost efficiencies;
 - Considered and discussed with the management of ASG the impact of potential risks to future earnings including:
 - Reputation risks of not being able to deliver secure or reliable services or deliver on expected benefits anticipated to be achieved via ASG's New World model;
 - Potential negative impact from the ability of competitors to offer a broader range of services to a wider geographic region;
 - The ability to secure larger contracts due to the relative strength of its balance sheet; and
 - Impact of potential increased competition and industry consolidation.

Comparable transaction analysis

129. In addition to the above comparable company analysis, we also reviewed recent publicly available transaction data since 2014 for the IT Services industry to derive implied comparable transaction multiples.
130. The observed transaction multiples by inference are on a controlling interest basis and have been derived based on the reported historical earnings prior to the transaction adjusted for one-off or abnormal items where identified and have also been adjusted for amortisation relating to capitalised software costs where such information is publicly available.

Valuation of ASG

Date completed	Target	Buyer	Implied Enterprise Value (AUD million)	% Sought	EV/EBITDA (LTM)
20-May-16	Tetran Pty Ltd	Montech Holdings	9.1	100%	8.3x
26-Feb-16	UXC Limited	CSC	425.2	100%	10.3x
09-Nov-15	Converga Pty Ltd	Canon Australia	75.0	100%	7.5x
16-Jul-15	Phoenix IT Group	Daisy Holdings	383.2	100%	7.0x
30-Apr-15	Accumuli PLC	NCC Group	104.7	100%	18.8x
02-Jan-15	Groupe Steria	Sopra Group	1246.8	90.5%	7.3x
08-Dec-14	EVERY ASA	Apax	1081.2	100%	6.0x
28-Nov-14	nSynergy	Rhipe	25.5	100%	7.3x
02-Oct-14	Bull S.A.	Atos SE	632.2	100%	6.8x
12-Aug-14	Oakton	Dimension Data	171.0	100%	11.8x
Average					9.1x
Median					7.4x
Max					18.8x
Min					6.0x

Source: Capital IQ and PwC Securities analysis

131. Our analysis indicates a wide range of implied transaction multiples of between approximately 6.0 and 18.8 times the preceding (last) 12 month (LTM) EBITDA with an average of approximately 9.1 times LTM EBITDA.
132. This wide range, in part, will be caused by the fact that a number of the transactions identified may implicitly include a takeover premium which would have depended on the size and specific rationale for each deal, such as the ability to combine assets/operations or the facilitation of increased market optimisation. The extent to which this strategic value (and associated control premium) is reflected in the transaction terms may depend on the level of perceived synergies created as well as the alternatives available to the acquirer and target.
133. The two most comparable and relevant transactions to ASG are considered to be the UXC and Oakton transactions both in terms of the size of the transaction and importantly geographic and services comparability.
134. Although considered somewhat dated, Dimension Data's acquisition of Oakton occurred at a multiple of 11.8 times LTM EBITDA. Oakton was an implementation partner for Microsoft Dynamics and provided similar services to ASG.
135. CSC's acquisition of UXC completed in February 2016 at an implied earnings multiple of 10.3 LTM EBITDA. The implied enterprise value of UXC is considered comparable to ASG and the nature of the services provided by UXC are largely similar to ASG. Further, the acquisition allowed CSC to rebalance its portfolio of offerings to include robust enterprise application capabilities and obtain geographical exposure to the Australia / New Zealand region which also has similarities with the rationale for the proposed Transaction.
136. NCC's acquisition of Accumuli in April 2015 occurred at a relatively high multiple of 18.8 times LTM EBITDA, however we considered this to be differentiated as NCC was able to capitalise on a significant level of synergies through the acquisition of Accumuli. The transaction allowed NCC group to bid for

Valuation of ASG

complex security jobs in a sole capacity, significantly increasing its chances of success and reducing its costs to win future work.

Conclusion of appropriate earnings multiple

137. Based on the analysis of comparable companies and of recent transaction multiples, we have assessed an appropriate range of multiples to be between 10.5 and 11.5 times forward EBITDA. We note that the midpoint of our assessed range is at the upper bounds of the range of forward looking multiples observed in our analysis of comparable trading companies. We consider our assessed range to be appropriate as it is reflective of the relatively lower level of risk associated with ASG's earnings profile as near term future earnings are predominantly derived from recurring work underpinned by existing long term contracts.
138. Applying this to our assessed level of FME of \$30.1 million derives an enterprise or business value of between \$316.1 million and \$346.2 million, on a controlling interest basis. This implies an LTM earnings multiple of between 12.9 and 14.1 times based on our normalised assessment of ASG's FY16 EBITDA of \$24.5 million. The implied LTM earnings multiple of 12.9 to 14.1 times compares favourably to those observed in respect of the UXC (10.3 times) and Oakton (11.8 times) transactions. We consider this to be consistent having regard to the relative riskiness of ASG's future earnings and therefore supports our valuation assessment.
139. Additional detail in relation to our comparable company analysis is contained in Appendix C and a brief synopsis of each company acquired is contained in Appendix D.

Adjustment for net debt and assessment of surplus assets

140. To assess the equity value of ASG it is necessary to adjust our assessed enterprise value by the level of interest-bearing debt and the value of assets and liabilities which are held by ASG at the valuation date which are considered to be surplus (and for which value is not captured in the assessment of enterprise value).

Cash and interest-bearing debt

141. To derive the value of the equity in ASG we have adjusted the assessed enterprise value for the level of cash held by ASG at 31 August 2016 (being the date at which the most recent financial position of ASG is available) which is considered to be surplus to normal business requirements less the level of interest bearing debt drawn down at that date.
142. Since June 2016, the Company has repaid \$1.0 million of outstanding debt and made finance lease payments of approximately \$0.6 million leaving total interest bearing debt outstanding as at 31 August 2016 of \$19.4 million. ASG has also paid approximately \$13.0 million to creditors leaving a cash and cash equivalents balance as at 31 August 2016 of \$4.6 million.
143. Out of the level of cash on hand at 31 August 2016 of \$4.6 million, ASG believes that approximately \$3.0 million is considered to be a sufficient level of cash on hand (together with a normal level of working capital) to allow for operating timing differences and that the residual cash on hand could be considered to be 'surplus' (available for future investment).
144. We have then adjusted this surplus cash balance for transaction costs of approximately \$1.0 million which are expected to be incurred in relation to the Scheme regardless of the outcome.
145. The above analysis results in an adjusted net debt position of \$18.8 million for the purposes of our valuation assessment.

Other surplus assets and liabilities

146. Based on our review of financial information provided and discussions with ASG, we also consider it to be appropriate to include an adjustment in respect of surplus working capital and for the quantum of beneficial tax assets held at 31 August 2016. We have also considered the potential impact of any off-balance sheet and contingent items but do not consider these to be material to our valuation assessment.
147. The balance of working capital line items at 31 August 2016 was \$9.9 million (excluding cash). Based on our analysis, ASG typically requires a net working capital balance (excluding cash) of approximately 3%

Valuation of ASG

to 5% of LTM revenue. We therefore consider there to be approximately \$2.0 million in surplus working capital at 31 August 2016.

148. As mentioned in Section 3 of this report, ASG has recognised deferred tax assets relating to unused tax credits arising from franking deficit tax offsets and tax losses that are available to be used to offset future income tax obligations. As at 31 August 2016 ASG still had \$6.0 million in unused franking deficit tax offsets and a further \$1.1 million in available tax losses. For the purpose of our valuation assessment we have treated both of these items as surplus assets at their corresponding book values as ASG anticipates utilising both of these assets in full during FY17.
149. We note that the unused tax credits arising from franking deficit tax offsets may reduce the ability of ASG to pay franked dividends and therefore recognition of this as a surplus asset may overstate the value of the shares in the hands of some shareholders depending on their individual circumstances.
150. We have also considered the potential impact on our assessed valuation of ASG of the current status of ASG's legal proceedings with the Victorian DELWP and do not consider any potential adjustment to be material.

Valuation of ASG

151. A summary of the valuation assessment (undiluted) as at the date of this report based on low, high and preferred (midpoint) values is set out below.

Valuation Summary (AUD million)	Low	High	Preferred
FME	30.1	30.1	30.1
EBITDA multiple	10.5	11.5	11.0
Enterprise value (controlling)*	316.1	346.2	331.1
Net debt	(18.8)	(18.8)	(18.8)
Surplus assets / (liabilities)	9.1	9.1	9.1
Equity value (controlling)	306.4	336.5	321.4
Number of shares on issue (million)	201.8	201.8	201.8
Implied value per share (\$)	1.52	1.67	1.59

Source: PwC Securities analysis

* Implied earnings multiple of 13.5 times LTM EBITDA based on Preferred (midpoint) value

152. At 30 September 2016, ASG had 12,540,000 unlisted options on issue with various exercise prices and expiry dates, some of which are subject to performance based vesting conditions. Based on the closing share price of ASG at 30 September 2016 of \$1.36, 12,340,000 of these options are considered to be in-the-money.
153. If all of the unlisted options (assessed as being in-the-money compared to the ASG share price at 29 September 2016, the date prior to the announcement of the proposed Transaction) which:
 - have either vested; or
 - are only subject to time based vesting conditions; or
 - are subject to performance based conditions which are considered likely to be met within the next 12 months

Valuation of ASG

are assumed to be exercised, then cash of \$6.6 million would be received and 9.8 million ordinary shares would be issued. We have shown the dilution impact on the assessed value per ASG share in the table below.

