

Via ASX Online

13 May 2014

ASX Market Announcements Office
ASX Limited

Final Stage of Business Simplification Program Completed

The directors of Easton Investments Limited (**Easton** or **the Company**) advise that the business simplification program, which was announced in September 2013, has been completed.

Over the past 7 months, the Company has moved to –

- (a) progressively simplify and re-organise its businesses and operations in order to improve underlying profitability; and
- (b) release and reinvest capital in core businesses and acquisition opportunities that are consistent with the Company's strategic direction and intent.

The final stages of this program have now been completed, involving:

- Receipt of the proceeds of sale of the Company's investment in AAM Advisory of \$1.15 million, for which conditional sale approval was given by Easton Shareholders on 30 January 2014.
- Sale of the Company's 20% interest in Axial Wealth Management Pty Limited (**Axial**), together with the repayment in full of loan monies advanced by the Company to Axial, representing total cash receipts of \$700,000.
- Execution of a new contract with Mr Cameron Knox, the Managing Director of Easton Asset Management Limited (**EAM**), a wholly owned subsidiary of Easton. Under the terms of the new contract, Mr Knox has been granted 500,000 Performance Rights, which vest into ordinary shares in Easton on a 1 for 1 basis at the end of 3 years, subject to specific performance targets being achieved during this period.
- Purchase of a 10% equity interest in Chesterfields Financial Services Pty Limited (**Chesterfields**) by Mr Mark Triggs, a key adviser in that company, by way of a subscription for new Chesterfields shares involving a consideration of \$200,000. As a result of the issue of new shares by Chesterfields, Easton's interest in this company has reduced from 58.2% to 52.2%.
- Purchase by Chesterfields of a Referral Rights Agreement from Hayes Knight Referral Services Pty Limited (**HKRS**), a wholly owned subsidiary of Easton, for an up-front consideration of \$200,000. Under the Referral Rights Agreement, HKRS will be responsible for developing an accounting referral network and Chesterfields, through a new wholly owned subsidiary, will be responsible for providing a wealth management solution for clients of those referring accountants.



- Transition of the risk business operated by Easton Wealth Protection Pty Limited, a wholly owned subsidiary of Easton, to the AFSL operated by Merit Wealth Pty Limited, also a wholly owned subsidiary of Easton.

At the same time, the Company is moving to cancel the AFSL held by EAM before 30 June 2014 as this license is now superfluous to the Company's needs following the restructuring which occurred at the end of 2013.

The Company's Operations now comprise –

- (a) 3 businesses which have been held for more than 12 months, namely –
- 100% of EAM, whose sole activity now relates to the distribution of a suite of investment funds under the Harmony brand pursuant to an agreement with the fund manager, Momentum Global Investment Management. Funds invested in Harmony products has grown strongly over the course of the current financial year from A\$185 million at 30 June 2013 to A\$305 million at 30 April 2014
 - 100% of Easton Wealth Protection Pty Limited, which carries on a risk insurance business
 - 52.2% of Chesterfields, a Perth based financial planning and risk insurance business.
- (b) 3 businesses which have recently been acquired pursuant to the Hayes Knight NSW transaction, namely –
- 100% of Knowledge Shop Professional Consulting Pty Limited
 - 100% of Merit Wealth Pty Limited and its related entity, HKRS
 - 30% of the Hayes Knight NSW accounting business.

The attached Company Presentation sets out the current structure of these Operations, together with summary information on Easton's strategy and its current businesses.

Financial Position

The Company currently has cash and cash equivalents of \$2.72 million following the completion of recent sale and purchase transactions and cash flow from operations is adding to this position.

In terms of cash flow, directors expect the Company to benefit from the utilization of carried forward tax losses at 30 June 2013 of \$4.6 million over coming years.

The Company has borrowings of \$0.77 million, secured against the risk book operated by EWP, together with an undrawn bank facility from Westpac of \$3.0 million.

Directors believe that the Company is soundly placed to move forward with its plans as referred to below.



Likely Developments

With the completion of the Business Simplification Program, the directors advise that they intend to seek acquisition opportunities that are aligned and consistent with the Company's strategic intent and direction, which is to build a significant distribution capability in the Australian financial services sector.

Directors strongly believe that the progressive development of scale distribution in the financial services sector will create strategic value and thereby enhance the value of Easton shares over time.

Easton intends to develop scale distribution by applying a differentiated business model of partial ownership where it will seek to acquire meaningful equity interests in quality accounting and financial planning businesses that fit with Easton's strategic direction and are capable of helping deliver on its strategic intent and broader aspirations.

