Notice of Extraordinary General Meeting and Explanatory Statement

Extraordinary General Meeting to be held at Level 16, 90 Collins Street, Melbourne, Victoria, 3000 on Thursday 30 January 2014 at 11:00 am (Melbourne time).

Easton Investments Limited
ACN 111 695 357

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

Notice of Extraordinary General Meeting

Notice is given that the extraordinary general meeting (**EGM**) of Easton Investments Limited (**EAS** or the **Company**) will be held at Level 16, 90 Collins Street, Melbourne, Victoria, 3000 on Thursday 30 January 2014 at 11:00 am (Melbourne time). Information on the proposals to which the following Resolutions relate is contained in the Explanatory Statement which accompanies and forms part of this Notice of Extraordinary General Meeting (**Notice**). Terms defined in Section 6 of the Explanatory Statement (Glossary of Terms) have the same meaning when used in this Notice and the accompanying Explanatory Statement.

Resolution 1 — issue of EAS Shares as part consideration for the Transaction

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

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

	New Shareholders	Number of EAS Shares acquired as part-consideration for the Transaction
1.	John Gregory Hayes	2,993,961
2.	Hayes Knight Limited	2,444,444
3.	Heather Bennison	1,351,009
4.	Craig Rosen	727,459
5.	Lisa Armstrong	453,600
6.	Abbie Rose Pty Ltd	335,083

Resolution 2 — approval of sale to a related party

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

> *That, for the purposes of Rule 10.1 of the ASX Listing Rules and for all other purposes, approval is given for Easton Wealth Asia Pty Ltd ACN 153 796 313, a wholly owned subsidiary of EAS, to dispose of a substantial asset being its 19.9% shareholding in AAM Advisory Pte Ltd to Adcock Private Equity Pty Ltd ACN 137 476 843 in its capacity as trustee for the Adcock Private Equity Trust, a company associated with Mr Campbell McComb, for the sale consideration of $1,150,000 and on the terms and conditions as described in the Explanatory Statement accompanying this Notice of Meeting.*

Independent expert's report: Shareholders should carefully consider the Independent Expert's Report prepared for the purposes of the Shareholder approval under Listing Rule 10.1 of the ASX Listing Rules, which is included in Annexure 1. The Independent

Expert has determined that the Proposed Sale is fair and reasonable to the non-associated Shareholders in the Company.

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

Dated: 23 December 2013

By order of the board

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Mark Licciardo
Company Secretary

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint one proxy or, if the member is entitled to cast two or more votes at the meeting, two proxies to attend and vote on behalf and instead of the member.

2. Where two proxies are appointed, a Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. Where the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes.

3. A proxy need not be a member.

4. Proxy vote if appointment specifies way to vote

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

   (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way;

   (b) if the proxy has two or more appointments that specify different ways to vote on the Resolution, the proxy must not vote on a show of hands;

   (c) if the proxy is the chair person of the meeting at which the Resolution is voted on, the proxy must vote on a poll, and must vote that way (i.e. as directed); and

   (d) if the proxy is not the chair person of the meeting, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote in the way directed.

5. Transfer of non-chair proxy to chair person of the meeting in certain circumstances

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

   (a) an appointment of a proxy specifies the way the proxy is to vote on a particular Resolution at a meeting of the Company's members;

   (b) the appointed proxy is not the chair person of the meeting;

   (c) at the meeting, a poll is demanded on the Resolution; and

   (d) either of the following applies:

      (1) the proxy is not recorded as attending the meeting; or

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

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

6. A proxy form accompanies this notice. To be valid it must be received together with the power of attorney or other authority (if any) under which the form is signed, or a certified copy of that power or authority, not less than 48 hours before the time for holding the meeting, namely by 11:00 am (Melbourne time) on Tuesday 28 January 2014:

   (a) at Computershare Investor Services Pty Limited by:

      (1) hand delivery to 452 Johnston Street, Abbotsford, Victoria, 3067;

      (2) post to GPO Box 242, Melbourne, Victoria, 3001; or

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

   (b) at the offices of the Company by:

      (1) hand delivery or post to Level 16, 90 Collins Street, Melbourne, Victoria, 3000; or

      (2) facsimile on 03 9639 0311.

7. Regulation 7.11.37 determination: A determination has been made by the Directors under regulation 7.11.37 of the *Corporations Regulations* 2001 (Cth) that those persons who are registered as the holders of shares in the Company as at 7:00 pm (Melbourne time) on Tuesday 28 January 2014 will be taken to be the holders of shares for the purposes of determining voting entitlements at the meeting.

Voting exclusion statements

The Company will disregard any votes cast on the Resolution 1 by:

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

The Company will disregard any votes cast on the Resolution 2 by:

- a party to the transaction (including Adcock Private Equity, which holds 1,270,584 ordinary shares in Easton); and
- an associate of those persons (including Mr Campbell McComb).

However, the Company need not disregard a vote cast on either of the Resolutions if:

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

Explanatory Statement

1. General information

This Explanatory Statement is an important document and should be read carefully. It comprises part of, and should be read in conjunction with, the Notice that accompanies this Explanatory Statement and was sent to members of the Company relating to the EGM that is to be held on Thursday 30 January 2014.

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

2. Background to the Transaction the subject of Resolution 1

On 28 November 2013, the Directors announced that in principle agreement had been reached to acquire the following interests as part of the Transaction:

- 30% of HKNSW and its related entity HKNSW Services;
- 100% of Knowledge Professional Consulting Shop[1];
- 100% of Merit Wealth via the acquisition of its parent company, HK Financial Services, and 100% of Merit Wealth's related entity, HKRS; and
- 50% of Superssentials.

On 17 December 2013, the Company and its related entities entered into the Share Sale and Purchase Deed to acquire the Acquisition Businesses.

The total consideration payable for the Acquisition Businesses will be up to \$13.11 million, including up-front consideration and earn-out payments. Completion is subject to a number of conditions, including the approval of Resolution 1 by the Shareholders.

Subject to Shareholder approval for Resolution 1 being obtained, the EAS Shares that are will be issued to the New Shareholders upon Completion are as follows:

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[1] Knowledge Shop will also hold the assets of Knowledge Shop Pty Ltd ACN 098 682 556 following a restructure, which is to occur prior to Completion.

	New Shareholders	Number of EAS Shares acquired as part-consideration for the Transaction	Percentage of EAS Shares held post-Completion (%)	Cash received as part-consideration for the Transaction
1.	John Gregory Hayes	2,993,961	10.88%	$1,516,811
2.	Hayes Knight Limited[2]	2,444,444	8.89%	$1,000,000
3.	Heather Bennison	1,351,009	4.91%	$440,884
4.	Craig Rosen	727,459	2.64%	$220,640
5.	Lisa Armstrong	453,600	1.65%	- -
6.	Abbie Rose Pty Ltd[3]	335,083	1.22%	$106,665
7.	Hayes Knight (NSW) Pty Ltd	- -	- -	$100,000
	Total	**8,305,556**	**30.19%**	**$3,385,000**

The EAS Shares represent 30.19% of the Company's post-Completion issued capital and one-third will be subject to voluntary escrow arrangements for 12 months following Completion and one-third for 24 months following Completion. The remaining one-third of the EAS Shares will not be subject to escrow or any other sale restriction.