Valuation Summary (AUD million)	Low	High	Preferred
Equity value (controlling)	306.4	336.5	321.4
Exercise of unlisted options	6.6	6.6	6.6
Equity value (controlling, diluted)	313.0	343.1	328.0
Total number of shares (million, fully diluted)	211.6	211.6	211.6
Implied value per share (\$, fully diluted)	1.48	1.62	1.55

Source: PwC Securities analysis

154. Based on the above analysis, we have assessed the value of ASG's ordinary shares on a controlling and fully diluted basis to be in the range of \$1.48 to \$1.62 with a preferred (midpoint) value of \$1.55.

Valuation cross-check

155. As noted earlier, as the shares in ASG are listed, we have considered the prices at which ASG shares have traded on the ASX (on a minority interest basis) as a cross check on our primary valuation approach.
156. The one month VWAP of an ASG share prior to the announcement of the Scheme was \$1.27 and shares in ASG traded in a range of between \$1.21 and \$1.36 over this period. Notably, the one month VWAP prior to the announcement of the Scheme reflects the trading in ASG shares over a period of time which is post ASG's announcement to the ASX of its full year FY16 financial results on 16 August 2016.
157. There was a significant movement in ASG's share price immediately following the announcement of the full year results on 16 August 2016. The five day VWAP post the results announcement was \$1.27 compared to the preceding five day VWAP of \$1.04, an increase of over 22%, indicating that ASG shares were re-rated by the market following the announcement of its FY16 results and FY17 forecast revenue and earnings guidance. We also note that since its results announcement, ASG has traded at higher multiples than its peer group.
158. We consider that the re-rating of ASG following the release of its FY16 results and importantly its FY17 forecast revenue and earnings guidance may have been due to renewed investor confidence in ASG's ability to deliver on its stated New World strategy, with forecast growth being largely underpinned by longer-term contracts.
159. Based on the one month VWAP prior to the announcement of the Scheme, our assessed value of a share in ASG of between \$1.48 and \$1.62 implies a control premium of between approximately 17% and 28% on a fully diluted basis or between 20% and 32% on an undiluted basis. Further, when our assessed value range is compared to ASG's three month VWAP of \$1.18 the implied control premium is between approximately 25% and 37% on a fully diluted basis or between 28% and 41% on an undiluted basis. The higher level of implied control premium over the three month VWAP relative to that implied by the one month VWAP is reflective of the recent re-rating of ASG by the market.
160. We note that ASG's share price increased significantly after the Scheme was announced and has traded in the range of \$1.59 to \$1.60, based on closing prices to 11 October 2016, reflecting the Scheme Consideration less a discount to factor in the risk of the Scheme not being approved.

Evaluation of the Scheme and conclusion

6 *Evaluation of the Scheme and conclusion*

Evaluation of the Scheme

Assessment of fairness

161. We have assessed the fair market value of an ASG share to be in a range of \$1.48 to \$1.62 with a preferred (midpoint) value of \$1.55 on a controlling interest basis.
162. The Scheme Consideration has been assessed to have a fair value of \$1.63 per Scheme Share, being the cash offer per ASG share held on the record date.
163. On the basis that the consideration under the Scheme is greater than our assessment of the fair market value of an ASG share, we conclude that the Scheme is fair.

Assessment of reasonableness

164. We also conclude that the Scheme is reasonable on the basis that it is fair.
165. We also note the implications of a number of qualitative issues which are generally considered in assessing reasonableness. These issues broadly comprise:
 - Whether the consideration offered under the Scheme includes a premium for acquiring a 100% controlling interest in ASG;
 - The likely consequences for Scheme Participants if the Scheme is accepted;
 - The likely consequences for Scheme Participants if the Scheme is not accepted; and
 - The likelihood of another offer emerging for the shares in ASG that is better than the current Scheme from the perspective of the Scheme Participants.

The offer is at a premium to ASG share prices before the announcement of the proposed Scheme

166. The one month and three month VWAP of an ASG share prior to the announcement to the ASX on 30 September 2016 of the proposed acquisition of ASG via the Scheme was \$1.27 and \$1.18, respectively.
167. As we have assessed the value of the Scheme Consideration to be \$1.63 per Scheme Share based on the cash offered, this implies that a premium for control of approximately 28% to 38% has been included in the Scheme Consideration when compared to the historical one month and three month VWAP of ASG shares prior to the announcement of the proposed Scheme.

Proposed cash offer enables ASG shareholders to realise the value of their investment in ASG

168. The proposed Scheme enables ASG shareholders to realise the value of their investment in ASG at a cash price which incorporates a premium for control. In the absence of the Scheme, or similar transaction, ASG shareholders could only realise their investment by selling their ASG shares on market at a price that excludes a premium for control and would also incur transaction costs in the form of brokerage or through the receipt of future dividends which are not guaranteed.

Cash offer provides certainty of value being received

169. As the offer is cash, shareholders have certainty regarding the value they will realise and when it will be received.

Evaluation of the Scheme and conclusion

170. Whilst there may be potential future value above the Scheme Consideration of \$1.63 per ASG share, it is reasonable to conclude that the achievement of that value is uncertain due to business and other risks that ASG is exposed to in the ordinary course of business. An assessment of the risks associated with the ASG business is detailed in Section 5.5 of the Scheme Booklet.

Unanimous Independent Board Committee recommendation

171. ASG's Independent Board Committee has unanimously recommended that shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to the independent expert opining that the proposed Scheme is in the best interests of Scheme Participants.

No alternative proposals have been received

172. The Independent Board Committee of ASG has advised us that to the best of their knowledge the proposal from NRI is the only proposal available to ASG shareholders at the date of this report.
173. We cannot exclude the prospect of an alternative proposal or offer on better terms emerging. In the event that an alternative proposal or offer on better terms emerges before the Scheme Meeting, Scheme Participants will be entitled to vote against the Scheme and pursue other opportunities.

If the Scheme is not accepted

174. If the Scheme is not accepted:
- ASG will continue to operate as an independent ASX listed company;
 - Shareholders will retain their shares in ASG and continue to fully share in any benefits and risks associated with being an investor in ASG, including any benefits that could arise through a continued and sustained increase in future earnings;
 - The Scheme Consideration will not be paid;
 - ASG will incur transaction costs of approximately \$1.0 million; and
 - In our opinion, if the Scheme is not accepted, the ASG share price is likely to fall. The ASG share price increased significantly on the announcement of the Scheme and has traded in a range of \$1.59 to \$1.60 since then (based on closing share prices to 11 October 2016). We consider that in the absence of the Scheme, an alternative proposal or speculation concerning an alternative proposal, the ASG share price is likely to reduce from current levels. In the medium and longer term, the ASG share price will reflect the market's assessment of ASG's ongoing business model, operating performance as well as general movements in financial markets.

Conclusion

175. On the basis that our assessed value of the Scheme Consideration is above our valuation range for an ordinary share in ASG on a controlling interest basis, we consider that the Scheme is fair.
176. We consider that the Scheme is reasonable on the basis that it is fair. The Scheme is also considered to be reasonable due to the reasons stated above, in the absence of a higher offer.
177. In conclusion, we therefore consider the Scheme is in the best interests of the Scheme Participants on the basis that it is both fair and reasonable.

Appendices

Appendices

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Statement of qualifications and declarations

Appendix A Statement of qualifications and declarations

Qualifications

PwC Securities is beneficially owned by the partners of PricewaterhouseCoopers Australia, a member firm of the PricewaterhouseCoopers (PwC) network. PwC Securities holds an Australian Financial Services Licence under the Corporations Act.

Paul Hennessy is a partner in our Perth valuations practice where he specialises in valuations and transactions work as well as being an authorised representative of PwC Securities. Paul is a graduate of the University of Limerick, a Fellow of the Institute of Actuaries and an Affiliate Member of the Institute of Chartered Accountants in Australia and New Zealand. Paul has over 18 years' experience with the Australian and UK firms of PwC including three years in the UK firm's Valuation & Strategy team in London where he worked on a large number of international assignments.

Richard Stewart OAM is a Senior Fellow of the Financial Services Institute of Australasia, Chartered Accountants in Australia and New Zealand (CAANZ) and the Society of Certified Practising Accountants in Australia. He is also an adjunct professor in Business Valuation at the University of Technology, Sydney and is Business Valuations Specialist Accredited, CAANZ. He holds a Bachelor of Economics and a Masters of Business Administration. He has 29 years' experience with PwC and extensive experience in preparing valuations and independent expert reports as well as providing merger and acquisition advice. He is also a partner of PwC, and is an authorised representative of PwC Securities.

Darryl Norville is a director in PwC and is a graduate of the University of Western Australia and a Member of the Institute of Chartered Accountants in Australia and New Zealand. Darryl has extensive experience in the preparation of corporate valuations, independent expert's reports and the provision of corporate financial advisory services to corporations involved in takeovers, capital raisings and mergers and acquisitions.

Declarations

Prior to accepting this engagement, we considered our independence with respect to ASG by reference to ASIC Regulatory Guide 112 Independence of Experts. In our opinion, we are independent of ASG and the outcome of the Transaction.

Neither PwC Securities nor PwC has any interest in the outcome of the Scheme. PwC Securities is entitled to receive a fee for the preparation of this Independent Expert's Report based on time spent at our normal hourly rates for this type of work and will be reimbursed for out of pocket expenses incurred. The fee payable to us is payable regardless of the outcome of the Scheme. None of PwC Securities, PwC, Messrs Hennessy, Stewart, and Norville holds securities in ASG and have not held any such beneficial interest in the previous two years.

A draft of this report was provided to the Independent Board Committee Members of ASG for a review of factual accuracy on 6 October 2016 with a final draft provided on 12 October 2016. No changes to our opinion arose as a result of this review.