For further information, please contact –

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EASTON INVESTMENTS LIMITED

Company Presentation

May 2014

Kevin White
Joint Managing Director

Greg Hayes
Joint Managing Director

Easton's Strategy

To build a significant distribution capability in the Australian accounting and financial services sector by leveraging the skills of its executive team to build a network of accounting and financial planning businesses, aligned by the acquisition of meaningful stakes (starting at around 30% and increasing up to 49% over time).

To capture the strategic value of scaled distribution in the financial services sector by operating across the broader Value Chain.

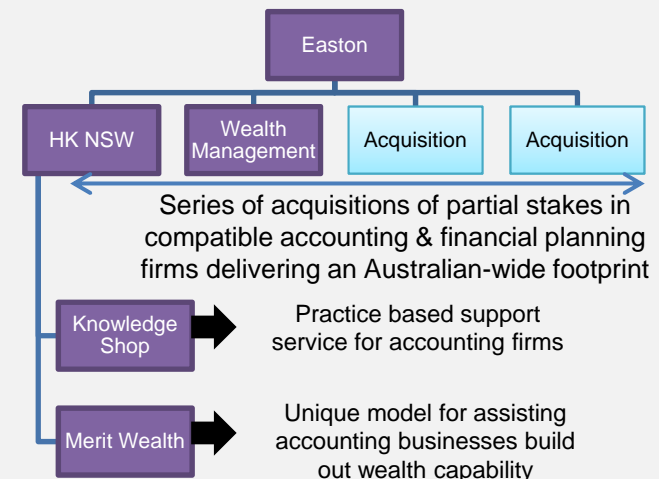
By 2019, Easton aims to have:

- Stakes in up to 30 accounting firms
- Stakes in up to 10 financial planning firms
- Grown Knowledge Shop
- Built Merit Wealth under its referral model
- Developed a vertically integrated business encompassing Distribution > Platform > Product

Executive team leverage

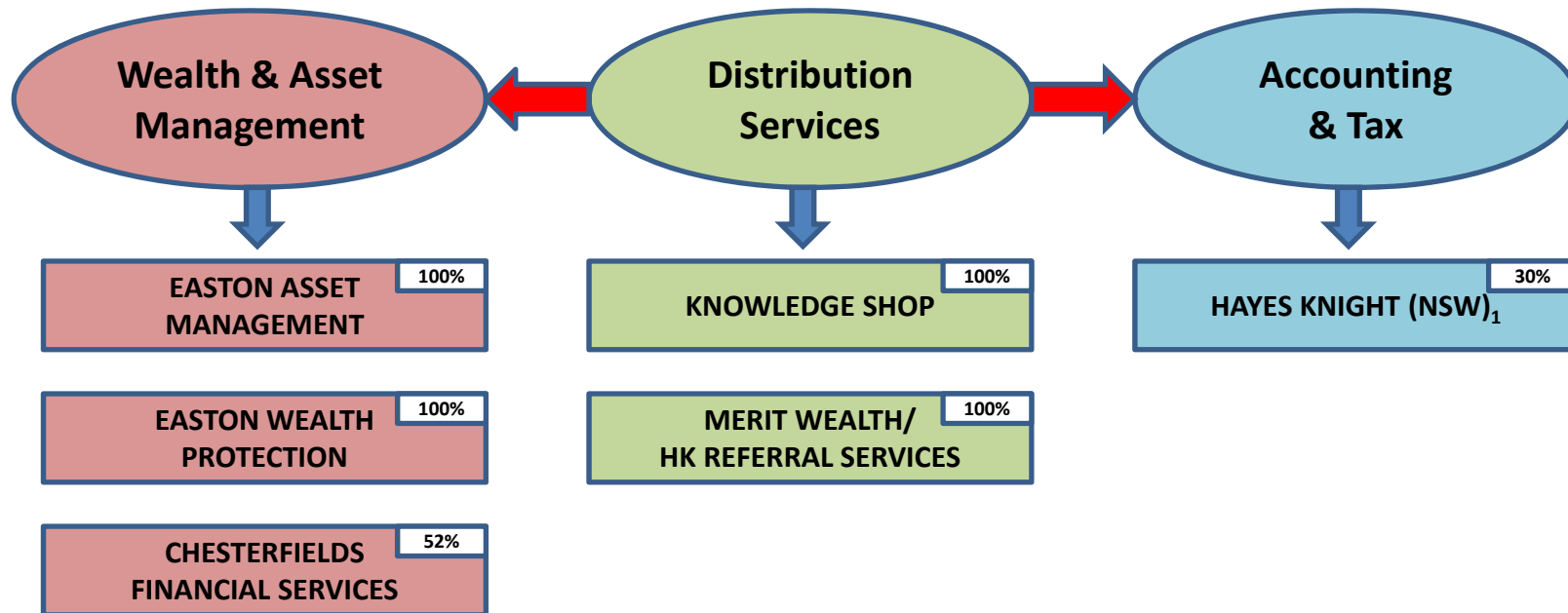
- Kevin White – Founder & CEO of Crowe Horwath (formerly WHK Group) 1996 to 2011
- Greg Hayes – Founder & CEO of HKNSW, Knowledge Shop & Merit Wealth / HKRS