The Board of the Company believes the Transaction to be highly attractive as it:

- represents an excellent strategic fit with the Company's stated intent and direction;
- offers strong potential for organic growth;
- opens opportunities for prospective acquisitions in the accounting and financial services sector;
- repositions the Company with an expanded capital base and with enhanced earnings and prospects; and
- involves a purchase price that is largely satisfied by the issue of Shares (in the form of the EAS Shares), thereby providing a strong alignment of interests going forward and reflecting confidence in the further growth of the Acquisition Businesses in particular and in the future prospects of the Company more generally.

[2] A company controlled by John Gregory Hayes.

[3] A company owned jointly and equally by Garth Alexander McNally and Nicole Gai McNally.

The Acquisition Businesses are inter-connected businesses which operate in the accounting and financial services sector. They have been progressively developed under a distribution strategy having regard to anticipated market demand, direction and opportunity and focus on the fundamental strength of the accounting client relationship.

HKNSW is a full service accounting practice, based in Sydney, and established by Greg Hayes, its current CEO, in the early 1980s.

HKNSW established the Knowledge Shop business in 2000 and has been responsible for the subsequent strong growth and strategic positioning of that business.

Knowledge Shop provides professional support services to a large number of small to medium accounting firms on a subscription basis, as well as specialist training to a wider accounting audience across Australia.

Merit Wealth and HKRS were established by HKNSW to provide financial services solutions for the accounting profession.

Superssentials was formed to provide SMSF administration services to both Knowledge Shop and to Merit Wealth member firms, as well as clients of HKNSW and other Hayes Knight affiliated firms operating around Australia.

All of the businesses are related and are designed to leverage off each other to provide cross referrals and sales. As such, these businesses are well placed to achieve strong organic growth.

Importantly, these businesses are well known in the accounting sector and have long-standing relationships with an extensive number of practices. The Transaction, therefore, also potentially provides access to prospective acquisition opportunities.

Further details in relation to the Acquisition Businesses are set out in section 3(c) of this Explanatory Statement.

3. Resolution 1 – Detail

(a) Rule 7.1 of the ASX Listing Rules

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

The 8,305,556 EAS Shares to be issued to the New Shareholders as part of the consideration for their shares in the Acquisition Businesses in the Transaction will result in the Company issuing more than 15% of the Company's equity securities in the relevant 12 month period, and so Shareholder approval under Rule 7.1 of the ASX Listing Rules is required.

Accordingly, the Shareholders are being asked to approve the issue of the EAS Shares under Rule 7.1 of the ASX Listing Rules by passing Resolution 1.

(b) Rule 7.3 of the ASX Listing Rules

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

- A maximum number of 8,305,556 EAS Shares will be issued and allotted to the New Shareholders.
- The EAS Shares will be issued within 3 months of the date of the EGM extraordinary general meeting (or such later date to the extent permitted by any waiver that may be granted by ASX). Subject to approval of this Resolution 1 and Completion occurring, the EAS Shares are to be issued on Completion, which is expected to occur within the relevant 3 month period.
- The allotment of the EAS Shares is expected to occur on one date and not progressively.
- The issue price for the EAS Shares that represent part-consideration for the Transaction will be 90 cents per share (equivalent to an issue price of 18 cents per share prior to EAS's recent 5 for 1 share consolidation).
- The EAS Shares will rank *pari passu* in respect of all respects with the Company's existing Shares and will be subject to the same terms as the Company's existing Shares.
- No funds will be raised by the issue of the EAS Shares.
- A voting exclusion statement is included in the Notice.

The Directors recommend that Shareholders vote in favour of Resolution 1.

(c) The Transaction

The Transaction involves the purchase of the Acquisition Businesses for up-front consideration of $10.86 million, together with an earn-out consideration of up to $2.25 million, payable over 3 years subject to specified targets being met or exceeded.

The up-front consideration is to be satisfied by cash of $3.385 million and EAS Shares worth $7.475 million, being comprised of approximately 8.3 million shares at an issue price of 90 cents per share.

If the earn-out becomes payable in the future, the earn-out consideration will be satisfied in cash, Shares, or a combination of cash and Shares as determined by the Board of the Company.

The up-front cash consideration for the Transaction will be funded from existing surplus cash held by the Company, together with a bank loan if required.

The up-front consideration is priced on an "earnings before interest, tax and amortisation" (**EBITA**) multiple for 2014 in the range of 5 to 6 times, although due to timing of the Transaction, full year earnings will first apply in the following year (2014/15).

The earnings performance of the Acquisition Businesses will be materially impacted by the performance of Merit Wealth, in particular having regard to the quantum and rate of roll out of the Referral Rights Agreement model as referred to in part (iii) of this section below.

On Completion of the Transaction, Mr Hayes, the founder of the Acquisition Businesses and associated businesses, will be invited to join the Board of the Company and will assume the role of joint Managing Director in conjunction with the Company's recently appointed Managing Director, Kevin White.

Mr Hayes will have responsibility for the performance and growth of the Acquisition Businesses, as well as identifying further accounting acquisition opportunities. Mr White will continue to have responsibility for the Company's existing operations, as well as selectively targeting new, strategic acquisition and merger opportunities in keeping with the Company's aspiration to develop a major distribution capability in the Australian financial services sector.

The combination of Mr Hayes and Mr White, with complementary skills and expertise, working together to build the Company into a substantial enterprise gives the Directors a great deal of confidence in the Company's future prospects. Importantly, the Company's two key executives will both have a significant shareholding in the Company and, as a result, they will have a meaningful incentive to deliver sustainable and growing earnings in order to achieve a higher share price and thereby create value for all Shareholders. The interests of Shareholders and key executives are strongly aligned.

Brief comments on each of the Acquisition Businesses are set out below:

(i) 30% Interest in HKNSW and HKNSW Services

HKNSW is an established, full service, Sydney based accounting firm, formed in the early 1980s by Mr Hayes, its current CEO.

HKNSW is a traditional accounting practice with a primary focus on the following client channels, where the firm has developed significant specialisation over many years:

- mid-size, privately owned businesses and corporates;
- fast growth entrepreneurs;
- Australian subsidiaries of multi-nationals;
- SMSFs;
- membership base organisations; and
- accountants (for the provision of specialist services).

These client segments provide HKNSW with a mix of defensive and aggressive marketing strategies and are supported by a full range of professional accounting services, encompassing:

- business services – compliance and advisory;
- specialist tax;
- superannuation;
- financial planning; and
- corporate finance.

HKNSW also provides an audit service through a separate corporate structure, which has not been included in the Transaction. The intention is that a service agreement will be entered into between HKNSW and the audit practice relating to shared staff, premises and general support services.

HKNSW's gross fees in 2013 were $5.03 million and it reported EBITA of $1.08 million after normalisation adjustments. As previously noted, the Company will acquire a 30% equity interest in both HKNSW and HKNSW Services (which provides services to HKNSW).