Statement of qualifications and declarations

Purpose of report

This Independent Expert's Report has been prepared at the request of the Independent Board Committee of ASG and should not be used for any other purpose. In particular, it is not intended that this Independent Expert's Report should serve any purpose other than an expression of our opinion on whether the Scheme is in the best interests of the Scheme Participants. This Independent Expert's Report has been prepared solely for the benefit of the Independent Board Committee of ASG and for the benefit of the existing shareholders of ASG. Neither the whole nor any part of this Independent Expert's Report nor any reference to it may be included in or attached to any document, circular, resolution, letter or statement without our prior written consent to the form and context in which it appears.

Special note regarding forward-looking statements and forecast financial information

Certain statements in this Independent Expert's Report may constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements of ASG to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the following:

- General economic conditions;
- The future movements in interest rates and taxes;
- The impact of terrorism and other related acts on broader economic conditions;
- Changes in laws, regulations or governmental policies or the interpretation of those laws or regulations to ASG in particular; and
- Other factors referenced in this Independent Expert's Report.

Indemnity

In preparing this Independent Expert's Report, ASG has indemnified PwC Securities, PwC and its employees, officers and agents against any claim, liability, loss or expense, cost or damage, including legal costs on a solicitor client basis, arising out of reliance on any information or documentation provided by ASG which is false and misleading or omits any material particulars or arising from a failure to supply relevant documentation or information.

In addition, ASG has agreed that if it makes any claim against PwC or PwC Securities for loss as a result of a breach of our contract, and that loss is contributed to by its own actions, then liability for its loss will be apportioned having regard to the respective responsibility for the loss, and the amount ASG may recover from PwC Securities will be reduced by the extent of its contribution to that loss.

Consent

PwC Securities has consented in writing to this Report in the form and context in which it appears being included in the Scheme Booklet which will be issued by the directors of ASG and which will be distributed to Scheme Participants.

Neither PwC Securities nor PricewaterhouseCoopers has authorised or caused the issue of all or any part of the Scheme Booklet other than this report. Neither the whole nor any part of this report nor any reference to it may be included in or with or attached to any other document, circular, resolution, letter or statement without the prior consent of PwC Securities to the form in which it appears.

APES 225 Valuation Services

This Independent Expert Report has been prepared in accordance with APES 225 *Valuation Services*.

Sources of information

Appendix B Sources of information

In preparing this Independent Expert's Report, we have had access to and relied upon major sources of information, including:

- The SIA;
- The Scheme Booklet (including earlier drafts);
- ASX announcements for ASG;
- ASG Annual Reports (audited) for the three years ended 30 June 2014, 30 June 2015 and 30 June 2016;
- ASG Half Yearly Reports (reviewed) for the six month periods ended 31 December 2014 and 31 December 2015;
- Discussions with management and the advisers to ASG;
- Other information provided by management of ASG including documents obtained from the virtual dataroom set up in relation to the transaction;
- Information obtained from Bloomberg, Capital IQ, Mergermarket, Broker Reports and IBISWorld Industry Reports; and
- Other publicly available information including information from websites.

We have not performed an audit, review or any other verification of the information presented to us. Accordingly, we express no opinion on the reliability of the information supplied to us.

In forming our opinion, PwC Securities has assumed that:

- matters such as 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 Scheme Booklet sent by ASG to its shareholders is complete, accurate and fairly presented in all material aspects; and
- the publicly available information relied on by PwC Securities in its analysis was accurate and not misleading.

In addition, PwC Securities assumes no responsibility and offers no legal opinion or interpretation on any issue in respect of legal issues relating to assets, properties, or business interests or issues regarding compliance with applicable laws, regulations and policies.

Comparable companies

Appendix C Comparable companies

The following table provides analysis of the share trading multiples of comparable companies:

Comparable Trading Companies (AUD millions)	EV/EBITDA* 30% control			EV/EBITDA* 40% control		
	EV	LTM	FY17F	EV	LTM	FY17F
DWS	233.2	9.1x	8.9x	250.1	9.8x	9.5x
Data#3	210.5	10.6x	8.7x	234.5	11.8x	9.7x
SMS Management & Technology	156.7	9.5x	9.7x	168.1	10.2x	10.4x
Empired	89.7	22.4x	7.0x	95.3	23.8x	7.5x
Melbourne IT	259.9	12.5x	8.9x	279.0	13.4x	9.6x
RXP Services	156.1	8.7x	7.8x	168.0	9.3x	8.4x
Citadel Group ¹	285.7	17.1x	10.4x	310.3	18.6x	11.3x
Average		12.8x	8.8x		13.8x	9.5x
Median		10.6x	8.9x		11.8x	9.6x
Max		22.4x	10.4x		23.8x	11.3x
Min		8.7x	7.0x		9.3x	7.5x

Source: Capital IQ and PwC Securities analysis based on information available as at 10 October 2016

* Adjusted to include amortisation of capitalised software as an operating cost where required to ensure consistency of treatment across the comparable group. FY17 adjusted based on FY16 actual amortisation, considered to be materially accurate. Multiples are shown inclusive of an assumed premium for control.

¹ In adjusting for software amortisation for Citadel, we have considered the relatively high level of amortisation booked in FY16 relating to the amortisation of intangible assets acquired through its acquisition of PJA Solutions Pty Ltd in June 2015. Citadel capitalised \$27.6m in June 2015 in respect of 'Business process, software and product development'. Amortisation of this intangible asset of \$2.9m was charged in FY16 together with depreciation of capitalised 'ICT software' of \$0.3m. We note that actual FY16 expenditure of \$1.1m was capitalised in respect of 'Business process, software and product development' activities in FY16 and \$0.9m in FY15. As such, although subjective, in our calculation of the Citadel multiples, we have adjusted EBITDA for estimated software amortisation of \$1.4m. This is based on FY16 expenditure as a proxy for ongoing expenditure relating to this software related asset (as against the amortisation of software related assets acquired under a business combination) along with FY16 software depreciation.

A brief overview of each of the comparable companies (source: Capital IQ) is provided below:

DWS Limited

DWS Limited provides IT services to corporations and Government bodies in Australia. It offers a range of solutions including IT consulting services such as architecture advice, project management, systems integrating and solution testing. DWS also provides business intelligence services comprising advanced analytics, data storage and managed application services. The company was incorporated in 1991 and is headquartered in Melbourne, Australia.

Data#3 Limited

Data#3 Limited provides IT solutions primarily in Australia. The company operates through two segments, Product and Services. The Product segment provides hardware and software licenses for customers' desktop,

Comparable companies

network and data centre infrastructure. The Services segment offers consulting services, managed and maintenance contracts and workforce recruitment and contracting services in relation to the design, implementation, operation and support of ICT solutions. Data #3 also provides data and analytics, hybrid IT/cloud, IT lifecycle management, mobility and security solutions and industry solutions ranging from IT recruitment and augmentation to enterprise and school applications. Data#3 Limited was founded in 1977 and is headquartered in Toowong, Australia.

SMS Management & Technology Ltd

SMS Management & Technology Limited provides consulting, technology and managed services primarily in Australia. It operates through two segments, SMS Consulting and M&T Resources. SMS Consulting offers a range of value added management and technology related business services, including business performance improvement, process management, CRM, information and data management, infrastructure consulting, operational learning and change and managed services. The M&T Resources segment provides recruitment and contract labour services primarily in the IT sector. The company also has operations in Hong Kong, Singapore and Vietnam. SMS Management & Technology Limited was founded in 1986 and is headquartered in Melbourne, Australia.

Empired Limited

Empired Limited provides IT solutions in Australia, New Zealand and North America. The company offers integrated solutions including cloud services, customer relationship management, data insight and business intelligence, digital and experience design, enterprise content management, enterprise resource planning, expert guidance, identity and access management, infrastructure transformation and managed infrastructure. It serves clients in various industries including education, financial services and insurance, health, mining, oil and gas, public sector, retail and manufacturing and utilities. Empired Limited was founded in 1999 and is headquartered in Perth, Australia.

Melbourne IT Ltd

Melbourne IT provides internet-based technology services, such as internet domain name, web hosting, online brand protection and promotion, video content delivery and managed IT services worldwide. The company's SMB segment offers online solutions comprising domain forwarding, web design and hosting, messaging, search engine optimization and website development for small to medium enterprises. The Enterprise Services segment provides managed services and business grade web application hosting services to corporate and government clients in Australia. Melbourne IT Limited was founded in 1996 and is headquartered in Melbourne, Australia.

RXP Services Limited

RXP Services Limited provides ICT consulting, development, support and maintenance services for medium to large enterprises and Government organisations in Australia. It provides a range of services around the Microsoft platform (although it is not an ERP implementation partner). The company is based in Melbourne, Australia.

Citadel Group Limited

The Citadel Group's business is the development, marketing, contracting, implementation and support of integrated knowledge management and business software. Citadel develops and delivers technology and education solutions to state and federal Government departments and the private sector in Australia. The company operates through Technology and Education Segments. The Technology segment sells professional and managed services to government agencies and private enterprises. Its services include strategic advice, program management, quality assurance services, contracting and placement mechanisms, technology and integration services and software solutions. The Education segment delivers a range of nationally-accredited business qualifications that enable students to enrol into second year university or to gain practical skills for employment. The Citadel Group Limited is based in Symonston, Australia.

