

Independent Adviser's Report

26 January 2015

Prepared Pursuant to Rule 22 of the New Zealand Takeovers Code in Relation to a Full Takeover Offer for Finzsoft Solutions Limited



Prepared for

Silverlake HGH Limited

Purpose of the Report

- This report is **not** a report on the merits of the Offer.
- This report has been obtained by the offeror.
- The purpose of this report is solely to compare the consideration and terms offered for the different classes of securities, and to certify as to the fairness and reasonableness of that consideration and terms as between the different classes.
- A separate independent adviser's report on the merits of the Offer, commissioned by the directors of Finzsoft Solutions Limited, must accompany Finzsoft Solutions Limited's target company statement.
- The Offer should be read in conjunction with this report and the separate independent adviser's report on the merits of the Offer.

Independence

- Lonergan Edwards & Associates Limited (LEA) confirms that it:
 - has no conflict of interest that could affect its ability to provide an unbiased report
 - has no direct or indirect pecuniary or other interest in the proposed transaction considered in the report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.
- LEA has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Takeovers Code for the purposes of preparing this report.

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The Directors
Silverlake HGH Limited
PO Box 28
Shortland Street
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26 January 2015

Subject: Offer for Finzsoft Solutions Limited

Dear Sirs

Background

- 1 In December 2014, Silverlake HGH Limited (Silverlake) announced its intention to make a full takeover offer (Offer) for Finzsoft Solutions Limited (Finzsoft).
- 2 Under the Takeovers Code in New Zealand, the Offer must offer to acquire all of Finzsoft's ordinary shares and offer to acquire all other equity securities in Finzsoft (including rights to unissued shares). Accordingly, under the Offer Silverlake must offer to acquire the rights to future shares in Finzsoft held by the vendors of the Sush Mobile (Sush) business in connection with the acquisition of that business (Sush Entitlements).
- 3 The Sush Entitlements constitute a separate class of non-voting securities for the purposes of the New Zealand Takeovers Code.
- 4 The consideration under the Offer is set out below:

Offer consideration	Consideration
Finzsoft shares (NZ\$ per share)	3.0
Vendor 1 – Sheenu Chawla (NZ\$000)	409.0
Vendor 2 – Sulabh Sharma (NZ\$000)	409.0
Total Sush Entitlements (NZ\$000)	<u>818.0</u>

Scope

- 5 Lonergan Edwards & Associates Limited (LEA) has been requested by Silverlake to prepare an independent adviser's report (IAR) on the fairness and reasonableness of the Offer between the classes of equity securities pursuant to clause 8(4) of the New Zealand Takeovers Code.
- 6 It should be noted that LEA does not provide any opinion on whether the Offer should be accepted.

Shares to be issued to Sush vendors

- 7 Finzsoft announced the acquisition of the Sush business on 13 August 2014. The consideration payable for the business was as follows:

Consideration payable for the Sush business	
	\$
Upfront cash consideration (paid on completion)	533,334
Deferred cash consideration (payable 6 months after completion)	533,333
Deferred cash consideration (payable 12 months after completion)	533,333
Consideration payable in Finzsoft shares	300,000
Total consideration ⁽¹⁾	1,900,000

Note:

- 1 Subject to post completion adjustments for revenue generated in the financial year ending 31 March 2015.

- 8 Pursuant to the terms of the acquisition, the vendors of Sush are expected to receive 272,727 Finzsoft shares on the first anniversary date of completion (which occurred on 29 August 2014), calculated as follows:

Estimated number of Finzsoft shares to be issued to Sush vendors	
Vendors' Shares Consideration Amount (NZ\$) ⁽¹⁾	300,000
Last trade market price prior to completion (NZ\$ per share)	1.10
Estimated number of Finzsoft shares to be issued to Sush vendors	272,727

Note:

- 1 The Vendors' Shares Consideration Amount may be adjusted upwards or downwards. Finzsoft management have advised, based on the financial performance of the Sush business for the nine months to 31 December 2014 and the projected performance for the three months to 31 March 2015, that their best estimate of the Vendors' Shares Consideration Amount is NZ\$300,000.