(ii) Knowledge Shop

Knowledge Shop was established by HKNSW in 2000 to provide professional support services to small to medium accounting firms.

Knowledge Shop operates a subscription based service, allowing "member" firms to access a range of support services and material, including:

- an on-line knowledge bank providing electronic precedent, work paper and practice management systems;
- a technical support help desk;
- professional development programs; and
- quarterly technical and client newsletters.

The Knowledge Shop subscriber base has grown consistently since its inception and today is comprised of approximately 700 member firms across Australia.

Typically, subscribers are 1 to 4 partner accounting firms with a focus on and high net worth clients.

In addition, Knowledge Shop deals with another 600 to 700 accounting practices annually on an ad hoc or transactional basis, mainly through training programs offered nationally on a rolling basis.

The Knowledge Shop training programs are tailored to cover contemporary and emerging industry issues.

Where member firms have a professional advice matter that is outside their area of expertise or they have a conflict of interest, these matters are frequently referred to HKNSW which provides specialist tax advisory, business valuation and corporate advisory services.

With approximately 9,000 accounting firms operating in Australia, of which some 83% are 1 or 2 partner practices, the growth potential of Knowledge Shop over coming years is significant. This position is underpinned by Knowledge Shop's competitive advantage in terms of its:

- existing operations, including a large customer base and on-line help desk;
- existing infrastructure, including precedent files and an on-line knowledge bank which are supported by purpose designed, internal IT software and applications relating to information management and distribution;
- understanding of the market;
- ability to design practice-based content, rather than theory-based content; and
- ability to anticipate market trends and innovate ahead of the curve.

Knowledge Shop's turnover in 2013 was $3.35 million and it reported EBITA of $0.70 million after normalisation adjustments.

The Company intends to acquire 100% of Knowledge Shop and under the terms of the Transaction, an earn-out of $0.75 million is payable if Knowledge Shop achieves EBITA of $0.90 million or more in the first 12 months.

(iii) Merit Wealth and HKRS

Merit Wealth and its related entities, HK Financial Services and HKRS, were established by HKNSW in 2009 to provide financial services solutions for accounting firms.

Merit Wealth holds an Australian Financial Services License (**AFSL**) and offers accounting firms the option of providing in-house advice through a qualified adviser authorised by Merit Wealth or under a referral service initiated and managed by HKRS in conjunction with Merit Wealth.

Under its referral service, HKRS sources and engages qualified financial advisers who understand the accounting market and who are capable of building a significant financial planning business.

Each adviser enters into a Referral Rights Agreement with HKRS which involves an up-front payment by the adviser plus an on-going annuity fee. In return for these fees, HKRS introduces the financial adviser to accounting firms and facilitates an on-going referral arrangement between the parties.

All advisers operating under the referral service are authorised by Merit Wealth, which provides full dealer services for a standard fee of 10% of annual revenue.

Advisers provide a broad range of advice, including a strong focus on SMSFs, succession planning, risk and investment advice.

HKRS currently has 7 Referral Rights Agreements in place and is planning a progressive roll-out over the next 5 years with the aim of providing wide Referral Rights coverage across the more populated areas of Australia.

Consolidated turnover for Merit Wealth and HKRS in 2013 was $3.26 million, with reported EBITA (consolidated) of $0.62 million after normalisation adjustments.

The Company intends to acquire 100% of HK Financial Services (which is the parent company of Merit Wealth) and HKRS and under the terms of the Transaction, an earn-out of $0.50 million is payable in each of the first 3 years (i.e. $1.50 million in total) if not less than 5 Referral Rights Agreements are achieved in each relevant 12 month period (with one carry over and one catch up adjustment allowed in each 12 month period).

(iv) 50% Interest in Superssentials

Superssentials was established in 2011 as a joint venture between HKNSW and an affiliated firm, Hayes Knight (QLD) Pty Ltd or related parties, for the specific purpose of providing a centralised SMSF administration service.

The business operates a “white label” platform through Class Super and currently administers approximately 400 funds.

Whilst the administration service is available to the broader market, the growth of Superssentials has not been a business priority to-date.

However, recent legislation to require SMSF compliance and audit work to be carried out by separate firms to remove possible internal conflicts, provides an opportunity to more actively promote the Superssentials administration service. Increasing price pressure in this area is also forcing small to medium practitioners to look for a low cost, efficient out-source provider.

The Company intends to acquire 50% of Superssentials, with the remaining 50% to be held between HKNSW and Hayes Knight (QLD) Pty Ltd or related parties.

Superssential’s reported a small profit before interest, tax and amortisation in 2013.

(d) Strategy and Direction

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

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

The Transaction is consistent with the Company's strategic intent and represents an excellent first step in creating an important distribution business with significant scale.

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

Further, the structure of the Transaction is consistent with the Company's business model where the intention is to selectively acquire meaningful equity interests in quality accounting and financial planning businesses that are fully aligned with the Company's strategic direction and are capable of helping deliver on its strategic intent and broader aspirations.

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

In terms of acquisitions, the intent is to selectively build a national network of compatible accounting firms, similar in culture, scope and size to HKNSW in accordance with the Company's differentiated business model of partial ownership.

The Acquisition Businesses will provide an important platform to accelerate the Company's growth ambitions. The Company will be well placed to provide potential acquisition firms with an attractive value proposition by virtue of the Acquisition Businesses, coupled with its strengthened management structure. The Company will be uniquely placed to offer selected firms an enhanced brand / profile, professional and practice management support, concentrated focus on organic growth and an expanded service capability in financial planning and other service lines, as well as access to capital to fund future growth and succession.

The outlook for sustained growth over coming years, both organic and by the acquisition of meaningful interests in both accounting and financial planning businesses, is considered by the Directors to be significant.

If approved by Shareholders, the Transaction is expected to take effect on or around 1 February 2014.

4. Background to Resolution 2

On 17 December 2013, the Directors announced that EWA, a wholly owned subsidiary of the Company, had entered into a conditional agreement to sell its 19.9% interest in AAMA.

EWA's interest in AAMA is to be acquired for a cash consideration of $1.15 million by Adcock Private Equity, a company associated with Mr Campbell McComb, who was formerly the managing director of Easton and a director of EWA. Mr McComb resigned as a Director of the Company on 29 May 2013 and as a director of EWA on 12 August 2013.

Due to Mr McComb's involvement with Adcock Private Equity, the Proposed Sale is deemed to be a related party transaction and is conditional on the approval of Resolution 2 by the Shareholders.

The Proposed Sale of the Company's investment in AAMA is part of the Company's on-going program to simplify and reorganise its businesses and operations in order to focus on core business activities that are consistent with the Company's strategic direction and intent.

The sale proceeds will be applied towards meeting the cash funding requirements for the Transaction described in Resolution 1. This will reduce the amount of bank debt that would otherwise be used to complete the Transaction described in Resolution 1.

Further details in relation to the Proposed Sale are set out in the following section of this Explanatory Statement.

The Directors recommend that Shareholders vote in favour of Resolution 2.