Comparable transactions

Appendix D Comparable transactions

The following table provides analysis of the comparable transaction multiples:

Date completed	Target	Buyer	Implied Enterprise Value (\$A millions)	Percent Sought	EV/EBITDA (LTM adjusted)
20-May-16	Tetran Pty Ltd	Montech	9.1	100%	8.3x
26-Feb-16	UXC Limited	CSC	425.2	100%	10.3x
09-Nov-15	Converga Pty Ltd	Canon Australia	75.0	100%	7.5x
16-Jul-15	Phoenix IT Group	Daisy Holdings	383.2	100%	7.0x
30-Apr-15	Accumuli PLC	NCC Group	104.7	100%	18.8x
02-Jan-15	Groupe Steria SCA	Sopra Group	1246.8	90.5%	7.3x
08-Dec-14	EVERY ASA	Apax	1081.2	100%	6.0x
28-Nov-14	nSynergy	Rhipe	25.5	100%	7.3x
02-Oct-14	Bull S.A.	Atos SE	632.2	100%	6.8x
12-Aug-14	Oakton	Dimension Data	171.0	100%	11.8x
Overall				Average	9.1x
				Median	7.4x
				Max	18.8x
				Min	6.0x

Source: Capital IQ and PwC Securities analysis

A brief overview of each of the companies acquired in the comparable transactions (source: Capital IQ) are provided below:

Tetran Pty Ltd / Montech Holdings

On 20 May 2016, Montech completed the acquisition of 100% of Tetran. Tetran offers managed server, network, devices, security, disaster recovery, service desk services and IT security assessments. It has additional offices in New Zealand, Singapore and Colombo. The transaction provided synergistic value to Montech through the addition of new services and cost savings.

UXC Limited / Computer Sciences Corporation

CSC completed the acquisition of 100% of UXC in February 2016. UXC is an IT services company headquartered in Melbourne, Australia which provides business services and solutions in the areas of ICT predominantly in Australia. It operates through three segments: Consulting, Applications and IT Infrastructure. CSC's acquisition of UXC has enhanced CSC's capabilities in application platforms such as SAP, Oracle and Microsoft and has allowed it to offer a combined enterprise application and cloud based services offering to clients in Australia and New Zealand.

Comparable transactions

Converga Pty Ltd / Canon Australia Pty Ltd

On 9 November 2015, Canon Australia acquired Converga. Converga provides business services and IT solutions to corporate and government clients around the world. It offers managed services and information management solutions including business process outsourcing with a focus on digital document solutions. The acquisition enabled Canon to expand its capability in managed services and business process outsourcing.

Phoenix IT Group / Daisy Holdings

On 16 July 2015, Daisy Holdings completed the acquisition of Phoenix IT Group. This transaction was completed in two stages, a 71.9% acquisition from Schroder Investment Management Limited, Herald Investment Management Limited and others and a 28.1% acquisition from Toscafund Asset Management. Phoenix IT provides IT infrastructure services in the United Kingdom. It operates through three segments: Business Continuity, Managed Services and Partner. Phoenix strategically complements Daisy's growing Corporate and Partner businesses by enhancing its offering to system integrator partners.

Accumuli / NCC Group

On 30 April 2015, NCC group completed the acquisition of Accumuli Limited. Accumuli provides IT security and risk management services in the United Kingdom and internationally. Its Technology Solutions segment resells hardware and software solutions from technology vendors and its portfolio of developed products. The company's Support and Managed Services segment is involved in the value added resale of vendor support contracts and provision of outsourced managed IT security services to customers. Its Professional Services segment engages in the consultation, design, installation, configuration and integration of IT security technology. The transaction was purported to create significant synergies for NCC by allowing it to bid for complex security jobs in a sole capacity, significantly increasing its chances of success and reducing its costs to win future work.

Groupe Steria / Sopra Group

On 2 January 2015, Sopra Group completed the acquisition of Groupe Steria. Groupe Steria provides IT enabled business services for private and public sector organisations worldwide. The company offers consultancy, application maintenance and IT infrastructure management services. Additionally, the company offers business process outsourcing services in the fields of operation of finance and administration functions, human resources functions and operation of specialized business processes. Groupe Steria is headquartered in Issy-les-Moulineaux, France. The transaction was expected to generate operating synergies of approximately \$100 million due to the complementary fit of offerings and geographical distribution of the two businesses.

EVERY ASA / APAX

On 8 December 2014, APAX completed the acquisition of EVERY ASA. EVERY provides IT services to public and private sector clients in Norway, Sweden and internationally. It operates through three segments: EVERY Financial Services, EVERY Norway and EVERY Sweden. The company offers consulting services, enterprise content management, enterprise resource planning and mobility and SAP services. It also provides infrastructure solutions, including cloud computing, application operations, data base operations, client services, data center services, and security services, as well as supplies hardware and software. EVERY AS is headquartered in Fornebu, Norway. Apax will be able to use its considerable IT services expertise to accelerate EVERY's strategy to develop the strong aspects of the business including the bank and finance solutions portfolio.

nSynergy Pty Ltd / Rhipe

On 28 November 2014, Rhipe completed the acquisition of nSynergy Pty Ltd. nSynergy engages in designing, building, and deploying business solutions based on SharePoint and Office 365 technologies for enterprise-sized organisations around the globe. It offers consulting services, migration and upgrades through SharePoint, and business solutions in the Microsoft suite to transform collaboration and knowledge management. nSynergy based in Southbank, Australia with additional offices in Sydney, Melbourne, Canberra, Brisbane, London, New York and Shanghai. The acquisition allowed Rhipe to expand its service offering to include the solutions business, beyond Rhipe's existing core software licensing business.

Comparable transactions

Bull Societe Anonyme / Atos SE

On 2 October 2014, Atos SE completed the acquisition of Bull Societe Anonyme. Bull provides IT solutions in France and internationally. The company offers supercomputers and enterprise servers for digital simulation, critical applications, big data and cloud computing. It also provides cloud and data centre services and IT consulting and integration services. Bull is headquartered in Les Clayes-sous-Bois, France. The acquisition allowed Atos access to critical and complementary capabilities in big data. The deal was also expected to bring an estimated 80 million euros of annual cost savings.

Oakton Limited / Dimension Data Australia

On 12 August 2014, Dimension Data completed the acquisition of Oakton Limited. Oakton provides consulting services in the IT industry in Australia and internationally. Oakton transformed its business over the course of the four years leading up to the acquisition from project based engagements, focused on the delivery of particular aspects of an IT system, to being an end-to-end provider of specialist consulting and IT services with an increasing focus on outcome and annuity-based engagements. The acquisition allowed Dimension Data to gain synergies from Oakton's strong consulting capability to complement its own expertise in ICT infrastructure integration, cloud and outsourcing services.

Glossary

Appendix E Glossary

Term	Definition
\$, or AUD	Australian dollars
AFSL	Australian Financial Services Licence
APES	Accounting Professional and Ethical Standards
ASG	ASG Group Limited
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
CAANZ	Chartered Accountants Australia and New Zealand
CAGR	Compound Annual Growth Rate
CFME	Capitalisation of Future Maintainable Earnings
Corporations Act	Corporations Act 2001 (Cth)
CY	Calendar Year
DCF	Discounted Cash Flow
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
ERP	Enterprise Resource Planning
EV	Enterprise Value
FME	Future Maintainable Earnings
FSG	Financial Services Guide
FY	Fiscal Year (1 July to 30 June)
ICT	Information, Communications and Technology
IT	Information Technology
m	Millions
NRI	Nomura Research Institute, Ltd.
PP&E	Property, Plant & Equipment
PwC Securities	PricewaterhouseCoopers Securities Ltd
RG111	Regulatory Guide 111 Content of expert reports
RG112	Regulatory Guide 112 Independence of Experts
Scheme	The scheme of arrangement proposed by ASG
Scheme Booklet	The booklet containing the explanatory statement required by the Corporations Act and annexing the notice of the Scheme Meeting

Glossary

Term	Definition
Scheme Consideration	\$1.63 per Scheme Share
Scheme Meeting	General meeting of ASG shareholders ordered by the Court that is expected to be held in mid-December 2016
Scheme Participants	All of the holders of outstanding shares in ASG at the deemed record date, including shares that have been issued pursuant to the exercise of any options over ASG shares prior to that date
Scheme Share	ASG share held on the deemed record date
SIA	Scheme Implementation Agreement between ASG and NRI dated 30 September 2016
Transaction	The proposed acquisition of all of the outstanding shares in ASG by NRI via the Scheme
VWAP	Volume Weighted Average Price

Financial services guide

Appendix F Financial services guide

PricewaterhouseCoopers Securities Ltd

This Financial Services Guide (FSG) is dated 28 October 2016.

About us

PwC Securities (ABN 54 003 311 617, Australian Financial Services Licence No 244572) has been engaged by ASG Group Limited to provide a report in the form of an independent expert's report (IER) for inclusion in the Scheme Booklet.

You have not engaged us directly but have been provided with a copy of the IER as a retail client because of your connection to the matters set out in the IER.

This financial services guide

This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration PwC Securities may receive in connection with the preparation of the IER, and how complaints against us will be dealt with.

Financial services we are licensed to provide

Our Australian Financial Services Licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds and deposit products.

General financial product advice

The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are charged on a fixed basis and are approximately \$110,000.

Directors, authorised representatives or employees of PwC Securities, PricewaterhouseCoopers (PwC), or other associated entities, may receive partnership distributions, salary or wages from PwC.

Associations with issuers of financial products

PwC Securities and its authorised representatives, partners, employees and associates may from time to time have relationships with the issuers of financial products. For example, PwC may be the auditor of, or PwC Securities may provide financial advisory services to, the issuer of a financial product in the ordinary course of its business.

