



# M•POWER MSL

## PROSPECTUS

For the fully underwritten initial public offering of 60 million Shares in MSL Solutions Limited ACN 120 815 778 at an Offer Price of \$0.25 per Share to raise \$15 million.

### Important information

This is an important document that you should read in full. If you do not understand it, consult your professional advisor.

31 March 2017

**Baillieu Holst**  
Since 1889

Underwriter and Lead Manager

Lawyers **McCullough  
Robertson**

Legal Advisor



# IMPORTANT NOTICES

## THE OFFER

This Prospectus is issued by MSL Solutions Limited (ACN 120 815 778) (**MSL** or **Company**) for the purposes of Chapter 6D of the *Corporations Act 2001* (Cth) (**Corporations Act**). The offer contained in this Prospectus is an initial public offering to acquire fully paid ordinary shares (**Shares**) in the Company (**Offer**).

## LODGEMENT AND LISTING

This Prospectus is dated 31 March 2017 and a copy was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date (**Prospectus Date**). The Company will apply to ASX Limited (**ASX**) within seven days after the Prospectus Date for admission of the Company to the official list and quotation of its Shares on the ASX. None of ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

## EXPIRY DATE

This Prospectus expires on the date that is 13 months after the Prospectus Date (**Expiry Date**) and no Shares will be issued on the basis of this Prospectus after the Expiry Date.

## NOTE TO APPLICANTS

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company.

In particular, you should consider the assumptions underlying the Forecast Financial Information and the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest in the Company. Some of the key risk factors that should be considered by prospective investors are set out in Section 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

Except as required by law, and only to the extent required, no person named in this Prospectus, nor any other person, warrants or guarantees the performance of the Company or the repayment of capital by the Company or any return on investment made pursuant to this Prospectus.

This Prospectus includes information regarding past performance of MSL. Investors should be aware that past performance is not indicative of future performance.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus that is not contained in this Prospectus. Any information not so contained may not be

relied upon as having been authorised by the Company, the Lead Manager or any other person in connection with the Offer. You should rely only on information contained in this Prospectus.

## THIRD PARTY PUBLICATIONS

The Independent Market Report by Frost & Sullivan in Section 2 of this Prospectus includes attributed statements from books, journals and comparable publications that are not in connection with or specific to MSL. The authors of these books, journals and comparable publications have not provided their consent for these statements to be included in this Prospectus, and the Company is relying upon ASIC Corporations (Consents to Statements) Instrument 2016/72 for the inclusion of these statements in this Prospectus without such consent having been obtained.

## FINANCIAL INFORMATION PRESENTATION

Section 4 sets out in detail the Financial Information referred to in this Prospectus and the basis of preparation of that information is set out in Section 4.2.

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (**AAS**) (including the Australian Accounting Interpretations) issued by the Australian Accounting Standards Board (**AASB**), which are consistent with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board. The Forecast Financial Information included in this Prospectus is unaudited and is based on the best estimate assumptions of the Directors. The basis of preparation and presentation of the Forecast Financial Information is, to the extent applicable, consistent with the basis of preparation and presentation of the Historical Financial Information.

All financial amounts contained in this Prospectus are expressed in Australian currency, unless otherwise stated. Any discrepancies between totals and sums of components in tables and figures contained in this Prospectus are due to rounding.

The Historical Financial Information and the Forecast Financial Information in this Prospectus should be read in conjunction with, and are qualified by reference to, the information contained in Section 4.

## FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements that are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties. The Forecast Financial Information included in Section 4 is an example of forward-looking statements.

Any forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual events or outcomes to differ materially from the events or outcomes expressed or

anticipated in these statements, many of which are beyond the control of MSL. The Forecast Financial Information and the forward-looking statements should be read in conjunction with, and qualified by reference to, the risk factors as set out in Section 5, the specific and general assumptions set out in Sections 4.7.1 and 4.7.2, the sensitivity analysis set out in Section 4.9 and other information contained in this Prospectus.

The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

This Prospectus uses market data and third party estimates and projections. The Company has obtained significant portions of this information from market research prepared by third parties. There is no assurance that any of the third party estimates or projections contained in this information will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 5.

## FOREIGN JURISDICTIONS

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares, in any jurisdiction outside Australia.

The taxation treatment of Australian securities may not be the same as those for securities in foreign jurisdictions.

The distribution of this Prospectus outside Australia may be restricted by law, and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

In particular, the Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (US Securities Act) or any state securities laws in the United States and may not be offered, sold, pledged or transferred in the United States unless the Shares are registered under the US Securities Act, or an exemption from the registration requirements of the US Securities Act and applicable US state securities laws is available.

See Section 7.7.2 for more details on selling restrictions that apply to the Offer and sale of Shares in jurisdictions outside Australia.

## EXPOSURE PERIOD

The Corporations Act prohibits the Company from processing applications for Shares in the seven day period after the Prospectus Date (**Exposure Period**). ASIC may extend this period by up to a further seven days (that is, up to a total of 14 days). The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of certain deficiencies in this Prospectus in which case any application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be given to Applications received during the Exposure Period.