5. Resolution 2 – Details

(a) The Proposed Sale

AAMA is a financial planning business based in Singapore. EWA acquired a 19.9% interest in AAMA in February 2013.

The original purchase price of AU$1.167 million involved the payment of cash of $932,763 and the issue of 781,250 Shares at a price of $0.30 each (equivalent to 156,250 Shares in the Company at a price of $1.50 each following the Company's recent 1 for 5 share consolidation).

The book carrying value of the Company's investment in AAMA was reduced at the purchase date by $101,563 to its current carrying value of $1.065 million to reflect the difference at that time between the issue price and the market price of EAS shares.

The sale price of this investment of $1.15 million, which is payable in full in cash at completion, compares with its current book carrying value of $1.065 million and represents a profit on sale of $85,000.

The decision to dispose of this investment was taken as a part of a general and on-going simplification and rationalisation program. More particularly, the nature of the Company's interest in AAMA is an investment and it is no longer regarded by the Director's as a long term core asset.

The Proposed Sale is subject to a number of conditions precedent, including regulatory approval in Singapore, the approval of the other shareholders in AAMA and the approval of Easton shareholders.

Subject to the various approvals being given, the Proposed Sale is expected to take effect from or around 1 February 2014.

(b) Rule 10.1 of the ASX Listing Rules

Rule 10.1 of the ASX Listing Rules provides that an entity (or any of its subsidiaries) must not acquire a substantial asset from, or dispose of a substantial asset to a related party or a substantial holder or an associate of a related party or a substantial holder without shareholder approval.

Adcock Private Equity is a related party by virtue of being a company associated with Mr Campbell McComb, for the reasons outlined above.

A "substantial asset" is an asset valued at greater than 5% of the equity interests of a company as set out in the latest accounts given to ASX under the Listing Rules. The consideration for the Proposed Sale exceeds this threshold.

Accordingly, Shareholders are being asked to approve the Proposed Sale in accordance with Rule 10.1 of the ASX Listing Rules by passing Resolution 2.

(c) Independent Expert's Report

In accordance with Rule 10.10 of the ASX Listing Rules, accompanying this Notice and Explanatory Statement is an Independent Expert's Report prepared by DMR Corporate Pty Ltd. The Independent Expert's Report concludes that the Proposed Sale of AAMA to Adcock Private Equity is fair and reasonable to the Company's non-associated Shareholders.

Please refer to the Independent Expert's Report at Annexure 1 of this Explanatory Statement for further details.

6. Glossary of terms

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

AAMA AAM Advisory Pte Ltd, a company incorporated in Singapore (Company Registration No: 198802184Z) of 4 Robinson Road, #12-01, The House of Eden, Singapore 048543.

Acquisition Businesses The following interests:

(a) 30% of the issued capital in HKNSW;

(b) 30% of the issued capital in HKNSW Services;

(c) 100% of the issued capital in HKRS;

(d) 100% of the issued capital in HK Financial Services, the parent company of Merit Wealth;

(e) 50% of the issued capital in Superssentials; and

(f) 100% of the issued capital in Knowledge Shop.

Adcock Private Equity Adcock Private Equity Pty Ltd ACN 137 476 843 in its capacity as trustee for the Adcock Private Equity Trust.

ASX ASX Limited.

Company or EAS Easton Investments Limited ACN 111 695 357.

Directors Directors of the Company and **Director** refers to just one of them.

Completion Completion under the Share Sale and Purchase Deed.

EAS Shares Ordinary shares in the Company that are issued to the New Shareholders as part-consideration for the Transaction.

EGM Extraordinary general meeting.

EWA Easton Wealth Asia Pty Limited ACN 153 796 313.

Explanatory Statement This statement, which accompanies the Notice.

HK Financial Services HK Financial Services Pty Ltd ACN 125 553 086.

Hayes Knight Limited Hayes Knight Limited ACN 098 206 494.

HKNSW	Hayes Knight (NSW) Pty Ltd ACN 125 243 692.
HKNSW Services	Hayes Knight Services (NSW) Pty Ltd ACN 125 244 162.
HKRS	Hayes Knight Referral Services Pty Ltd ACN 150 398 931.
Independent Expert	DMR Corporate Pty Ltd who prepared the Independent Expert's Report.
Independent Expert's Report	The report prepared by the Independent Expert dated 18 December 2013 relating to relating to Resolution 2 for the purposes of obtaining Shareholder approval under Rule 10.1 of the ASX Listing Rules, included as Annexure 1.
Knowledge Shop	Knowledge Shop Professional Consulting Pty Ltd ACN 107 532 945.
Merit Wealth	Merit Wealth Pty Ltd ACN 125 557 002 and operating under Australian Financial Services Licence number 409361.
New Shareholders	Each of: (a) John Gregory Hayes; (b) Hayes Knight Limited; (c) Heather Bennison; (d) Craig Rosen; (e) Lisa Armstrong; and (f) Abbie Rose Pty Ltd.
Notice	The Notice of Extraordinary General Meeting which this Explanatory Statement accompanies.
Proposed Sale	The proposed sale of EWA's interest in AAMA to Adcock Private Equity for cash consideration of $1.15 million.
Resolutions	Resolution 1 and Resolution 2 that the Shareholders are to vote upon as set out in the Notice and Explanatory Statement and **Resolution** means just one of them as the context requires.
Sellers	Each of: (a) John Gregory Hayes; (b) Lisa Armstrong;

(c) Heather Bennison;

(d) Craig Rosen;

(e) Abbie Rose Pty Ltd;

(f) HKNSW; and

(g) Hayes Knight Limited.

Share Sale and Purchase Deed	The deed of that name dated 17 December 2013 between the Company, certain of its wholly owned subsidiaries, the Sellers and the Acquisition Businesses for the purposes of the Transaction.
Shares	Ordinary shares in the Company.
Shareholders	Shareholders of the Company.
SME	Small to medium enterprise.
SMSF	Self-managed super fund.
Superssentials	Superssentials Administration Services Pty Ltd ACN 149 268 164.
Transaction	The proposed acquisition by the Company of the Acquisition Businesses for cash and EAS Shares.

ANNEXURE 1

Independent Expert's Report

DMR CORPORATE

DMR Corporate Pty Ltd A.C.N. 063 564 045
470 Collins Street
Melbourne Telephone (03) 9629 4277
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18 December 2013

The Directors
Easton Investments Limited
Level 16,
90 Collins Street,
Melbourne Vic 3000

Dear Sirs,

Re: Independent Expert's Report

1. Introduction

1.1 You have requested DMR Corporate Pty Ltd ("DMR Corporate") to prepare an independent expert's report pursuant to Rule 10.1 of the Listing Rules ("Listing Rule 10.1") of the Australian Securities Exchange ("ASX") in respect of the proposed sale of 151,304 shares ("the Sale Shares") in AAM Advisory Pte Ltd ("AAMA") to Adcock Private Equity Pty Ltd ATF Adcock Private Equity Trust ("Adcock"). The Sale Shares represent 19.9% of the issued capital of AAMA.