Financial services guide

Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request. If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service (FOS), and external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

Compensation arrangements

PwC Securities has professional indemnity insurance in place that satisfies the compensation arrangement requirements under section 912B of the Corporations Act. This insurance will cover claims in relation to the conduct of representatives and employees who no longer provide services to PwC Securities (but who did at the time of the relevant conduct).

Contact details

PwC Securities can be contacted by sending a letter to the following address:

Mr Paul Hennessy
Authorised Representative
PricewaterhouseCoopers Securities Ltd
GPO Box D198
PERTH WA 6840

Annexure

B

SCHEME OF
ARRANGEMENT



Scheme of Arrangement

ASG Group Limited ABN 57 070 045 117 (**ASG**)

Scheme Participants

King & Wood Mallesons

Level 30
QV1 Building
250 St Georges Terrace
Perth WA 6000
Australia
T +61 8 9269 7000
F +61 8 9269 7999
DX 210 Perth
www.kwm.com

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Scheme of Arrangement

Details

Parties	ASG and Scheme Participants	
ASG	Name	ASG Group Limited
	ABN	57 070 045 117
	Formed in	Victoria, Australia
	Address	Level 9, 167 St Georges Terrace Perth, WA 6000 Australia
	Telephone	+61 8 9420 5420
	Fax	+61 8 9420 5422
	Attention	Peter Torre
Scheme Participants	Name	Each person registered as a holder of fully paid ordinary shares in ASG as at 5.00pm on the Record Date
Governing law	Western Australia	

General terms

1 Definitions and interpretation

1.1 Definitions

In this Scheme:

ASIC means the Australian Securities and Investments Commission.

ASG Share means a fully paid ordinary share in the capital of ASG.

ASG Shareholder means each person recorded in the Register as a holder of ASG Shares.

ASX means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange, as appropriate.

Business Day means a business day as defined in the Listing Rules.

CHESS means the Clearing House Electronic Subregister System managed by ASX.

Corporations Act means the Corporations Act 2001 (Cth).

Court means the Federal Court of Australia or the Supreme Court of Western Australia, or such other Australian court of competent jurisdiction agreed to in writing by NRI and ASG.

Deed Poll means the deed poll dated 25 October 2016 executed by NRI substantially in the form of Annexure B of the Scheme Implementation Agreement or as otherwise agreed by NRI and ASG under which NRI covenants in favour of each Scheme Participant to perform its obligations under this Scheme.

Effective means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

Effective Date means the date on which the Scheme becomes Effective.

Encumbrance means any mortgage, lien, charge, pledge, assignment by way of security, security interest (including any 'security interest' within the meaning of section 12 of the Personal Property Securities Act 2009 (Cth)), title retention, preferential right or trust arrangement, claim, covenant or any other security arrangement having the same effect.

End Date means 30 June 2017 or such other date as is agreed in writing by NRI and ASG.

Immediately Available Funds means a bank cheque or other form of cleared funds acceptable to ASG, acting reasonably.

Implementation Date means the fifth Business Day following the Record Date or such other date as is agreed in writing by NRI and ASG.

Listing Rules means the Listing Rules of the ASX.

NRI means Nomura Research Institute, Ltd.

Record Date means 5.00pm (Perth time) on the fifth Business Day following the Effective Date or such other date as ASG and NRI agree.

Register means the register of members of ASG maintained by or on behalf of ASG in accordance with section 168(1) of the Corporations Act.

Registered Address means, in relation to an ASG Shareholder, the address shown in the Register.

Regulatory Authority means:

- (a) ASX and ASIC;
- (b) a government or governmental, semi-governmental or judicial entity or authority;
- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (d) any regulatory organisation established under statute.

Scheme means this scheme of arrangement between ASG and Scheme Participants under which all of the Scheme Shares will be transferred to NRI under Part 5.1 of the Corporations Act as described in clause 5.2 of this Scheme, in consideration for the Scheme Consideration, subject to any amendments or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act to the extent they are approved in writing by ASG and NRI in accordance with clause 8.2 of this Scheme.

Scheme Consideration means \$1.63 paid in respect of each Scheme Share to be provided by NRI to Scheme Participants under the terms of this Scheme for the transfer to NRI of their Scheme Shares.

Scheme Implementation Agreement means the scheme implementation agreement dated 30 September 2016 between ASG and NRI under which, amongst other things, ASG has agreed to propose this Scheme to ASG Shareholders, and each of NRI and ASG has agreed to take certain steps to give effect to this Scheme.

Scheme Meeting means the meeting of ASG Shareholders, ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act at which ASG Shareholders will vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

Scheme Participant means each person who is an ASG Shareholder as at 5.00pm on the Record Date.

Scheme Share means an ASG Share held by a Scheme Participant as at the Record Date.

Scheme Transfer means, for each Scheme Participant, a duly completed and executed proper instrument of transfer of the Scheme Shares held by that Scheme Participant for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all Scheme Shares.

Second Court Date means the day on which the Court makes an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.

Trust Account means the Australian dollar trust account operated by ASG to hold the Scheme Consideration on trust for Scheme Participants for the purpose of paying the Scheme Consideration to the Scheme Participants in accordance with clause 6.3 of this Scheme, as nominated by ASG at least 5 Business Days prior to the Implementation Date.

1.2 Reference to certain general terms

Unless the contrary intention appears, a reference in this Scheme to:

- (a) **(variations or replacement)** a document, agreement (including this document) or instrument is a reference to that document, agreement or instrument as amended, consolidated, supplemented, novated or replaced;
- (b) **(clauses, annexures and schedules)** a clause, annexure or schedule is a reference to a clause in or annexure or schedule to this document;
- (c) **(reference to statutes)** a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (d) **(law)** law means common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);
- (e) **(singular includes plural)** the singular includes the plural and vice versa;
- (f) **(party)** a party means a party to this Scheme;
- (g) **(person)** the word "person" includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any Regulatory Authority;
- (h) **(executors, administrators, successors)** a particular person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (i) **(dollars)** Australian dollars, dollars, A\$ or \$ is a reference to the lawful currency of Australia;
- (j) **(calculation of time)** a period of time dating from a given day or the day of an act or event, is to be calculated exclusive of that day;
- (k) **(reference to a day)** a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (l) **(meaning not limited)** the words "include", "including", "for example" or "such as" when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind; and
- (m) **(time of day)** time is a reference to Perth, Western Australia time.

1.3 Headings

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this Scheme.

2 Preliminary

2.1 ASG

ASG is:

- (a) a public company limited by shares;
- (b) incorporated in Australia and registered in Victoria, Australia; and
- (c) admitted to the official list of the ASX and ASG Shares are officially quoted on the stock market conducted by ASX.

As at 24 October 2016, ASG's issued securities comprise:

- (a) 201,781,465 ASG Shares; and
- (b) 12,540,000 unlisted options.

2.2 NRI

NRI is a company incorporated in Japan and listed on the Tokyo Stock Exchange.

2.3 If Scheme becomes Effective

If this Scheme becomes Effective:

- (a) in consideration of the transfer of each Scheme Share to NRI, ASG will procure NRI to provide the Scheme Consideration to Scheme Participants in accordance with the terms of this Scheme and the Deed Poll;
- (b) all Scheme Shares, and all the rights and entitlements attaching to them, will be transferred to NRI on the Implementation Date; and
- (c) ASG will enter the name of NRI in the Register in respect of all Scheme Shares transferred to NRI in accordance with the terms of this Scheme.

2.4 Scheme Implementation Agreement

By executing the Scheme Implementation Agreement, subject to the terms and conditions of the Scheme Implementation Agreement, ASG and NRI have agreed to implement the terms of this Scheme.

2.5 Deed Poll

This Scheme attributes actions to NRI but does not itself impose an obligation on NRI to perform those actions. NRI has agreed by executing the Deed Poll to perform (or procure the performance of) its obligations as contemplated by this Scheme, including to provide the Scheme Consideration to Scheme Participants.

3 Conditions precedent

3.1 Conditions precedent to Scheme

This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) as at 8.00am on the Second Court Date, neither the Scheme Implementation Agreement nor the Deed Poll having been terminated in accordance with their terms;
- (b) all of the conditions precedent in schedule 2 of the Scheme Implementation Agreement having been satisfied or waived (other than the condition precedent relating to the approval of the Court in item 3) in accordance with the terms of the Scheme Implementation Agreement;
- (c) the Court having approved this Scheme, with or without any modification or condition, pursuant to section 411(4)(b) of the Corporations Act, and if applicable, ASG and NRI having accepted in writing any such modification or condition made or required by the Court under section 411(6) of the Corporations Act and any such conditions having been satisfied or waived; and
- (d) the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) in relation to this Scheme.

3.2 Conditions precedent and operation of clauses 5 and 6

The satisfaction of each condition of clause 3.1 of this Scheme is a condition precedent to the operation of clauses 5 and 6 of this Scheme.

3.3 Certificate in relation to conditions precedent

ASG and NRI must each provide to the Court on the Second Court Date a certificate (or such other evidence as the Court requests) confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent set out in clause 3.1(a) and 3.1(b) of this Scheme have been satisfied or waived as at 8.00am on the Second Court Date.

The certificates referred to in this clause 3.3 will constitute conclusive evidence of whether the conditions precedent referred to in clause 3.1(a) and 3.1(b) of this Scheme have been satisfied or waived as at 8.00am on the Second Court Date.

4 Scheme

4.1 Effective Date

Subject to clause 4.2, this Scheme will come into effect pursuant to section 411(10) of the Corporations Act on and from the Effective Date.