## PROSPECTUS AVAILABILITY

During the Offer Period, a paper copy of this Prospectus is available free of charge to any Broker Firm Applicant in Australia by calling the MSL IPO Information Line on 1800 679 701 (within Australia) and +61 7 3512 3510 (outside Australia) from 9am to 5pm (AEST), Monday to Friday (excluding public holidays). This Prospectus is also available to Broker Firm Offer Applicants in Australia in electronic form at the Company's website [www.mpowermsl.com](http://www.mpowermsl.com)

The Offer constituted by this Prospectus in electronic form is available only to persons downloading or printing it within Australia and is not available to persons in any other jurisdiction (including the United States). Persons who access the electronic version of this Prospectus must ensure that they download and read the entire Prospectus.

## APPLICATIONS

Applications may be made only during the Offer Period on the Broker Firm Offer Application Form (referred to as an Application Form) attached to, or accompanying, this Prospectus in its paper copy form, or in its electronic form, which must be downloaded in its entirety from [www.mpowermsl.com](http://www.mpowermsl.com). By making an Application, you represent and warrant that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing on to another person an Application Form unless it is attached to, or accompanied by, the complete and unaltered version of this Prospectus.

## NO COOLING-OFF RIGHTS

Cooling-off rights do not apply to an investment in Shares issued under the Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

## DEFINITIONS AND ABBREVIATIONS

Defined terms and expressions used in this Prospectus are explained in the Glossary at the end of this Prospectus. Unless otherwise stated or implied, references to times in this Prospectus are to Australian Eastern Daylight Time (**AEST**).

## PRIVACY

By filling out an Application Form to apply for Shares, you are providing personal information to the Company and the Share Registry, which is contracted by the Company to manage Applications. The Company and the Share Registry on their behalf, may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration. Some of this personal information is collected as required or authorised by certain laws including the *Income Tax Assessment Act 1997* (Cth) and the Corporations Act.

If you do not provide the information requested in an Application Form, the Company and the Share Registry may not be able to process or accept your Application.

Your personal information may also be used from time to time to inform you about other products and services offered by the Company, that it considers may be of interest to you.

Your personal information may also be provided to the Company's agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy. The agents and service providers of the Company may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- › the Share Registry for ongoing administration of the register of members;
- › printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- › market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- › legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its public register of members. If you do not provide all the information requested, your Application Form may not be able to be processed.

The information contained in the Company's register of members must remain there even if a person ceases to be a Shareholder. Information contained in the Company's register of members is also used to facilitate dividend payments and corporate communications (including financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements. An Applicant has a right to access and correct the information that the Company and the Share Registry hold about that person, subject to certain exemptions under law.

Applicants can obtain a copy of the Company's privacy policy by visiting the Company's website [www.mpowermsl.com](http://www.mpowermsl.com). The privacy policy contains further details regarding access, correction and complaint rights and procedures.

The Share Registry's complete privacy policy can be accessed by calling 1300 850 505 (local call within Australia), from 8.30am to 5.00pm (AEST), Monday to Friday (excluding public holidays) and requesting a copy.

## PHOTOGRAPHS AND DIAGRAMS

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

## USE OF TRADEMARKS

This Prospectus includes the Company's registered and unregistered trademarks. All other trademarks, trade names and service marks appearing in this Prospectus are the property of their respective owners.

## QUESTIONS

If you have any questions about how to apply for Shares, please call the MSL IPO Information Line on 1800 679 701 (within Australia) and +61 7 3512 3510 (outside Australia) from 9am to 5pm (AEST), Monday to Friday (excluding public holidays). Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form.

If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser.

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# KEY OFFER INFORMATION

## KEY DATES

Prospectus Date	31 March 2017
Broker Firm Offer opens	10 April 2017
Broker Firm Offer closes	26 April 2017
Issue of Shares ( <b>Completion of the Offer</b> )	1 May 2017
Expected completion of despatch of holding statements	1 May 2017
Expected commencement of normal trading of Shares on the ASX	5 May 2017

This timetable is indicative only. The Company, in consultation with the Lead Manager, reserves the right to vary dates of the Offer (subject to the ASX Listing Rules and the Corporations Act) without prior notice, including to close the Offer early, extend the date the Offer closes, accept late Applications or withdraw the Offer and the issue of Shares (in each case without notifying any recipient of the Prospectus or any Applicant). The ASX takes no responsibility for the contents of this Prospectus.

## THE OFFER

Offer Price	\$0.25 per Share
Number of Shares offered under the Offer	60 million
Gross proceeds from the Offer	\$15 million
Number of Shares issued to Converting Note holders <sup>1</sup>	85 million
Number of Shares to be held by Existing Shareholders on Completion of the Offer <sup>2</sup>	104.25 million
Total number of Shares on issue at Completion of the Offer <sup>3</sup>	249.25 million
Market capitalisation at the Offer Price <sup>4</sup>	62.31 million
Pro forma net cash (as at 31 December 2016) <sup>5</sup>	\$12.10 million
Enterprise value at the Offer Price <sup>6</sup>	\$49.61 million
Enterprise value / pro forma consolidated FY18 forecast EBITDA (times) <sup>7</sup>	7.69 x
Offer Price / Pro forma consolidated FY2018 NPATA per Share	10.53 x

<sup>1</sup> Note these shares will be issued at an effective price of \$0.20. See Section 9.5 for more information on the Converting Notes.