1.2 AAMA is a Singapore based financial planning business that has a strong presence in the Singapore expatriate advisory market. Easton Wealth Asia Pty Limited, a wholly owned subsidiary of Easton Investments Limited ("Easton") acquired its 19.9% interest in AAMA in January 2013 for a cash payment of $932,000, plus the issue of 781,250 Easton shares[1].

1.3 Following a review of Easton's strategic direction, Easton now proposes to divest its investment in AAMA.

2. The Proposed Transaction

The shareholders are being asked to vote on the following ordinary resolution:

> "That, for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval is given for Easton Wealth Asia Pty Ltd ACN 153 796 313, a wholly owned subsidiary of EAS, to dispose of a substantial asset being its 19.9% shareholding in AAM Advisory Pte Ltd to Adcock Private Equity Pty Ltd ACN 137 476 843, a company associated with Mr Campbell McComb, for the sale consideration of $1,150,000 and on the terms and conditions as described in the Explanatory Statement accompanying this Notice of Meeting."

For the purposes of this report the above transaction is hereinafter referred to as the "Proposed Transaction".

[1] As Easton Wealth Asia Pty Ltd is a wholly owned subsidiary of Easton, in the balance of this report we treat Easton as the entity that holds the AAMA shares.

The Easton directors have requested DMR Corporate to independently assess whether the Proposed Transaction is fair and reasonable to non-associated shareholders. The independent expert's report is to be prepared in accordance with the Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111 – Content of expert reports – issued on 30 March 2011.

3. Summary Opinion

In our opinion, the Proposed Transaction set out in Section 2 above is **fair and reasonable to non-associated shareholders.**

Fairness

Our principal reason for reaching the above opinion is:

- In Section 7.9 we concluded that the Sale Shares are valued in a range of $800,000 to $1,065,575. As the value of the Sale Shares is less than the consideration offered for the Sale Shares ($1,150,000) we have concluded that the **Proposed Transaction is fair.**

Reasonableness

We have also reviewed the other significant considerations referred to in Section 9 of this report and we consider that **the Proposed Transaction is reasonable.**

4. Structure of this Report

This report is divided into the following Sections:

5. Purpose of the Report

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

- **ASX - Listing Rules 10.1 and 10.2**

  Listing Rules 10.1 and 10.2 require a company obtain shareholder approval at a general meeting when the sale or acquisition of an asset, which has a value in excess of 5% of the shareholders funds as set out in the latest financial statements given to the ASX under the listing rules, is to be made to or from:

(i) a related party;

(ii) a subsidiary;

(iii) a substantial shareholder who is entitled to at least 10% of the voting securities, or a person who was a substantial shareholder entitled to at least 10% of the voting securities at any time in the 6 months before the transaction;

(iv) an associate of a person referred to in paragraphs (i), (ii) or (iii) above; or

(v) a person whose relationship to the entity or a person referred to above is such that, in the ASX's opinion, the transaction should be approved by security holders.

As

- Campbell McComb, an employee of Adcock was a director of Easton until 29 May 2013 and a director of Easton Wealth Asia Pty Ltd until 12 August 2013. Due to Mr McComb's involvement in the Proposed Transaction, Adcock is deemed to be a related party; and
- the Sale Shares were carried in the books of Easton at a total cost of $1,065,575 as at 30 June 2013, which exceeds 5% of the shareholders funds of Easton as at that date of $9,492,168 (5% of $9,492,168 = $474,608),

Listing Rule 10.1 will apply to the Proposed Transaction.

- **General**

The terms "fair" and "reasonable" are not defined in the Corporations Act 2001 ("the Act"), however guidance as to the meaning of these terms is provided by ASIC in Regulatory Guide 111. For the purpose of this report, we have defined them as follows:

Fairness	-	the Proposed Transaction is "fair" if the value of the Sale Shares is equal to or less than the consideration being offered.
Reasonableness	-	the Proposed Transaction is "reasonable" if it is fair. It may also be "reasonable" if, despite not being "fair" but after considering other significant factors, we consider that the advantages of proceeding with the Proposed Transaction outweigh the disadvantages of proceeding.

In determining whether the Proposed Transaction is fair, we have:

- valued AAMA;
- valued the Sale Shares; and
- compared the value of the Sale Shares with the consideration offered by Adcock of A$1,150,000.

In determining whether the Proposed Transaction is reasonable we have analysed other significant factors, which shareholders should consider prior to accepting or rejecting the Proposed Transaction.

6. AAMA - Key Information

6.1 General

AAMA is a Singapore based financial advisory business whose target markets are high net worth individuals and corporations resident in Singapore who require professional financial advice and portfolio management services.

6.2 AAMA's Directors

The table below details AAMA's Board of Directors.

Directors
Anderson Nicholas Richard Ross
Lee Sanders
Matthew Edward Dabbs
Wong U-Bond
Bird Simon Russel
Shane Anthony Bransby

6.3 Share Capital

AAMA has 760,322 fully paid ordinary shares on issue. The shareholders in AAMA are:

Shareholders	No of Shares	%
Anderson Nicholas Richard Ross	190,081	25.0%
Lee Sanders	190,081	25.0%
Matthew Edward Dabbs	190,840	25.1%
Wong U-Bond	7,603	1.0%
Bird Simon Russel	30,413	4.0%
Easton	151,304	19.9%
Total	760,322	100.0%

Source: Share Purchase Agreement dated 29 January 2013

Easton acquired its AAMA shares pursuant to a Share Purchase Agreement ("SPA") dated 29 January 2013. Easton acquired its shares proportionately from each shareholder. The SPA includes a performance warranty by all of the shareholders in favour of Easton. The other shareholders warranted that in each of the financial years ending 31 December 2013 and 2014 AAMA will achieve an EBIT (earnings before interest and tax) of S$1.1 million. In the subsequent year Easton has the benefit of a warranty that EBIT will be the greater of S$1.1 million or 12% of total revenue. For the final year of the warranty (year ending 31 December 2016) the

EBIT is warranted to be the greater of S$1.1 million or 15% of total revenue.

If the warranted performance is not achieved, Easton is to receive a payment equivalent to 19.9% of the shortfall between the actual and warranted EBIT.

6.4 Financial Position

AAMA's net assets as at 31 December 2011, 31 December 2012 and 31 October 2013 were as follows:

Statement of Financial Position	31-Dec-11 Audited S$	31-Dec-12 Audited S$	31-Oct-13 Unaudited S$
Current assets			
Cash and cash equivalents	328,249	1,132,925	1,793,106
Trade and other receivables	336,404	557,754	107,953
Other assets	67,218	107,043	142,678
Total current assets	731,871	1,797,722	2,043,737
Non-current assets			
Other assets	22,000	-	-
Plant and equipment	70,864	184,508	266,607
Total non-current assets	92,864	184,508	266,607
Total assets	824,735	1,982,230	2,310,344
Current liabilities			
Trades and other payables	582,637	1,243,430	954,610
Income tax payables	-	2,000	-
Total current liabilities	582,637	1,245,430	954,610
Total liabilities	582,637	1,245,430	954,610
Net assets	242,098	736,800	1,355,734
Equity			
Issued capital	560,000	760,322	760,322
Accumulated profits/(losses)	(317,902)	(23,522)	595,412
Total equity	242,098	736,800	1,355,734

Source: AAMA's 2012 Annual Report and 31 October 2013 management accounts.