- 9 Based on the Offer price of \$3.00 per ordinary share, the value of the Sush Entitlements is approximately NZ\$818,000 (being 272,727 shares multiplied by the Offer price of \$3.00 per ordinary share). Whilst the shares will not be issued to the Sush vendors until 29 August 2015, no discount for the time value of money has been applied as the Offer price of \$3.00 per share is already a present value amount.
- 10 We also note that the each of the two Sush Vendors have an equal entitlement of approximately \$409,000 each based on the Share sale agreement.
- 11 The Offer price for the Sush Entitlements (\$818,000 in aggregate) is therefore consistent with our assessed value of the Sush Entitlements.

Conclusion on fairness and reasonableness between the classes

- 12 As noted above, the Offer price for the Sush Entitlements (\$818,000) is consistent with our assessed value of the Sush Entitlements. Accordingly, in our opinion, the consideration and terms offered for the Sush Entitlements are fair and reasonable in comparison with the terms offered for the ordinary shares in Finzsoft.

- 13 Accordingly, we certify that, in our opinion, the Offer complies with rule 8(4) of the Code.
- 14 It should be noted that the above conclusion does not mean that we consider the Offer for the ordinary shares is fair or should be accepted¹. Finzsoft shareholders should refer to the separate independent advice to be included in Finzsoft's Target Company Statement before making a decision regarding the merits of the Offer.

Yours faithfully



Martin Holt
Director



Nathan Toscan
Director

¹ We have not been appointed to opine on the fairness of the Offer and provide no such opinion.

Qualifications, declarations and consents

Declarations

- 1 This report has been prepared by LEA at the request of Silverlake to meet the requirements pursuant to Rule 22 of the New Zealand Takeovers Code. 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 Offer is fair between the classes of equity securities.

Qualifications

- 2 LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared over 100 independent expert's reports (IERs)² on public company takeovers and other proposals.
- 3 This report was prepared by Mr Martin Holt and Mr Nathan Toscan, who are each authorised representatives of LEA.
- 4 Mr Holt has specialised in the provision of valuation advice for over 29 years during which time he has provided advice on a variety of transactions, incorporating valuation and equity related issues and has prepared more than 100 IERs.
- 5 Mr Toscan has over a decade of professional experience, predominately in investment banking (mergers and acquisitions) and valuation related roles. Nathan is a Fellow of the Financial Services Institute of Australasia and holds a Masters in Applied Finance as well as a Bachelor of Laws and Bachelor of Commerce from the Australian National University.

Independence

- 6 At the date of this report, neither LEA, Mr Holt nor Mr Toscan have any interest in the outcome of the Offer. In addition LEA confirms that it:
 - (a) has no conflict of interest that could affect its ability to provide an unbiased report
 - (b) has no direct or indirect pecuniary or other interest in the proposed transaction considered in the report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report
 - (c) has not had, and will not have, any involvement in the formulation or structuring of the Offer.

Indemnity

- 7 Silverlake has agreed to indemnify LEA (to the maximum extent permitted by law) for all claims, proceedings, losses, fines, penalties, costs, charges and expenses (including legal fees and disbursements) suffered or incurred by LEA in relation to the preparation of this report; except to the extent resulting from negligence, misconduct, or breach of law on the part of LEA or its officers or employees.

² Australia's equivalent to New Zealand's IAR.

Appendix A

- 8 Silverlake has also agreed to promptly fund LEA for its reasonable costs and expenses (including legal fees and expenses) in dealing with such claims or proceedings upon presentation by LEA of the relevant invoices except where LEA or its employees or officers are guilty of negligence, misconduct or breach of law.

Glossary

Abbreviation	Definition
Finzsoft	Finzsoft Solutions Limited
FOS	Financial Ombudsman Services Limited
FY	Financial year
IAR	Independent adviser's report
LEA	LonerGAN Edwards & Associates Limited
LTI	Long Term Incentive
NZX	New Zealand Stock Exchange
Offer	As described in paragraph 3
Silverlake	Silverlake HGH Limited
Sush	The Sush Mobile business
Sush Entitlements	The entitlement to Finzsoft shares held by the Sush vendors in connection with the sale of the Sush business to Finzsoft