<sup>2</sup> This excludes Shares to be issued to Converting Note holders and assumes that no shares are taken up by Existing Shareholders under the Offer. The Directors (and their related parties and associates) also reserve the right to apply for additional Shares under the Offer which may increase their relevant percentage holdings. It also includes Shares to be issued to Craig Kinross, Peter Jefferis and Greg Davies immediately prior to allotment under the Offer in accordance with incentive arrangements referred to in Section 6.3.3.

<sup>3</sup> This includes Shares to be issued to Converting Note holders.

<sup>4</sup> Market capitalisation at the Offer Price is defined as the Offer Price multiplied by the total number of Shares on issue on Completion of the Offer.

<sup>5</sup> Net cash of \$12.1 million is calculated on a pro forma basis (as at 31 December 2016), immediately after Completion of the Offer.

<sup>6</sup> The enterprise value at the Offer Price is calculated by subtracting pro forma net cash (as at 31 December 2016) from market capitalisation at the Offer Price.

<sup>7</sup> The Forecast Financial Information is based on the information set out in Section 4.8 and is subject to the risks set out in Section 5. There is no guarantee that the forecast will be achieved.

For further financial information, see Section 4.



# CHAIRMAN'S LETTER

Dear investor,

31 March 2017

On behalf of the Board it is my pleasure to invite you to become a Shareholder in MSL Solutions Limited.

We believe there is a significant commercial opportunity for our business in the sport, leisure and hospitality software market for member based organisations. This opportunity is characterised by the large number of organisations and the high degree of industry fragmentation in IT solutions.

Sport, leisure and hospitality industry participants are forecast to spend A\$7.66 billion globally per annum on software by the year 2020<sup>1</sup>. They are motivated by a number of factors to adopt application software that provides:

- › greater engagement and interaction with members and clients;
- › automation of their business and operations processes;
- › additional revenue streams; and
- › improved governance.

We have established a strong track-record in this market and now serve approximately 2,000 clients in over 20 countries. MSL derives approximately 50% of its revenue from offshore operations, and will seek to pursue significant global opportunities by building on its existing operations and using its comprehensive technology suite. MSL's head-office is located in Brisbane with offices in Sydney, Melbourne, UK and Denmark employing approximately 130 staff.

Our MPower platform connects clients' business software and data to maximise guest engagement and loyalty, enhance business efficiencies and improve governance to optimise benefits to our clients. The MPower open-architecture technology gives the flexibility to scale across the entire industry from small clubs through to more sophisticated enterprise clients such as large iconic stadiums and arenas, sporting clubs and organisations.

We currently derive over 50% of our revenues from recurring SaaS subscriptions and annuity streams. We also earn revenue from booking transaction fees, database media revenue and software licensing and install fees.

As detailed in Section 4, on a pro forma basis, MSL generated \$29.6m of revenue and \$3.6 million of EBITDA in FY16. Based on this strong historical pro forma performance, the Directors believe that MSL is well positioned to capitalise on the continued growth in the sport, leisure and hospitality software market and to achieve pro-forma forecast revenue of \$35.6m and EBITDA of \$6.5m in FY18 which represents a respective compound annual growth rate of 9.6% and 33.2% from FY16.

To continue growing the business, the Directors will seek to:

- › increase the use of the MPower platform across each sales segment including the MPower Business Intelligence Product;
- › cross-sell MPower products across sales segments and our expanding global client base;
- › extend integration of the MPower platform with other third-party solution providers; and
- › accelerate growth through acquisitions of relevant sports, leisure and hospitality software providers.

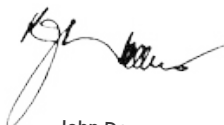
The Offer will raise \$15 million before costs by offering 60 million shares at the Offer Price of \$0.25 per share. This will be used to pursue MSL's growth plans as outlined in this Prospectus. The Offer is fully underwritten by the Lead Manager, Baillieu Holst Ltd.

As set out in Section 5, MSL is subject to a range of risks. Please read this document carefully in its entirety before making your investment decision. Where appropriate, you should seek advice from your accountant, investment and/or legal advisor in relation to any matters that are not clear to you.

Founding Shareholder Directors remain committed to the Company and have maintained their holdings and agreed to enter into voluntary escrow arrangements in relation to the Shares retained by them following the Company being admitted to the official list of the ASX. Under the terms of the voluntary escrow arrangements, Director's Shares will be escrowed until release of the FY18 results. The Directors consider MSL's business model, supported by the expertise and experience of the board and management provides a strong platform for future growth opportunities in the sports, leisure and hospitality software market. Moving into the capital markets supports the next phase of the MSL journey.