4.2 End Date

This Scheme will lapse and be of no further force or effect if:

- (a) the Effective Date does not occur on or before the End Date; or

- (b) the Scheme Implementation Agreement or the Deed Poll is terminated in accordance with its terms,

unless ASG and NRI otherwise agree in writing.

5 Implementation of Scheme

5.1 Lodgement of Court orders with ASIC

ASG will lodge with ASIC in accordance with section 411(10) of the Corporations Act an office copy of the Court order approving this Scheme as soon as possible, and in any event by no later than 5.00pm on the first Business Day after the day on which the Court approves this Scheme or such later time as NRI and ASG agree in writing.

5.2 Transfer and registration of Scheme Shares

On the Implementation Date, but subject to the provision of the Scheme Consideration for the Scheme Shares in accordance with clauses 6.1 to 6.3 and 6.5(a) of this Scheme (but subject to clause 6.5(b)) and NRI having provided ASG with written confirmation of the payment contemplated by clause 6.2:

- (a) the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to NRI without the need for any further act by any Scheme Participant (other than acts performed by ASG as attorney and agent for Scheme Participants under this Scheme) by:
 - (i) ASG delivering to NRI a duly completed and executed Scheme Transfer executed on behalf of the Scheme Participants by ASG; and
 - (ii) NRI duly executing the Scheme Transfer and delivering it to ASG for registration; and
- (b) immediately following receipt of the duly executed Scheme Transfer, ASG must enter the name of NRI in the Register in respect of all Scheme Shares transferred to NRI in accordance with the terms of this Scheme.

5.3 Entitlement to Scheme Consideration

On the Implementation Date, in consideration for the transfer to NRI of the Scheme Shares, each Scheme Participant will be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares in accordance with clause 6 of this Scheme.

5.4 Title and rights in ASG Shares

Subject to the provision of the Scheme Consideration for the Scheme Shares as contemplated by clauses 5.2 and 6.3 of this Scheme, on and from the Implementation Date, NRI will be beneficially entitled to the Scheme Shares transferred to it under the Scheme, pending registration by ASG of NRI in the Register as the holder of the Scheme Shares.

5.5 Scheme Participants' agreements

Under this Scheme, each Scheme Participant agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, in accordance with the terms of this Scheme.

5.6 Warranty by Scheme Participants

Each Scheme Participant warrants to NRI and is deemed to have authorised ASG to warrant to NRI as agent and attorney for the Scheme Participant by virtue of this clause 5.6, that:

- (a) all their Scheme Shares (including any rights and entitlements attaching to those shares) transferred to NRI under the Scheme will, as at the date of the transfer, be fully paid and free from all Encumbrances; and
- (b) they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those shares) to NRI under the Scheme.

5.7 Transfer free of Encumbrances

To the extent permitted by law, all ASG Shares (including any rights and entitlements attaching to those shares) which are transferred to NRI under this Scheme will, at the date of the transfer of them to NRI, vest in NRI free from all Encumbrances and interests of third parties of any kind, whether legal or otherwise, and free from any restrictions on transfer of any kind not referred to in this Scheme.

5.8 Appointment of NRI as sole proxy

Subject to the provision of the Scheme Consideration for the Scheme Shares as contemplated by clauses 5.2 and 6.3 of this Scheme, on and from the Implementation Date until ASG registers NRI as the holder of all of the ASG Shares in the Register, each Scheme Participant:

- (a) is deemed to have irrevocably appointed NRI and each of its directors, officers and secretaries as its sole proxy and, where applicable or appropriate, corporate representative, to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution, and no Scheme Participant may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 5.8(a));
- (b) must take all other actions in the capacity of the registered holder of Scheme Shares as NRI directs; and
- (c) acknowledges and agrees that in exercising the powers referred to in clause 5.8(a), NRI and any director, officer, secretary or agent nominated by NRI under clause 5.8(a) may act in the best interests of NRI as the intended registered holder of the Scheme Shares.

6 Scheme Consideration**6.1 Consideration under the Scheme**

ASG and NRI must pay (or procure the payment of) the Scheme Consideration to the Scheme Participants in accordance with clauses 6.2, 6.3 and 6.4 of this Scheme.

6.2 Satisfaction of obligations

NRI must, and ASG must use its best endeavours to procure that NRI does, no later than the two Business Days before the Implementation Date, deposits (or procures the deposit) in Immediately Available Funds the aggregate amount of the Scheme Consideration payable to all Scheme Participants into the Trust Account (except that the amount of any interest (less any bank fees and other charges) on the amount deposited will be to NRI's account).

6.3 Payment of Scheme Consideration

On the Implementation Date, subject to receipt of the Scheme Consideration from NRI in accordance with clause 6.2 of this Scheme, ASG must pay or procure payment to each Scheme Participant an amount equal to the Scheme Consideration for each Scheme Share transferred to NRI on the Implementation Date by that Scheme Participant.

Unless otherwise directed by the Scheme Participant before the Record Date, the amounts referred to in this clause 6.3 of this Scheme must be paid by direct credit or sending a cheque drawn on an Australian bank in Australian currency on the Implementation Date to each Scheme Participant by pre-paid regular post (or, if the address of the Scheme Participant in the Register is outside Australia, by pre-paid airmail post) to their address recorded in the Register at 5.00pm on the Record Date (or in the case of joint holders, in accordance with the procedures set out in clause 6.6).

6.4 Unclaimed monies

ASG may cancel a cheque issued under clause 6.3 of this Scheme if the cheque:

- (a) is returned to ASG; or
- (b) has not been presented for payment within six months after the date on which the cheque was sent.

During the period of one year commencing on the Implementation Date, on request in writing from a Scheme Participant to ASG, ASG must reissue a cheque that was previously cancelled under this clause 6.4.

6.5 Orders of a court

In the case of notice having been given to ASG (or ASG's share registry) of an order made by a court of competent jurisdiction:

- (a) which requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Participant, which would otherwise be payable to that Scheme Participant in accordance with clause 6.3 of this Scheme, then ASG shall procure that payment is made in accordance with that order; or
- (b) which would prevent ASG from dispatching payment to any particular Scheme Participant in accordance with clause 6.3 of this Scheme, ASG will retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Participant multiplied by the Scheme Consideration until such time as payment in accordance with clause 6.3 of this Scheme is permitted by law.

6.6 Joint holders

In the case of Scheme Shares held by Scheme Participants in joint names, any cheque required to be paid to those Scheme Participants must be made payable

to the joint holders and be forwarded to the holder whose name appears first in the Register as at 5.00pm on the Record Date.

7 Dealings in Scheme Shares

7.1 Determination of Scheme Participants

To establish the identity of the Scheme Participants, dealings in Scheme Shares will only be recognised by ASG if:

- (a) in the case of dealings of the type to be effected using CHES, the transferee is registered in the Register as the holder of the relevant Scheme Shares on or before 5.00pm on the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before 5.00pm on the Record Date at the place where the Register is kept.

7.2 Register

ASG must register any registrable transmission applications or transfers of the Scheme Shares received in accordance with clause 7.1(b) of this Scheme on or before 5.00pm on the Record Date.

7.3 No disposals after Record Date

If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them after the Record Date in any way except as set out in this Scheme, and any attempt to do so will be void and of no legal effect whatsoever and ASG will be entitled to disregard any such disposal, purported disposal or agreement.

ASG will not accept for registration or recognise for any purpose any transmission, application or transfer in respect of Scheme Shares received after 5.00pm on the Record Date (except a transfer to NRI pursuant to this Scheme and any subsequent transfer by NRI or its successors in title) or received prior to the Record Date but not in registrable or actionable form.

7.4 Maintenance of ASG Register

For the purpose of determining entitlements to the Scheme Consideration, ASG will maintain the Register in accordance with the provisions of this clause 7 until the Scheme Consideration has been paid to the Scheme Participants and NRI has been entered in the Register as the holder of all the Scheme Shares. The Register in this form will solely determine entitlements to the Scheme Consideration.

7.5 Effect of certificates and holding statements

Any statements of holding in respect of Scheme Shares will cease to have effect after 5.00pm on the Record Date as documents of title in respect of those shares. After 5.00pm on the Record Date, each entry current on the Register as at 5.00pm on the Record Date (other than entries on the Register in respect of NRI) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of ASG Shares relating to that entry.

7.6 Details of Scheme Participants

As soon as practicable after the Record Date, and in any event within one Business Day after the Record Date, ASG will ensure that details of the names, Registered Addresses and holdings of Scheme Shares for each Scheme Participant, as shown in the Register at 5.00pm on the Record Date are available to NRI in such form as NRI reasonably requires.

7.7 Quotation of ASG Shares

- (a) ASG will apply to ASX to suspend trading on ASX in ASG Shares with effect from the close of trading on ASX on the Effective Date.
- (b) After the Scheme has been fully implemented, ASG will apply:
 - (i) for termination of the official quotation of ASG Shares on ASX; and
 - (ii) to have itself removed from the official list of the ASX.

8 General Scheme provisions

8.1 Power of attorney

Each Scheme Participant, without the need for any further act, irrevocably appoints ASG and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of:

- (a) executing any document necessary or expedient to give effect to this Scheme including the Scheme Transfer;
- (b) enforcing the Deed Poll against NRI,

and ASG accepts such appointment. ASG as attorney and agent of each Scheme Participant, may sub-delegate its functions, authorities or powers under this clause 8.1 to all or any of its directors, officers, secretaries or employees (jointly, severally or jointly and severally).