Distribution strategy – No. 1 priority



Easton Investments

Operations



1. Incorporates Hayes Knight Services (NSW) Pty Ltd

2. No. of shares on issue = 27.4m

May 2014

Hayes Knight (NSW)

Business element		Commentary
Strategic focus	Growth focus	Targeted SME client base
Sector	Traditional Accounting Services	<ul style="list-style-type: none"> • Full service range offer • Audit provided through a separate company
Positioning	<ul style="list-style-type: none"> • Segment specialisation • Client type 	<ul style="list-style-type: none"> • 6 sectors targeted
Operational elements	<ul style="list-style-type: none"> • 8 directors • Superssentials 	<ul style="list-style-type: none"> • Good mix of expertise & skills • SMSF administration business
Barriers to entry	<ul style="list-style-type: none"> • Low 	<ul style="list-style-type: none"> • Relatively few firms have equivalent scale
Growth	<ul style="list-style-type: none"> • Organic • Selected acquisitions • Potential to double size 	<ul style="list-style-type: none"> • Growth at 5-10% pa • 'Tuck-in' opportunities

Knowledge Shop

Business element		Commentary
Strategic focus	Unique distribution capability – clear market leader	c.1,500 accounting firms on-line
Sector	Accounting support services	Technical support & training c.9,000 SME firms
Positioning	B2B	<ul style="list-style-type: none"> • A mix of subscriber firms and transaction firms
Operational elements	<ul style="list-style-type: none"> • Professional support • Technical training 	<ul style="list-style-type: none"> • More than 20,000 help desk questions p.a. • Training developed around market issues
Barriers to entry	<ul style="list-style-type: none"> • Medium to high: <ul style="list-style-type: none"> • IP • IT • Scale 	<ul style="list-style-type: none"> • Practice based • Systems & processes • Time & cost to establish market position
Growth	<ul style="list-style-type: none"> • New subscriber firms • Web based training • New supply opportunities • Knowledge management 	<ul style="list-style-type: none"> • Potential to grow the base • Potential to increase the range of services

Merit Wealth / HK Referral Services

Business element		Commentary
Strategic focus	Unique referral model	Wealth management solution for all accountants
Sector	Wealth management	<ul style="list-style-type: none"> • Developing an adviser network • Developing an accounting referral network
Positioning	B2B & B2C	<ul style="list-style-type: none"> • Accounting firms • Clients of accounting firms
Operational elements	<ul style="list-style-type: none"> • AFSL • Referral rights agreement (RRA) 	<ul style="list-style-type: none"> • Dealer group services • Annuity stream created under RRA
Barriers to entry	<ul style="list-style-type: none"> • Medium to high <ul style="list-style-type: none"> • Business model • Relationships 	<ul style="list-style-type: none"> • Accounting relationship & accounting centric model
Growth	<ul style="list-style-type: none"> • Number of advisers • Number of referring accountants • Unique distribution capability 	<ul style="list-style-type: none"> • Development of full national coverage • At maturity, target of 150 advisers servicing 900 accounting firms

Hayes Knight NSW – Integrated Business Model

30%

**Hayes Knight
(NSW)**

Business

Full range of Accounting & Tax services to SME client base & other Accounting Firms

100%

**Knowledge
Shop**

Business

Professional support services to small to medium Accounting Firms

100%

**Merit Wealth /
HKRS**

Business

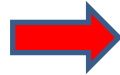
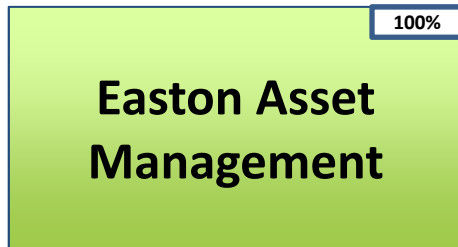
Unique referral model to provide Wealth Management solutions to clients of Accounting Firms

Provides full professional and technical support

Provides introductions to Accounting Firms

Easton Investments

Wealth & Asset Management



Business

Distribution of Harmony investment products in Asia and the Middle East under contract with Momentum Global Investment Management (consistent with broader strategy of operating across the Value Chain)

Funds of
c. A\$300m at
30/4/14



Business

Risk insurance broking business – Melbourne based, licensed by **Merit Wealth**



Business

Financial planning & risk insurance broking business – Perth based, licensed by Easton

Entering into a Referral Rights Agreement through a wholly owned subsidiary, licensed by **Merit Wealth**



Disclaimer

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