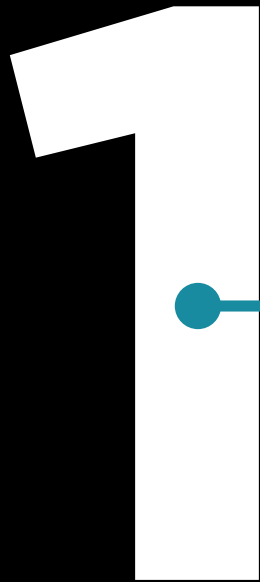
I look forward to welcoming you as a Shareholder.

Yours sincerely,



**John Down**  
Chairman

<sup>1</sup> Refer to Independent Market Report in Section 2



## INVESTMENT OVERVIEW





# 1 INVESTMENT OVERVIEW

## 1.1 OVERVIEW OF MSL AND ITS BUSINESS MODEL

TOPIC	SUMMARY	MORE INFORMATION
<b>What is MSL?</b>	<p>MSL is a global provider of hosted, software as a service (<b>SaaS</b>) and on-site deployed solutions to clients in the sport, leisure and hospitality sector.</p> <p>MSL's MPower Platform connects member organisations' business software and data needs to improve guest engagement, loyalty, gain business efficiencies and improve governance.</p> <p>The MPower platform combines software applications, data and media channels in an open architecture platform that provides total integration from back office to member facing solutions encompassing the full needs of the business. The MPower platform "connects the dots" for the customer organisation connecting every department of the business from food and beverage point of sale, to membership, marketing, financials and workforce management.</p>	Section 3.1
<b>What products does MSL offer to its clients?</b>	<p>MSL provides scalable full venue business software applications and data solutions integrated through the MPower core integration architecture. This means that MSL can provide solutions to both small and large organisations and associations.</p> <p>MSL provides cloud based SaaS, hosted and on-site deployed software, data and loyalty/media solutions.</p>	Sections 3.1 and 3.4
<b>Who uses MSL's software solutions?</b>	<p>MSL has an install base of approximately 2,000 clients in over 20 countries, spanning 5 continents.</p> <p>MSL service member organisations across APAC, EMEA and North America in the following key segments through its MPower platform:</p> <ul style="list-style-type: none"><li>› Golf clubs and associations;</li><li>› Registered clubs (excluding golf clubs);</li><li>› Stadia and arenas; and</li><li>› Other hospitality and entertainment venues.</li></ul>	Sections 3.1, 3.2 and 3.3
<b>Why do MSL's clients use its software?</b>	<p>MSL's clients require a high quality operating system that can meet a high standard of sustainability, technology and provide membership engagement in order to efficiently and effectively conduct their business. MSL's cloud-based, open architecture MPower platform integrates software, data and media solutions to enhance their client's engagement with members and patrons, improving operating efficiencies and improving governance.</p>	Section 3.1

TOPIC	SUMMARY	MORE INFORMATION
<b>How does MSL generate revenue and what are its expenses?</b>	<p>MSL generates revenue from the following key revenue streams:</p> <ul style="list-style-type: none"> <li>› Annuity fees (recurring SaaS subscription and annuity support revenues);</li> <li>› Software licensing and install;</li> <li>› Database media revenue; and</li> <li>› Booking and transaction fees.</li> </ul> <p>MSL's key expenses are:</p> <ul style="list-style-type: none"> <li>› direct cost of sales;</li> <li>› staff and contractor costs; and</li> <li>› other overhead expenses.</li> </ul>	Sections 3.6 and 4
<b>How does MSL sell its products and services?</b>	<p>MSL sells its products through a combination of:</p> <ul style="list-style-type: none"> <li>› direct sales;</li> <li>› licensed reseller arrangements;</li> <li>› industry associations; and</li> <li>› online subscriptions.</li> </ul>	Sections 3.2 and 3.4
<b>What geographies does MSL operate in?</b>	<p>MSL has a head office in Brisbane and offices in Sydney, Melbourne, UK and Denmark.</p> <p>MSL has clients in over 20 countries in APAC, EMEA and North America.</p>	Section 3.2
<b>What is MSL's growth strategy?</b>	<p>MSL's growth strategy is based on three key components:</p> <ul style="list-style-type: none"> <li>› strong organic growth within each sales segment;</li> <li>› cross-selling of products between sales segments; and</li> <li>› accelerating growth through acquisitions.</li> </ul>	Section 3.7