8.2 Variations, alterations and conditions

ASG may, with the consent of NRI (which cannot be unreasonably withheld), by its counsel or solicitor consent on behalf of all persons concerned to any variations, alterations or conditions to this Scheme which the Court thinks fit to impose. Each Scheme Participant agrees to any such variation, alteration or condition.

8.3 Further action by ASG

ASG will execute all documents and do all things (on its own behalf and on behalf of each Scheme Participant) necessary or expedient to implement, and perform its obligations under, this Scheme.

8.4 Authority and acknowledgement

Each of the Scheme Participants:

- (a) irrevocably consents to ASG and NRI doing all things and executing all deeds, instruments, transfers or other documents necessary or expedient for or incidental to the implementation and performance of this Scheme; and

- (b) acknowledges that this Scheme binds ASG and all Scheme Participants (including those who do not attend the Scheme Meeting or do not vote at that meeting or vote against the Scheme at that Meeting) and, to the extent of any inconsistency and to the extent permitted by law, overrides the constitution of ASG.

8.5 No liability when acting in good faith

Each Scheme Participant agrees that neither ASG, NRI, nor any of their respective directors, officers, employees and advisers (as applicable), will be liable for anything done or omitted to be done in the performance of this Scheme in good faith.

8.6 Enforcement of Deed Poll

ASG undertakes in favour of each Scheme Participant to enforce the Deed Poll against NRI on behalf of and as agent and attorney for the Scheme Participants.

8.7 Stamp duty

NRI will pay all stamp duty (including any fines, penalties and interest) payable in connection with this Scheme.

8.8 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to ASG, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at ASG's registered office or at the office of the registrar of ASG Shares.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any ASG Shareholder shall not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9 Governing law

9.1 Governing law

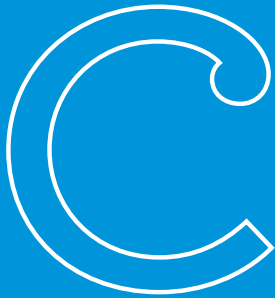
This Scheme is governed by the law in force in Western Australia.

9.2 Jurisdiction

Each party irrevocably and unconditionally:

- (a) submits to the non-exclusive jurisdiction of the courts of Western Australia, Commonwealth courts having jurisdiction in that State and the courts in Australia competent to determine appeals from those courts, with respect to any proceedings in connection with this Scheme; and
- (b) waives, without limitation, any claim or objection to the venue of any legal process in these courts on the basis of the absence of jurisdiction or inconvenient forum.

Annexure



DEED POLL



Deed Poll

Dated 25 October 2016

Given by Nomura Research Institute, Ltd. (**NRI**)

In favour of each registered holder of fully paid ordinary shares in ASG Group Limited (ABN 57 070 045 117) (**ASG**) as at 5.00 pm on the Record Date (**Scheme Participants**)

King & Wood Mallesons

Level 30
QV1 Building
250 St Georges Terrace
Perth WA 6000
Australia
T +61 8 9269 7000
F +61 8 9269 7999
DX 210 Perth
www.kwm.com

Deed Poll

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Deed Poll

Details

Parties	NRI	
NRI	Name	Nomura Research Institute, Ltd.
	Formed in	Toyko, Japan
	Address	Marunouchi Kitaguchi Bldg. 1-6-5 Marunouchi, Chiyoda-ku Tokyo 100-0005, Japan
	Fax	+81 3 5533 3639
	Attention	Hajime Ueda
In favour of	Each registered holder of fully paid ordinary shares in ASG as at 5.00 pm on the Record Date	
Recitals	A	ASG and NRI have entered into the Scheme Implementation Agreement.
	B	In the Scheme Implementation Agreement, NRI agreed (amongst other things) to provide the Scheme Consideration to ASG on behalf of the Scheme Participants, subject to the satisfaction of certain conditions.
	C	NRI is entering into this deed poll for the purpose of covenanting in favour of Scheme Participants to perform its obligations in relation to the Scheme.
Governing law	Western Australia	
Date of Deed Poll	See Signing page	

Deed Poll

General terms

1 Definitions and interpretation

1.1 Definitions

In this deed poll (unless the context otherwise requires):

Authorised Officer means:

- (a) in respect of NRI, each of Ayumu Ueno and Hajime Ueda, or any other person nominated by NRI to act as an Authorised Officer under this deed poll and notified to ASG in writing; and
- (b) in respect of any other person, a director or secretary of that person or any other person appointed to act as an Authorised Officer under this deed poll and notified to NRI in writing.

Scheme Implementation Agreement means the scheme implementation agreement dated 30 September 2016 between ASG and NRI under which, amongst other things, ASG has agreed to propose the Scheme to ASG Shareholders, and each of NRI and ASG has agreed to take certain steps to give effect to the Scheme.

Scheme means the proposed scheme of arrangement between ASG and Scheme Participants under which all the Scheme Shares will be transferred to NRI under Part 5.1 of the Corporations Act, the form of which is in Annexure A to this deed poll, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act and agreed to in writing by NRI and ASG.

All other words and phrases used in this deed poll have the same meaning as given to them in the Scheme.

1.2 Interpretation

Clause 1.2 of the Scheme applies to the interpretation of this deed poll except that references to "this Scheme" in that clause are to be read as references to "this deed poll".

1.3 Headings

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this deed poll.

1.4 Nature of deed poll

NRI acknowledges that:

- (a) this deed poll may be relied on and enforced by any Scheme Participant in accordance with its terms even though the Scheme Participants are not a party to it; and
- (b) under the Scheme, ASG undertakes to enforce this deed poll against NRI on behalf of and as agent and attorney for each Scheme Participant.

2 Conditions precedent and termination

2.1 Conditions precedent

This deed poll and NRI's obligations under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

NRI's obligations under this deed poll will automatically terminate and the terms of this deed poll will be of no further force or effect if:

- (a) the Scheme has not become Effective on or before the End Date; or
- (b) the Scheme Implementation Agreement is terminated in accordance with its terms,

unless NRI and ASG otherwise agree in writing.

2.3 Consequences of termination

If this deed poll is terminated under clause 2.2, then, in addition and without prejudice to any other rights, powers or remedies available to Scheme Participants:

- (a) NRI is released from further performing its obligations under this deed poll except those obligations contained in clause 7.1; and
- (b) each Scheme Participant retains the rights, powers or remedies they have against NRI in respect of any breach of this deed poll which occurs before it is terminated.

3 Scheme Consideration

Subject to clause 2, NRI undertakes in favour of each Scheme Participant to:

- (a) by no later than two Business Days before the Implementation Date, depositing (or procure the deposit) in Immediately Available Funds the aggregate amount of the Scheme Consideration payable to all Scheme Participants into the Trust Account (except that the amount of any interest on the amount deposited (less bank fees and other charges) will be to NRI's account); and
- (b) undertake the other actions attributed to it under the Scheme,

subject to and in accordance with the terms of the Scheme.

4 Representations and warranties

NRI represents and warrants that:

- (a) it is a company incorporated in Japan and listed on the Tokyo Stock Exchange validly existing under the laws of its place of formation;
- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;

- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll; and
- (d) this deed poll is valid and binding upon NRI and enforceable against NRI in accordance with its terms.

5 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) NRI has fully performed its obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.2.

6 Notices

6.1 Form - all communications

Unless expressly stated otherwise in this deed poll, all notices, certificates, consents, approvals, waivers and other communications in connection with this deed poll must be:

- (a) in writing;
- (b) signed by the sender (if an individual) or an Authorised Officer of the sender;
- (c) marked for the attention of the person identified in the Details or, if the recipient has notified otherwise, then marked for attention in the way last notified;
- (d) in the case of communications to NRI, a copy must be sent to Mr Hiroyuki Kano, hkano@claytonutz.com; and
- (e) in the case of communications to ASG, a copy must be sent to peter@torrecorporate.com.au and shaun.mcrobert@au.kwm.com.

6.2 Delivery

Communications must be:

- (a) left at the address set out or referred to in the Details;
- (b) sent by prepaid ordinary post (airmail if appropriate) to the address set out or referred to in the Details;
- (c) sent by fax to the fax number set out or referred to in the Details; or
- (d) given in any other way permitted by law.

However, if the intended recipient has notified a changed address or fax number, then communications must be to that address or fax number.

6.3 When effective

Communications take effect from the time they are received or taken to be received under clause 6.4 (whichever happens first) unless a later time is specified.

6.4 When taken to be received

Communications are taken to be received:

- (a) if sent by post, six Business Days after posting (or ten Business Days after posting if sent from one country to another); or
- (b) if sent by fax, at the time shown in the transmission report as the time that the whole fax was sent.

6.5 Receipt outside business hours

Despite clauses 6.3 and 6.4, if communications are received or taken to be received under clause 6.4 after 5.00pm in the place of receipt or on a non-Business Day, they are taken to be received at 9.00am on the next Business Day and take effect from that time unless a later time is specified.

7 General**7.1 Stamp duty**

NRI must:

- (a) pay all stamp duty (including fines, penalties and interest) payable and assessed in respect of this deed poll (including, in connection with the transfer of the ASG Shares to NRI in accordance with the terms of the Scheme), the performance of this deed poll and each transaction effected by or made under this deed poll; and
- (b) indemnify on demand each Scheme Participant against any liability arising from failure to comply with clause 7.1(a).

7.2 Waiver

A right may only be waived in writing, signed by the person giving the waiver, and:

- (a) no other conduct of a party (including a failure to exercise, or delay in exercising, the right) operates as a waiver of the right or otherwise prevents the exercise of the right;
- (b) a waiver of a right on one or more occasions does not operate as a waiver of that right if it arises again; and
- (c) the exercise of a right does not prevent any further exercise of that right or of any other right.