6.5 Financial Performance

AAMA's Statements of Comprehensive Income for the years ended 31 December 2011 and 2012 and for the ten months ended 31 October 2013 were as follows:

Statement of Comprehensive Income			10 months
	Year Ended		Ended
	31-Dec-11	31-Dec-12	31-Oct-13
	Audited	Audited	Unaudited
	S$	S$	S$
Revenue From Continuing Operations			
Revenue	8,026,795	7,978,768	7,893,464
Cost of Services	(7,029,396)	(5,564,433)	(5,475,513)
Gross profit	997,399	2,414,335	2,417,951
Other income	31,665	62,100	215,492
Administratice expenses	(1,127,993)	(2,111,113)	(2,014,508)
Other expenses	(121,092)	(68,942)	-
Profit/(loss) before income tax	**(220,021)**	**296,380**	**618,935**
Income tax (expense)/credit	2,897	(2,000)	-
Profit/(loss) for the period	**(217,124)**	**294,380**	**618,935**

Source: AAMA's 2012 Annual Report and 31 October 2013 management accounts.

7. Assessment of the Value of AAMA and the Sale Shares

7.1 Value Definition

DMR Corporate's valuation of the Sale Shares has been made on the basis of fair market value, defined as the price that could be realized in an open market over a reasonable period of time given the current market conditions and currently available information, assuming that potential buyers have full information, in a transaction between a willing but not anxious seller and a willing but not anxious buyer acting at arm's length.

Each of the above methodologies is described and where possible applied in the balance of this Section 7.

7.2 Valuation Methodologies

In selecting appropriate valuation methodologies, we considered the applicability of a range of generally accepted valuation methodologies. These included:

- share price history;
- asset based methods;
- alternate acquirer;
- capitalisation of future maintainable earnings;

- net present value of future cash flows; and
- comparable market transactions.

7.3 Share Price History

The share price history valuation methodology values a company based on the past trading in its shares. We normally analyse the share prices up to a date immediately prior to the date when a takeover, merger or other significant transaction is announced to remove any price speculation or price escalations that may have occurred subsequent to the announcement of the proposed transaction.

AAMA is an unlisted proprietary company and its shares are not freely or regularly traded.

The Sale Shares were acquired by Easton in January 2013 for a cash payment of $932,000 and 781,250 Easton shares (pre the recent 5 for 1 share consolidation). The total investment, including transaction costs, was recorded in the books of Easton at $1,065,575. There have been no subsequent transactions in AAMA shares and this transaction provides the best evidence of the market value of the Sale Shares.

7.4 Asset Based Methods

These methodologies are based on the realisable value of a company's identifiable net assets. Asset based valuation methodologies include:

(a) Net Assets

The net asset valuation methodology involves deriving the value of a company or business by reference to the value of its assets. This methodology is likely to be appropriate for a business whose value derives mainly from the underlying value of its assets rather than its earnings, such as property holding companies and investment businesses that periodically revalue their assets to market. The net assets on a going concern basis does not take account of realisation costs.

(b) Orderly Realisation of Assets

The orderly realisation of assets method estimates the fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

(c) Liquidation of Assets

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a short time frame.

Net Assets

As can be seen from the Statement of Financial Position in Section 6.4 above, AAMA does not reflect the value of its intangible assets in its accounting records and consequently the value of its net assets is not a realistic value of the value of AAMA's equity. Nevertheless, we note that the Statement of Financial Position at 31 October 2013 shows that the net tangible assets were S$1,355,734. As AAMA has 760,322 shares on issue, this represents S$1.78 per share. Easton holds 151,304 AAMA shares and their net tangible asset value therefore equates to S$269,321. The current exchange rate is A$1.00 : S$1.12 and the net tangible asset value of the AAMA shares held by Easton therefore equates to A$240,465.

Orderly Realisation of Net Assets / Liquidation of Assets

As can be seen from the Statement of Comprehensive Income in Section 6.5 above, AAMA is currently profitable and we have not continued with the orderly realisation or liquidation of assets methodologies as these methodologies would understate the value of the Sale Shares.

7.5 Alternate Acquirer

The value that an alternative offeror may be prepared to pay to acquire the Sale Shares is a relevant valuation methodology to be considered. We have been advised that Easton has sought potential acquirers for its 19.9% shareholding in AAMA and the offer from Adcock was the best proposal received by Easton.

We do not consider that an alternative offer is an applicable valuation methodology to use to value the Sale Shares prior to the Proposed Transaction taking place.

7.6 Capitalization of Future Maintainable Earnings

7.6.1 Introduction to the Methodology

This methodology involves capitalising the estimated future maintainable earnings of a business at a multiple which reflects the risks of the business and its ability to earn future profits.

There are different definitions of earnings to which a multiple can be applied. The traditional method is to use net profit after tax – Price Earnings or PE. Another common method is to use Earnings Before Interest and Tax, or EBIT. One advantage of using EBIT is that it enables a valuation to be determined which is independent of the financing and tax structure of the business. Different owners of the same business may have different funding strategies and these strategies should not alter the fundamental value of the business.

Other variations to EBIT include 'Earnings Before Interest, Tax, Depreciation and Amortization' – EBITDA and 'Earnings Before Interest, Tax, and Amortization' – EBITA.

As can be seen from the Statement of Comprehensive Income in Section 6.5 above, AAMA is currently profitable and as such we consider that an earnings based valuation is an appropriate methodology to apply in valuing AAMA and its shares.

We have selected capitalisation of EBITDA as the appropriate measure of earnings to be capitalised as EBITDA generally facilitates comparison with peer businesses.

A valuation based on capitalised EBITDA requires the following key assessments to be made:

- the level of future maintainable earnings;
- the selection of an appropriate capitalisation rate (or multiple), which reflects the risks facing the business and the achievement of the expected future maintainable earnings; and
- an assessment of surplus assets and interest bearing debt.

7.6.2 Assessment of Maintainable Earnings

Set out in the table below is a calculation of AAMA's historical EBITDA:

	Year Ended		10 months Ended	Year Ended
	31-Dec-11	**31-Dec-12**	**31-Oct-13**	**31-Dec-13**
	Audited	**Audited**	**Unaudited**	**Annualised**
	S$	**S$**	**S$**	**S$**
Profit/(loss) before income tax	(220,021)	296,380	618,935	742,722
Add back:				
Depreciation	17,732	42,479	45,820	54,984
EBITDA	(202,289)	338,859	664,755	797,706

As can be seen from the Statement of Comprehensive Income in Section 6.5 above, the gross profit margin for the current financial year is approximately 30%, which is in line with the margin for the year ended 31 December 2012. Revenue for the 10 months to 31 October 2013 indicates that revenue for the year ending 31 December 2013 will be approximately 20% above the prior year. The improvement in revenue should result in EBITDA of approximately S$800,000 for the current financial year.

