

BROAD INVESTMENTS LIMITED
ACN 087 813 090

To: AUSTRALIAN SECURITIES EXCHANGE LIMITED (“ASX”)

FROM: BROAD INVESTMENTS LIMITED (“ASX: BRO”)

DATE: 3 MARCH, 2015

SUBJECT: (i) ACQUISITION OF MYMAC & MONSTA INDUSTRIES
(ii) PLACEMENT OF SHARES TO SATISFY REDEMPTION OF
CONVERTIBLE NOTE AND ACCRUED INTEREST

ACQUISITION OF MYMAC & MONSTA INDUSTRIES

The board of Broad Investments Limited (Broad or the Company) is pleased to advise that following lengthy negotiations by the Company over a period of approximately 4 months, Broad has entered two separate comprehensive agreements for the acquisition of MyMac (Australia) Pty Ltd (MyMac) and Monsta Industries Pty Ltd (Monsta).

MyMac is the largest privately owned Premium Apple Reseller in Australia with four stores (three in Melbourne and one in Sydney) and has been in business as an Apple Premium Dealer for 15 years. MyMac’s annual turnover is approximately \$14 Million and expected to increase with the additional turnover that Monsta and MyMac’s recent schools’ initiative will bring to it.

Monsta Industries is an importer and wholesaler of Apple Accessories and currently has a turnover of approximately \$1.0 Million supplying various Apple Reseller and other technology stores across Australia. Monsta currently does not supply any of the MyMac stores and the acquisition is expected to be an excellent fit for MyMac and Broad, as it will immediately enable Monsta to supply the four MyMac stores with accessories at a more favourable price than it currently acquires from elsewhere, thus adding to the bottom line of both businesses.

The acquisition has been a significant coup for Broad in that there is now only one privately owned Premium Apple Dealer in Australia, MyMac. Broad was able to successfully negotiate an agreement ahead of several other competitors despite using mostly the issue of Broad securities rather than cash as consideration. The acceptance of shares as consideration is a testimony of confidence by the vendors in the future performance of the Company and its management.

The Chairman wishes to thank Cathy Bray, the Company’s most recent appointed board member, who was a valuable sounding board during the difficult and arduous negotiations between the Chairman and MyMac vendors and encouraged and persevered even when the negotiations were at a standstill or appeared to falter.

The acquisitions substantially complement Broad’s other technology business. The three businesses, MyMac, Monsta and Mirrus, will be able to merge operations into a single location and save on warehousing and dual administration and accounting costs. This can be achieved relatively quickly as Mirrus’ lease commitments on its premises are fortuitously at an end and the Monsta Industries facilities have sufficient spare capacity to accommodate all three operations. Further, MyMac has recently expanded operations into supplying Apple Products into schools and including in its offerings the setting up of local area networks (LAN) and internet security within

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school premises including various repair and service options for products under or out of Apple warranty. A by-product of such offerings is that the repair and service work is expected to increase exponentially as schools enter fixed term “fix or replace” agreements with MyMac for its students. It also increases the retail sale of accessories as the market for such accessories is more intense amongst younger consumers. It is noteworthy that MyMac’s repair and service income has increased 35% ‘year on year’ and the trend is expected to continue, providing increasing annuity type income as a secure revenue base, which are at much higher margins than the retail operations provide.

Mirrus provides modem and switch installations and cabling and repair services for SME clients of AAPT/Powertel, which is now part of TPG, since their acquisition by TPG almost 12 months ago. Mirrus’ expertise in cabling and office network and installations will complement the offerings by MyMac to the lucrative educational market. MyMac will be better placed to take advantage of this. Broad’s other subsidiary, Unified Business Communications Group (UBCG) provides PABX and handset repair and installation services and is also embarking into other telephony offerings which it can cross-sell to schools.

The acquisition is expected to be EPS accretive and with the combination of the three businesses, it should catapult Broad to a higher level player in the technology and telephony space, with other opportunities expected to open up with the combined offerings.

The acquisition is subject to due diligence by both the vendors and Broad. However, only Broad has the right to withdraw should it not be satisfied with the outcome. Broad has already commenced its due diligence almost two weeks ago and although not yet complete and it cannot conclusively state that it is satisfied, it can however state that to date it has not made any deal breaking findings. Broad has 30 days from 28 February to complete its due diligence.

No shareholder approval is considered necessary as the Company has utilised its existing capacity to issue shares on or before 28 February, 2015. Such shares, issued to the vendors, are kept in escrow and blocked from sale and will not be released until such time as the transactions are completed.

The transaction will involve the issue of 574,149,098 shares and 25 million Incentive Options (the Options to vest in 12 months and exercisable at 0.5 cents) to unrelated and unassociated vendors. Under the agreements one vendor only, who was a substantial holder in both MyMac & Monsta, will hold 19.9% of the issued capital of Broad, with the agreements allowing for that percentage to be maintained if any additional shares are issued between now and up to the next AGM that are other than for fund raising, acquisitions or debt reduction. The shares issued to this holder will be escrowed to the extent of 50% for up to 24 months, with 25% being released after 12 months and the balance 25% after 24 months.

The acquisition also includes an immediate payment of \$200,000 in cash on Completion, which the Company would prefer to raise by way of a medium term bank or third party debt to be repaid at a future date by way of issue of shares hopefully at a higher price than the current market price. The Board is hopeful that the market will reassess the Company’s prospects following this simultaneous and advantageous acquisition of two complimentary businesses.

Most importantly, Broad has secured the Managing Director and founder of MyMac, Mr Steve Bardel, who has been with the business since its inception 15 years ago and enjoys an excellent

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relationship with its suppliers, to continue with the business for at least a period of three years and the Incentive Options are designed to encourage him to add value for shareholders as well as for himself. As part of the Acquisition Agreements, Mr Bardel will join the Board of the Company sometime after Completion of the Transactions.

On a personal note, the Chairman wishes to also thank Mr Bardel for his contribution in the negotiations, for the many long hours spent late into the night finalising and clarifying important points in the agreements and for his perseverance on his end with his own co-vendors, even when disagreements arose and the negotiations stopped or faltered.

The Chairman, Vaz Hovanesian, said *“It was a hard fought battle on both sides but the result is fair and pleasing for all the parties and provides both the vendors and Broad the opportunity to benefit from the transactions. For Broad in particular the acquisitions are of significance not only because this was the third attempt by Broad in two years to acquire the businesses, with no success on the first two occasions, but also because it opens up so many opportunities for Broad to benefit its existing and newfound shareholders.”* The Chairman also said *“This is the first successful acquisition amongst others that are planned and we hope to bring you further good news in the coming weeks and months.”*

PLACEMENT OF SHARES

In order to reduce debt and interest commitments and improve Broad’s balance sheet ahead of the acquisition, the Chairman has negotiated the Placement of 201,587,810 shares to satisfy the redemption of \$171,000 in Convertible Notes and accrued interest of \$32,176 (total \$203,176). This should see a reduction of interest costs going forward and remove the necessity of funds being set aside to satisfy any unexpected redemption at a later date and allow greater working capital for future acquisitions, to grow the combined businesses and reduce risk.

By Order of the Board
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