# 1 INVESTMENT OVERVIEW

## 1.2 KEY FEATURES OF MSL'S INDUSTRY

TOPIC	SUMMARY	MORE INFORMATION
<b>What industry does MSL operate in?</b>	<p>MSL operates in the sport, leisure and hospitality software market, with a focus on member based organisations (MBO).</p> <p>Globally, expenditure on software in this sector is estimated at US\$4.9 billion (A\$6.77 billion) in 2015, and is forecast to increase at 2.4% CAGR to reach US\$5.54 billion (A\$7.66 billion) by 2020.</p> <p>The industry is currently undergoing a migration of applications from on-premise solutions to cloud-based hosting, involving the delivery of applications through a SaaS model.</p> <p>There is a significant addressable market in Australia, with over 12,000 member organisations, including 6,413 licensed clubs which are linked to 68% of the Australian population over 15 years of age.</p>	Section 2
<b>What are the key drivers of growth in the industry?</b>	<p>Historically sport, leisure and hospitality industry participants have depended on solutions for specific back-office functions, installed onsite with little integration. Industry participants are now undergoing the same transformation to enterprise-wide solutions which manufacturing and larger commercial enterprises underwent in the early 2000s. At the same time, they are having to meet demands to provide improved mobile, customer facing solutions which their members are expecting.</p> <p>They are motivated by a number of factors to adopt solutions, including:</p> <ul style="list-style-type: none"><li>› need for greater engagement and interaction with members and clients;</li><li>› need to automate business and operations processes;</li><li>› ability to add additional revenue streams; and</li><li>› increased focus on governance in member based organisations.</li></ul> <p>The technology trends in the market are also clear:</p> <ul style="list-style-type: none"><li>› Mobility / Apps<ul style="list-style-type: none"><li>- Businesses are looking for more of their management and member engagement tools to be available and deployed on smartphones and tablets.</li></ul></li><li>› Enterprise grade platforms for SME<ul style="list-style-type: none"><li>- The SME part of the industry have all the complexity of a larger more sophisticated business, but without the scale and knowledge to use a traditional enterprise platform. They need these platforms to improve their profitability and governance.</li></ul></li><li>› Data / Predictive Analysis<ul style="list-style-type: none"><li>- Organisations require real-time data reporting and analysis to improve their member engagement and improve the guest experience.</li></ul></li></ul>	Section 2

TOPIC	SUMMARY	MORE INFORMATION
<b>What are the key issues for businesses in the industry?</b>	<p>There are four key issues confronting the market:</p> <ul style="list-style-type: none"> <li>› Profitability of the SME <ul style="list-style-type: none"> <li>- MBOs survive on membership fees and ancillary revenues generated either directly or indirectly from their members or patrons. Many MBOs suffer from governance issues as their systems struggle to capture clean data, from which to base sound strategic decision making and optimise their profitability;</li> <li>- lack of operational efficiencies are driving costs up;</li> <li>- lack of diversity in revenues creates more risk and uncertainty; and</li> <li>- competition for patronage from other hospitality venues leak revenues.</li> </ul> </li> <li>› Enterprise technology <ul style="list-style-type: none"> <li>- a fragmented market of technology providers means there has been a lack of standards established across the MBO market sectors. As a collective group this limits the choice of software available to the business to rapidly grow while meeting their needs;</li> <li>- lack of standards for integration of technology focused on membership processes across back office and front office applications; and</li> <li>- lack of standards makes it harder to easily extract clean data and translate it into something meaningful for the business to act on.</li> </ul> </li> <li>› Member Engagement <ul style="list-style-type: none"> <li>- MBOs are established to serve their members, however they typically don't have systems to understand their member preferences well enough to engage with them in the best way.</li> </ul> </li> <li>› Governance <ul style="list-style-type: none"> <li>- historical committee and management structures that do not support strong organisation wide controls; and</li> <li>- an integrated platform removing manual processes and improving systemised controls is mandatory for strong governance.</li> </ul> </li> </ul> <p>The MPower Platform addresses these issues by providing a core open platform deployed as cloud based SaaS solution thereby making it relevant to the largest and smallest of member-based organisations.</p>	<p>Section 2</p>
<b>Who does MSL compete with?</b>	<p>MSL operates in a global market, where various competitors provide either individual point solutions for specific parts of our target market or large enterprise platforms. MSL considers that it benefits from the following key differentiators:</p> <ul style="list-style-type: none"> <li>› We provide an integrated enterprise solution suitable for our target market;</li> <li>› Our integration architecture allows us to configure a solution which can incorporate alternative point solutions if necessary;</li> <li>› Our experience in the chosen target markets .</li> </ul> <p>For more information, refer to section 3.</p>	<p>Section 3</p>