We have concluded that S$800,000 represents the maintainable EBITDA of AAMA at this point in time.

7.6.3 Capitalisation Multiple

In selecting an appropriate capitalisation rate to apply to the maintainable EBITDA we have had regard to the following:

- AAMA is a privately owned business controlled by the directors who are engaged in the business.
- the business has been operating for a number of years however it has not been consistently profitable;
- the business is not reliant on any one customer or supplier;
- there are relatively low barriers to entry of competitors however all key staff are shareholders in the business and whilst they could leave and set up in competition, the shareholders' agreement provides for a relatively short non-compete period;
- We have searched the Capital IQ database to identify comparable transactions involving financial services businesses in Singapore. Due to the private nature of most of the comparable companies, limited public information is available. We identified one transaction, whereby Enrico Spinola acquired a 43% stake in British & Malaysian Trustees Limited at an EBITDA multiple of 5.5.

- The Capital IQ database provided us with the following comparable listed Australian company benchmarks:

Company	ASX Code	Market Cap $Mil	Net Debt $Mil	Minority Interest $Mil	Enterprise Value $Mil	EBITDA Last 12 Months $Mil	EBITDA Multiple
Prime Financial Group	PFG	24.3	7.1	0.5	31.9	5.3	6.0
Tranzact Financial Services	TFS	14.4	(1.4)	2.6	15.6	3.0	5.2
Crowe Horwath	CRH	101.0	53.0	-	154.0	24.2	6.4
						Average	5.9
Source: CapitalIQ - 13/12/2013						**Median**	6.0

The above multiples are all extracted from publicly traded shares and they represent the multiples for the sale of minority interests in these companies, so we have increased the market capitalization by a typical control premium of 25% to 30%[2] and recalculated the multiples. The resultant EBITDA control multiples were in a range of 7.0 to 7.5.

After considering all of the above information and our general valuation experience and professional judgment, we have selected an EBITDA multiple in the range of 7.0 to 7.5 as being appropriate to a valuation of AAMA.

7.6.4 Enterprise Valuation

	Low	High
Maintainable EBITDA	SGD 800,000	SGD 800,000
Multiple	7.0	7.5
Enterprise value	SGD 5,600,000	SGD 6,000,000

7.6.5 Valuation Adjustments

The enterprise value must be increased by the value of surplus assets and reduced by interest bearing debt in order to arrive at AAMA's equity value.

Surplus assets are those identified as being "surplus" to the needs of AAMA and which are not required to generate its business income and which have not contributed to the maintainable EBITDA, as assessed above. A review of the 31 October 2013 balance sheet identified that AAMA had a cash balance in excess of S$1,700,000 and we have treated this balance as a surplus asset. AAMA had no interest bearing debt as at 31 October 2013.

[2] RSM Bird Cameron Control Premium Study – July 2013.

After taking into account the above adjustments, the equity value of AAMA can be estimated as follows:

	Low S$	High S$
Enterprise value	5,600,000	6,000,000
Surplus assets	1,700,000	1,700,000
Equity value	7,300,000	7,700,000

7.6.6 Valuation - AAMA

In our opinion, based on the capitalized maintainable earnings before interest, tax and depreciation methodology, the value of the equity in AAMA is in a range of S$7,300,000 to S$7,700,000.

7.6.7 Valuation – the Sale Shares

In Section 7.6.6 above we valued the equity in AAMA in a range of S$7,300,000 to S$7,700,000. This value range is for 100% of the equity in AAMA and incorporates a premium for control, however the Sale Shares represent 19.9% of AAMA's equity and are a minority parcel of shares. In Section 7.6.4 above we adjusted the minority public company multiple to include a typical control premium of 25% to 30%. The reciprocal of a control premium is a minority discount. In order to adjust the equity value to a minority basis we have allowed for a minority discount in a range of 20% to 23%, being the reciprocals of the control premium referred to above. The assessment of the minority value of Easton's 19.9% in AAMA is set out below:

	Low S$	High S$
Equity value of AAMA	SGD 7,300,000	SGD 7,700,000
Easton's 19.9% interest in AAMA on a control basis	SGD 1,452,700	SGD 1,532,300
Minority discount	23.0%	20.0%
Easton's 19.9% interest in AAMA on a minority basis	SGD 1,118,579	SGD 1,225,840

As can be seen from the above table, we have assessed the value of the Sale Shares to be in a range of S$1,118,579 to S$1,225,840, however this value is derived from public company multiples and these imply that there is a liquid market for the shares, whereas the Sale Shares are unlisted and their transferability is constrained by the provisions of the shareholders' agreement.

In valuing unlisted shares it is necessary to consider a discount for lack of marketability. Pratt[3] discusses and summarises a number of studies of the discounts for lack of marketability in the United States. Studies of prices of restricted stocks revealed that prior to 1990 restricted stock sold at a discount of 33% to 35% compared to listed stock of the same company. More recent studies show a smaller discount however this is thought to be the result of loosened restrictions on stock transferability. Studies that compared the share prices of private companies that eventually completed an initial public offering indicate a marketability discount of approximately 45%. This measure of discount is also likely to capture a discount due to differences between private and public company management and the lower perceived risk of an investment in a public company (regulatory and independent board oversight).

Pratt concluded that the magnitude of the discount for lack of marketability is influenced by:

- the size of distributions during the holding period
- prospects for liquidity
- size of the potential pool of buyers for the interest
- risk factors affecting the issuing company during the holding period.

Australian professional literature suggests that the discount for non-negotiability is generally in a range of 10% to 25%[4].

After considering the above discussion and the specific circumstances of AAMA, we have concluded that a discount for the lack of marketability of 20% is appropriate. When this level of discount is applied to the minority value of S$1,118,579 to S$1,225,840, the value of the Sale Shares is reduced to a range of S$894,863 to S$980,672.

The current exchange rate between Australian dollars and Singapore dollars of A$1.00:SGD1.12. Based on this exchange rate we have assessed the value of the Sales Shares in Australian dollars to be in a range of $798,985 to $875,600, say $800,000 to $880,000.

7.7 Net Present Value of Future Cash Flows

An analysis of the net present value of the projected cash flows of a business (or discounted cash flow technique) is based on the premise that the value of the business is the net present value of its future cash flows. This methodology requires an analysis of future cash flows, the capital structure, the costs of capital and an assessment of the residual value of the business remaining at the end of the forecast period.

As we have not been provided with any forecasts beyond 31 December 2013, we have not been able to apply this methodology in valuing AAMA.

[3] Shannon P. Pratt Business Valuation Discounts and Premiums, 2001
[4] Wayne Lonergan "The Valuation of Businesses, Shares and Other Equity" 4th Edition page 129

7.8 Comparable Market Transactions

Theoretically this is a sound valuation methodology as it is based on tangible evidence of other similar transactions (this is the methodology generally adopted in valuing real estate). We do not consider that this valuation methodology is applicable for the purposes of this report.