7.3 Variation

A provision of this deed poll or any right created under it may not be varied, altered or otherwise amended unless:

- (a) the variation is agreed to by ASG and NRI in writing; and

- (b) the Court indicates that the variation, alteration or amendment would not itself preclude approval of the Scheme,

in which event NRI must enter into a further deed poll in favour of the Scheme Participants giving effect to the variation, alteration or amendment.

7.4 Remedies cumulative

The rights, powers and remedies of NRI and the Scheme Participants under this deed poll are cumulative and are in addition to, and do not exclude any, other rights, powers and remedies given by law independently of this deed poll.

7.5 Assignment

The rights and obligations of NRI and each Scheme Participant under this deed poll are personal and must not be assigned, encumbered or otherwise dealt with at law or in equity and no person may attempt or purport to do so without the prior written consent of NRI and ASG.

7.6 Governing law and jurisdiction

This deed poll is governed by the law in force in Western Australia. NRI irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of that place, Commonwealth courts having jurisdiction in that State and the courts in Australia competent to determine appeals from those courts, with respect to any proceedings in connection with this deed poll.

7.7 Further action

NRI must, at its own expense, execute all deeds and other documents and do all things (on its own behalf or on behalf of each Scheme Participant) necessary or expedient to give full effect to this deed poll and the transactions contemplated by it.

EXECUTED as a deed poll

Deed Poll


Signing Page

DATED: 25 OCTOBER 2016

Signed by Ayumu Ueno,
Representative Director for NOMURA
RESEARCH INSTITUTE, LTD. in the
presence of:


Signature of witness

TAKAHIRO MIYATA
Name of witness (block letters)


By executing this document the
signatory warrants that the signatory is
duly authorised to execute this
document on behalf of Nomura
Research Institute, Ltd.

Annexure

D

NOTICE OF MEETING

ASG Group Limited
(ACN 070 145 117)
(Company)

Notice of Meeting

Notice is hereby given that by an order of the Federal Court of Australia made on 2 November 2016 pursuant to section 411(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**) a meeting of the holders of ordinary shares of the Company will be held at Parmelia Hilton Perth Hotel, 14 Mill Street, Perth WA on 8 December 2016 at 10:00am (AWST).

Business of the Meeting

The purpose of the Meeting is to consider and, if thought fit, to agree to a Scheme of Arrangement (with or without modification) to be made between the Company and the Company's ordinary shareholders.

Resolution

To consider and, if thought fit, to pass the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

"That, pursuant to and in accordance with the provisions of section 411 of the *Corporations Act 2001* (Cth):

- (a) the arrangement proposed between ASG Group Limited and the holders of its ordinary shares, as contained in and more particularly described in the Scheme Booklet accompanying the notice convening this meeting, is approved; and
- (b) the directors of ASG Group Limited are authorised to agree to such alterations or conditions as are thought fit by the Court and, subject to approval of the scheme by the Court, the Independent Board Committee of ASG Group Limited is authorised to implement the Scheme with any such modifications or conditions."

By order of the Court and the Independent Board Committee



Peter Torre
Company Secretary

2 November 2016

Explanatory Notes:

These notes should be read in conjunction with this Notice of Meeting.

Terminology

Capitalised terms which are defined in Section 9 of the Scheme Booklet which accompanies this Notice of Meeting have the same meaning when used in this notice (including these explanatory notes) unless the context requires otherwise.

Chairperson

The Court has directed that Ian Campbell act as Chairperson of the Scheme Meeting or, failing them, Stephen Johnston (unless the members at the meeting elect some other person to act as Chairperson of the meeting) and has directed the Chairperson to report the result of the meeting to the Court.

Majority required

In accordance with section 411(4)(a)(ii) of the Corporations Act, the resolution contained in this Notice of Meeting must be passed by:

- (a) unless the Court orders otherwise, a majority in number of those ASG Shareholders present and voting at the Scheme Meeting (either in person, by proxy or (in the case of corporate ASG Shareholders), by a corporate representative); and
- (b) at least 75% of the votes cast on the resolution contained in this Notice of Meeting.

The vote will be conducted by poll.

Entitlement to vote

The Court has ordered that, for the purposes of the Scheme Meeting, Shares will be taken to be held by the persons who are registered as ASG Shareholders at 4:00pm (AWST) on 6 December 2016. Accordingly, registrable transmission applications or transfers registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting.

Voting in person

To vote in person at the Scheme Meeting, you must attend the Scheme Meeting to be held at Parmelia Hilton Perth Hotel, 14 Mill Street, Perth WA on 8 December 2016 at 10:00am (AWST).

You will be admitted to the Scheme Meeting and given a voting card upon disclosure at the point of entry of your name and address.

Voting by proxy**Proxy appointment**

- (a) A member entitled to attend and vote may appoint a proxy.
- (b) A member entitled to cast two or more votes may appoint not more than two proxies.
- (c) A proxy can be an individual or a body corporate and need not be a member.
- (d) If the member appoints two proxies and the appointment does not specify the proportion or number of the member's votes, each proxy may exercise half of the votes.
- (e) At least 48 hours before the meeting, the Company must receive:
 - ▶ the proxy's appointment; and
 - ▶ any authority under which the appointment was signed or a certified copy of the authority.

(f) The proxy appointment and any authority appointing an attorney must be:

- ▶ delivered by **hand** on Monday to Friday between 9:00am and 5:00pm (AWST) to the following address:
Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138
- ▶ sent by **post** to the following address :
ASG Group Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia
- ▶ sent by **fax** to +61 2 9287 0309; or
- ▶ lodged **online** at www.linkmarketservices.com.au by using the their "Holder Identifier" (being the Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form) to log in and select 'Voting' and follow the prompts.

(g) A proxy will be admitted to the Meeting and given a voting card upon providing written evidence of their name and address at the point of entry to the Meeting.

Jointly held securities

If the Shares are jointly held, only one of the joint ASG Shareholders is entitled to vote. If more than one joint ASG Shareholder votes, only the vote of the ASG Shareholder whose name appears first in the Register will be counted.

Voting by attorney

An ASG Shareholder entitled to attend and vote at the Scheme Meeting may appoint an attorney to vote at the Scheme Meeting.

Shareholders who wish to appoint an attorney to attend the meeting on their behalf must ensure that the original or a certified copy of the power of attorney is received by the ASG's Share Registry no later than 10:00am on 6 December 2016 (48 hours prior to commencement of the Scheme Meeting), unless ASG has already noted it.

Voting by corporate representative

To vote at the Scheme Meeting a corporation who is an ASG Shareholder, or who has been appointed as a proxy by an ASG Shareholder, may appoint a person to act as its representative.

Persons who are attending as a corporate representative for a corporation must bring evidence of their appointment. The appointment must comply with section 250D of the Corporations Act. An authorised corporate representative will be admitted to the Scheme Meeting and given a voting card upon providing, at the point of entry to the Scheme Meeting, written evidence of their appointment including any authority under which it is signed, their name and address and the identity of their appointer.

Court approval

If the resolution contained in this Notice of Meeting is approved at the Scheme Meeting by the Requisite Majorities, the implementation of the Scheme (with or without modification) will be subject to, among other things, the subsequent approval of the Court.



ASG Group Limited

ABN 57 070 045 117

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



BY MAIL

ASG Group Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND

Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138



ALL ENQUIRIES TO

Telephone: +61 1300 668 378



X99999999999

PROXY FORM

I/We being a member(s) of ASG Group Limited (the **Company**) and entitled to attend and vote hereby appoint:

APPOINT A PROXY



the Chairman of the Meeting (**mark box**)

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

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Scheme Meeting of the Company to be held at **10:00am (AWST) on Thursday, 8 December 2016 at Parmelia Hilton Perth Hotel, 14 Mill Street, Perth WA** (the **Meeting**) and at any postponement or adjournment of the Meeting.

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

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed in accordance with the signing instructions overleaf and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒.

Resolution

1 "That, pursuant to and in accordance with the provisions of section 411 of the *Corporations Act 2001* (Cth):

- (a) the arrangement proposed between ASG Group Limited and the holders of its ordinary shares, as contained in and more particularly described in the Scheme Booklet accompanying the notice convening this meeting, is approved; and
- (b) the directors of ASG Group Limited are authorised to agree to such alterations or conditions as are thought fit by the Court and, subject to approval of the scheme by the Court, the Independent Board Committee of ASG Group Limited is authorised to implement the Scheme with any such modifications or conditions"

For Against Abstain*

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

SIGNATURE OF ASG SHAREHOLDER(S) – THIS MUST BE COMPLETED

ASG Shareholder 1 (Individual)

Joint ASG Shareholder 2 (Individual)

Joint ASG Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

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

ASZ PRX1602N

HOW TO COMPLETE THIS PROXY FORM

YOUR NAME AND ADDRESS

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

APPOINTMENT OF PROXY

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

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted in favour of each item of business.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

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

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll provided you are entitled to cast 2 or more votes at the Meeting. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry on 1300 668 378 or you may copy this form and return them both together.

To appoint a second proxy you must:

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

SIGNING INSTRUCTIONS

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

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

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

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the Company's Share registry no later than 48 hours before commencement of the Meeting. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company does not have a Company Secretary, a Sole Director can sign alone. Otherwise this form must be signed by two Directors or a Director and a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of a corporate shareholder or proxy is to attend the Meeting the representative must provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received by ASG's share registry by **10:00am (AWST) on Tuesday, 6 December 2016**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

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



ONLINE

www.linkmarketservices.com.au

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



BY MAIL

ASG Group Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

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

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