# 1 INVESTMENT OVERVIEW

## 1.3 KEY STRENGTHS

TOPIC	SUMMARY	MORE INFORMATION
<b>Industry leading software</b>	<ul style="list-style-type: none"> <li>MSL's MPower cloud-based and on-site software is provided in an open architecture environment allowing integration with clients' existing software.</li> <li>The MPower platform includes solutions for venue management, member engagement and food and beverage to workforce management, business intelligence and analytics, and tournament administration.</li> <li>The MPower platform includes an integration platform which uses open APIs to allow integration with other point solutions, to provide a better, more secure solution for the customer.</li> <li>The MPower platform is designed to drive revenue, reduce costs and improve governance across its customer base.</li> </ul>	Section 3.4
<b>Strong customer base across target markets and planned growth</b>	<ul style="list-style-type: none"> <li>MSL has approximately 600 registered clubs in Australia, over 300 stadia and hospitality clients in Europe/ United Kingdom and approximately 900 golf facilities in Europe (predominantly in Scandinavia).</li> <li>Significant addressable target market of member-based organisations, stadiums, golf clubs and retirement living across Australasia, Europe/ United Kingdom and the US.</li> </ul>	Sections 3.2 and 2
<b>Attractive business model</b>	<ul style="list-style-type: none"> <li>Proprietary software with open architecture capabilities.</li> <li>Highly scalable delivery of core product through cloud-based SaaS. Strong recurring annuity revenue streams contributing approximately 50% of total revenues.</li> </ul>	Section 3.4
<b>Strong growth in operating and financial metrics</b>	<ul style="list-style-type: none"> <li>MSL is forecasting attractive operating and financial metrics:               <ul style="list-style-type: none"> <li>Number of clients forecast to increase from 940 in FY16 to 1,559 in FY18;</li> <li>Recurring revenue as a percentage of total revenue to increase from 43% in FY16 to 50% in FY18;</li> <li>Pro forma revenue is forecast to increase from \$29.6m in FY16 to \$35.6m in FY18, representing a compound annual growth rate of 9.6%;</li> <li>Pro forma EBITDA is forecast to increase from \$3.6m in FY16 to \$6.5m in FY18, representing a compound annual growth rate of 33.2%; and</li> <li>Pro forma forecast EBITDA margin of 18.1% in FY18.</li> </ul> </li> </ul>	Sections 4.7 and 4.8
<b>Attractive industry dynamics including a large and fast growing market</b>	<ul style="list-style-type: none"> <li>A key technology trend over recent years has been the migration of applications from on-premises to cloud-based hosting, involving the delivery of applications through a SaaS model.</li> <li>Globally, expenditure on software in the leisure hospitality industry is estimated at US\$4.9 billion (A\$6.77 billion) in 2015, and is forecast to increase at 2.4% CAGR to reach US\$5.54 billion (A\$7.66 billion) by 2020.</li> </ul>	Section 2

TOPIC	SUMMARY	MORE INFORMATION
<b>Experienced Board and management team</b>	<ul style="list-style-type: none"> <li>› MSL has assembled a strong Board and management team with experience in the international market.</li> <li>› The Chairman, Mr John Down, has extensive private and public sector experience including international trade.</li> <li>› Non-Executive Director, Richard Holzgrefe has extensive experience in private enterprise in the aged care and property sector.</li> <li>› Non-Executive Director, Ian Daly has over 40 years' experience in management and business development.</li> <li>› Non-Executive Director, Kaylene Gaffney has over 20 years' finance and accounting experience in the IT, telecommunications, aviation and retail industries.</li> <li>› Non-Executive Director, David Trude has extensive experience in the financial services sector and ASX listed public company experience</li> <li>› CEO Craig Kinross has significant industry experience and is supported by a strong management team.</li> </ul>	Section 6

## 1.4 KEY RISKS

TOPIC	SUMMARY	MORE INFORMATION
<b>MSL operates in a competitive industry</b>	The technology industry is intensely competitive, and subject to rapid and significant change. If MSL is significantly slower than its competitors to adapt to technological change, it could lead to a reduction in the use of the MPower platform. Any failure to match technological change or significant competition may adversely impact MSL's ability to attract clients or achieve its business objectives.	Section 5.1.1
<b>Failure to retain existing clients and attract new clients</b>	The growth of MSL depends in part on increasing the number of its clients. There is a risk that one or more clients may terminate their contracts early or that, upon expiration of their existing contracts, they may choose not to renew arrangements with MSL or that the subsequent terms may be less favourable to MSL.	Section 5.1.2
<b>Expansion of MSL's international footprint may not achieve intended goals</b>	MSL has achieved revenue in jurisdictions including Australia, Europe, the United States and New Zealand. However there is no guarantee that MSL will be able to retain or continue to grow its revenues in those jurisdictions. When MSL introduces new product features, or expands into existing or new territories, there are risks that these initiatives may result in unforeseen costs, failure to achieve intended revenue or to achieve the intended outcomes.	Section 5.1.4
<b>Disruption or failure of technology systems</b>	While MSL believes it is using proven technologies and has established systems to efficiently carry out its operations, the viability of its endeavours can be affected by force majeure circumstances, incompatibility of software with customer systems, market access constraints, cost overruns, the performance of associated parties or unforeseen claims and events.	Section 5.1.6