7.9 Conclusion

The valuation methodologies that we have adopted as being applicable are:

Valuation Methodology	Section	Low $	High $
Share price history	7.3	1,065,575	1,065,575
Capitalisation of maintainable earnings	7.6	800,000	880,000

Having regard to the applicable valuation methodologies, we have valued the Sale Shares in a range of $800,000 to $1,065,575.

8. Assessment as to Fairness

As the value of the Sale Shares ($800,000 to $1,065,575) is less than the consideration offered for the Sale Shares ($1,150,000) we have concluded that the **Proposed Transaction is fair.**

9. Other Significant Considerations

Prior to deciding whether to approve or reject the Proposed Transaction the non-associated shareholders should also consider the following factors:

- In Section 8 above we concluded that the Proposed Transaction is fair. As the Proposed Transaction is fair it is also considered to be reasonable, however we consider that the Easton shareholders should also take into consideration the following matters if the Proposed Transaction proceeds:

    - In Section 7.6 we assessed the value of the Sale Shares based on the maintainable earnings of AAMA. As explained in Section 6.3, Easton acquired its AAMA shares pursuant to the SPA, which includes a warranty in favour of Easton that in each of the next four financial years the EBIT of AAMA will be at least S$1.1 million. We have recomputed the earnings based valuation set out in Section 7.6 above on the assumption that the maintainable EBIT of AAMA is S$1.1 million but keeping all other assumptions unchanged. When assessed on this basis the Sale Shares would be valued in a range of $1,030,000 to $1,130,000. As this value range is below the consideration offered by Adcock of $1,150,000, we concluded that the Proposed Transaction is fair even if the Sale Shares are valued by reference to the warranty contained in the SPA.

- Easton will receive a net sum of $1,150,000. Management have indicated that the proceeds will be used as part of the funding for other proposed acquisitions.

- Easton no longer regards an investment in AAMA as a long term core asset.

- Easton will no longer have exposure to a financial planning business in Singapore, which was part of an Asian strategy pursued by previous management.

After reviewing the results of our assessment of the fairness of the Proposed Transaction set out in Section 9 and after evaluating the other considerations set out above, we consider that **the Proposed Transaction is fair and reasonable to non-associated shareholders.**

10. Financial Services Guide

10.1 Financial Services Guide

This Financial Services Guide provides information to assist retail and wholesale investors in making a decision as to their use of the general financial product advice included in the above report.

10.2 DMR Corporate

DMR Corporate holds Australian Financial Services Licence No. 222050, authorizing it to provide general financial product advice in respect of securities to retail and wholesale investors.

10.3 Financial Services Offered by DMR Corporate

DMR Corporate prepares reports commissioned by a company or other entity ("Entity"). The reports prepared by DMR Corporate are provided by the Entity to its members.

All reports prepared by DMR Corporate include a description of the circumstances of the engagement and of DMR Corporate's independence of the Entity commissioning the report and other parties to the transactions.

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

10.4 General Financial Product Advice

In the reports, DMR Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a report having regard to their own objectives, financial situation and needs before acting on the advice in a report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

10.5 Independence

At the date of this report, none of DMR Corporate, Derek M Ryan nor Mr Paul Lom has any interest in the outcome of the Proposed Transaction, nor any relationship with Easton, Adcock or McComb.

Drafts of this report were provided to and discussed with the Chief Executive Officer and the Chief Financial Officer of Easton. There were no alterations to the methodology, valuations or conclusions that have been formed by DMR Corporate.

DMR Corporate had no part in the formulation of the Proposed Transaction. Its only role has been the preparation of this report.

DMR Corporate considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC on 30 March 2011.

10.6 Remuneration

DMR Corporate is entitled to receive a fee of approximately $17,000 plus GST for the preparation of this report. With the exception of the above, DMR Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

10.7 Complaints Process

As the holder of an Australian Financial Services Licence, DMR Corporate is required to have suitable compensation arrangements in place. In order to satisfy this requirement DMR Corporate holds a professional indemnity insurance policy that is compliant with the requirements of Section 912B of the Act. DMR Corporate is also required to have a system for handling complaints from persons to whom DMR Corporate provides financial services. All complaints must be in writing and sent to DMR Corporate at the above address.

DMR Corporate will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited – GPO Box 3, Melbourne Vic 3000.

Yours faithfully

DMR Corporate Pty Ltd

D. McRyan

Paul Lom

Derek Ryan
Director

Paul Lom
Director

Appendix A

Sources of Information

- AAMA's annual financial statements for the year ended 30 June 2012;
- AAMA's monthly management accounts for October 2013;
- Share Purchase Agreement dated 29 January 2013;
- ASIC current extract for Adcock Private Equity Pty Ltd
- AAMA shareholders' agreement dated 29 January 2013;
- Copy of the Draft Contract of Sale;
- Transaction overview for the acquisition of the Sale Shares dated 12 December 2012;
- Research as to comparable company multiples using Capital IQ;
- Draft notice of meeting; and
- Discussions with the Chief Financial Officer of Easton.

Appendix B

Declarations, Qualifications and Consents

1. Declarations

This report has been prepared at the request of the Directors of Easton pursuant to Chapter 10 of ASX listing rules. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable.

This report has also been prepared in accordance with the Accounting Professional and Ethical Standards Board professional standard APES 225 – Valuation Services.

The procedures that we performed and the enquiries that we made in the course of the preparation of this report do not include verification work nor constitute an audit in accordance with Australian Auditing Standards.

2. Qualifications

Mr Derek M Ryan and Mr Paul Lom, directors of DMR Corporate prepared this report. They have been responsible for the preparation of many expert reports and are involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

Mr Ryan has had over 40 years experience in the accounting profession and he is a Fellow of the Institute of Chartered Accountants in Australia. He has been responsible for the preparation of many expert reports and is involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

Mr Lom is a Chartered Accountant and a Registered Company Auditor with more than 35 years experience in the accounting profession. He was a partner of KPMG and Touche Ross between 1989 and 1996, specialising in audit. He has extensive experience in business acquisitions, business valuations and privatisations in Australia and Europe.

3. Consent

DMR Corporate consents to the inclusion of this report in the form and context in which it is included in Easton's Explanatory Statement.

easton

Easton Investments Limited
ABN 48 111 695 357

⊢ 000001 000 EAS

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

Lodge your vote:

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

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

For your vote to be effective it must be received by 11:00 am (Melbourne time) Tuesday, 28 January 2014

How to Vote on Items of Business

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

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

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

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate “Certificate of Appointment of Corporate Representative” prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form ➔

View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com

☑ **Review your securityholding**

☑ **Update your securityholding**

Your secure access information is:

SRN/HIN: I9999999999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
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SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Easton Investments Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ________

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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Extraordinary General Meeting of Easton Investments Limited to be held at Level 16, 90 Collins Street, Melbourne VIC 3000 on Thursday 30 January 2014 at 11:00 am (Melbourne time) and at any adjournment or postponement of that meeting.

STEP 2 Items of Business

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

		For	Against	Abstain
Item 1	Issue of EAS Shares as part consideration for the Transaction	☐	☐	☐
Item 2	Approval of sale to a related party	☐	☐	☐

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

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ________ **Contact Daytime Telephone** ________ **Date** / /