# 1 INVESTMENT OVERVIEW

TOPIC	SUMMARY	MORE INFORMATION
<b>Security breach and data privacy</b>	MSL may be adversely affected by malicious third party applications that interfere with, or exploit, security flaws in the Company's software and infrastructure. If MSL's efforts to combat these malicious applications are unsuccessful, or if its software or infrastructure has actual or perceived vulnerabilities, it could result in unauthorised disclosure of users' data and MSL's business reputation and brand name may be harmed, which may result in a material adverse effect on MSL's operations and financial position.	Section 5.1.7
<b>Cyber security</b>	Breaches of security, such as cyber attacks by hackers, could also render MSL's products unavailable through a disrupted denial of service or other disruptive attacks. Unavailability of the Company's software could lead to a loss of revenues for the Company. Further, it could hinder the Company's ability to retain existing clients and attract new clients, particularly if MSL's products were perceived to be less secure or reliable than its competitors, which would have a material adverse impact on the Company's prospects.	Section 5.1.8
<b>Ability to retain key personnel</b>	MSL depends on the talent and experience of its personnel as its primary asset. There may be a negative impact on MSL if any of its key personnel leave.	Section 5.1.9
<b>Failure to protect intellectual property rights</b>	Some of MSL's success depends on its ability to protect its proprietary technology. It may be possible for a third party to copy or otherwise obtain and to use MSL's software and products without authorisation, or develop similar software independently. There can be no assurance that any protective measures taken by MSL have been, or will be, adequate to protect MSL's proprietary technology.	Section 5.1.11
<b>Breach of third party intellectual property rights</b>	Other parties may develop and patent substantially similar or substitute products, processes, or technologies to those used by MSL, and other parties may allege that MSL's products incorporate intellectual property rights derived from third parties without their permission. The defence and prosecution of intellectual property rights lawsuits, proceedings, and related legal and administrative proceedings are costly and time-consuming, and their outcome is uncertain.	Section 5.1.12
<b>Investment Risk</b>	The Shares to be issued pursuant to this Prospectus should be considered speculative. They carry no guarantee as to the payment of dividends, return of capital or the market value of the Shares. Prospective investors must make their own assessment of the likely risks and determine whether an investment in the Company is appropriate to their own circumstances.	Section 5.2.1
<b>MSL on a statutory basis is loss making and expected to continue to be loss making in the forecast period</b>	While revenue has grown from FY15, the focus on revenue growth, including through acquisition which has resulted in significant amortisation charges, has seen an increase in the cost base, resulting in the business historically generating Statutory NPAT losses and an expectation that Statutory NPAT losses will continue in the forecast period.	5.1.18

TOPIC	SUMMARY	MORE INFORMATION
Research and development tax incentives	<p>The Australian Tax Office (ATO) issued Taxpayer Alert 2017/5 on 20 February 2017 which states that the ATO and AusIndustry are reviewing R&amp;D Tax Incentive on software development projects. Subsequently, AusIndustry has requested information from MSL in respect of R&amp;D tax incentive claims for FY16 which MSL has responded to.</p> <p>It is not currently possible to ascertain the outcome of the review by AusIndustry; however, they have requested information regarding two research and development projects undertaken by the Company over a number of years.</p>	5.1.19

## 1.5 KEY OPERATING AND FINANCIAL METRICS

TOPIC	SUMMARY	MORE INFORMATION			
What has been the growth in MSL's key operating metrics?		PRO FORMA HISTORICAL RESULTS	PRO FORMA FORECAST RESULTS	Section 4.3.1	
		FY15	FY16	FY17	FY18
	<b>GROUP</b>				
	Revenue growth	n/a	9%	(1%)	22%
	GM growth	n/a	12%	3%	22%
	Gross margin %	68%	70%	73%	73%
	EBITDA growth	n/a	4%	10%	62%
	EBITDA margin %	13%	12%	14%	18%
	<b>OPERATING SEGMENT METRICS</b>				
	<b>MPOWER VENUE</b>				
	No. of subscribers	897	927	1,024	1,151
	<b>MPOWER GOLF</b>				
	No. of Golf Australia members	398,392	389,690	389,340	389,340
	<b>MPOWER MEDIA</b>				
	No. of venues under contract	-	-	83	123
	<b>MPOWER BI</b>				
	No. of customers under contract	-	13	43	81
Other risks	MSL's business is also subject to a number of other risks. The risks identified above and additional risks associated with MSL are set out in further detail in Section 5.				

# 1 INVESTMENT OVERVIEW

TOPIC	SUMMARY				MORE INFORMATION	
What is MSL’s key pro forma financial information?		PRO FORMA HISTORICAL RESULTS		PRO FORMA FORECAST RESULTS		Section 4.3
	A\$’000S					
		FY15	FY16	FY17	FY18	
	Revenue	27,176	29,590	29,263	35,557	
	EBITDA	3,512	3,636	3,988	6,450	
	NPATA	2,549	2,370	3,476	5,918	
	NPAT	905	472	(1,424)	(476)	
	The Financial Information presented above contains non-International Financial Reporting Standards (IFRS) financial measures and is intended as a summary only and should be read in conjunction with the more detailed discussion of the Financial Information disclosed in Section 4 as well as the risk factors set out in Section 5.  Please read Section 4 for full details of the Company’s pro forma and statutory results and the assumptions underlying this information. A reconciliation between the pro forma and statutory results is set out in Section 4.3.2.					
How does MSL expect to fund its operations?	MSL expects to fund its operations through equity, debt capital and operating cash flows.  The Directors believe that the Company will have sufficient working capital to carry out its stated business objectives.				Section 4	
What is the Company’s dividend policy?	Payment of dividends by the Company depends upon the availability of distributable earnings, and the Company’s franking credit position, operating results, available cash flows, financial condition, taxation position, future capital requirements, general business and financial conditions, and other factors the Board considers relevant. The Directors give no assurances about the payment of dividends, the extent of payout ratios or the future level of franking of dividends.  ‣ It is the current intention of the Board to target a dividend payout ratio of not less than 40% of the Company’s statutory NPAT.  The Board’s current intention is not to pay a dividend in relation to the period ended 30 June 2017. The first dividend following quotation of shares in the Company on ASX is expected to be declared for the year ending 30 June 2018.				Section 4.10	
What will the Company’s capital structure be on Completion of the Offer?	On Completion of the Offer, the Company will have on issue approximately 249.2 million ordinary Shares. The Company will also have 4.7 million outstanding Options.				Sections 7.3 and 9.6	

TOPIC	SUMMARY	MORE INFORMATION
Use of funds	The table below sets out a summary of the approximate anticipated use of the proceeds of the Offer.	Sections 7.1.4 and 9.10
	<b>USE OF FUNDS</b>	<b>AMOUNT</b>
	Deferred payments and earn-outs for Verteda (UK) acquisition over next 12 months	\$2,000,000
	Deferred payments and earn-outs for Golfbox acquisition over next 12 months	\$3,800,000
	Deferred payments and earn-out from prior acquisitions	\$1,000,000
	Acquisition related to “Buying Club” loyalty / media members engagement solutions (Pallister Games assets)	\$1,600,000
	Other strategic initiatives and acquisitions	\$3,100,000
	Costs of the offer (exc. GST)	\$1,500,000
	Working capital and general corporate purposes	\$2,000,000
	<b>Total</b>	<b>\$15,000,000</b>

## 1.6 DIRECTORS AND KEY MANAGEMENT

TOPIC	SUMMARY	MORE INFORMATION
Who are the Directors?	<ul style="list-style-type: none"> <li>› John Down, Non-Executive Chairman</li> <li>› Craig Kinross, Managing Director and Chief Executive Officer</li> <li>› Richard Holzgrefe, Non-Executive Director</li> <li>› Ian Daly, Non-Executive Director</li> <li>› Kaylene Gaffney, Non-Executive Director</li> <li>› David Trude, Non-Executive Director</li> </ul>	Section 6.1
Who are MSL’s key managers?	<ul style="list-style-type: none"> <li>› Craig Kinross, Managing Director &amp; Chief Executive Officer</li> <li>› Paul Shipley, Chief Financial Officer</li> <li>› Greg Davies, General Manager of Corporate Development and M&amp;A</li> <li>› Ashis Govind, Chief Technology Officer</li> <li>› James Aleman, Chief Revenue Officer</li> <li>› Andrew Ritter, Company Secretary</li> </ul>	Section 6.2

# 1 INVESTMENT OVERVIEW

## 1.7 SIGNIFICANT INTERESTS OF KEY PEOPLE AND RELATED PARTY TRANSACTIONS

TOPIC	SUMMARY					MORE INFORMATION
Who are the Company's key Shareholders and what will their interests be on Completion of the Offer?		Shares on Prospectus Date	Share-holding on Prospectus Date (%)	Shares on Completion of the Offer <sup>1</sup>	Share-holding on Completion of the Offer (%)	Section 7.3
	Shareholder					
	Director Shareholders	29,266,964	31.2%	38,266,964 <sup>2</sup>	15.4%	
	Other Existing Shareholders (excluding Director Shareholders)	64,410,888	68.8%	65,982,001 <sup>2</sup>	26.5%	
	Converting Note holders <sup>1</sup>	0	0.0	85,000,000	34.10%	
	New Shareholders under the Offer	0	0.0	60,000,000	24.1%	
	Total	93,677,852	100.0	249,248,965	100.0	
	Notes:					
1. Pursuant to the terms of the Converting Note Deed, prior to Completion of the Offer the Converting Note holders will be issued with 85,000,000 Shares at a conversion price of \$0.20 per Share. See Section 9.5 for more information on the Converting Notes.						
2. Excludes Shares issued on conversion of Converting Notes but includes Shares to be issued to Craig Kinross, Peter Jefferis and Greg Davies immediately prior to allotment under the Offer in accordance with incentive arrangements referred to in Section 6.3.3. The Directors (and their related parties and associates) also reserve the right to apply for additional Shares under the Offer which may increase their relevant percentage holdings.						
What are the related party transactions MSL has entered into?	Other than the usual contractual arrangements (i.e. the executive employment contract with Craig Kinross, appointment letters with other Directors and deeds of access, insurance and indemnity), as set out in further detail in section 6.4, there are currently no material arrangements between MSL and its Directors or other related parties, except as noted below.  Advisers and other service providers are entitled to fees for services as set out in this Prospectus.					Section 6.4

TOPIC	SUMMARY						MORE INFORMATION
What are the Directors' Shareholdings?		Shares on Prospectus Date	Share-holding on Prospectus Date (%)	Shares on Completion of the Offer <sup>1</sup>	Share-holding on Completion of the Offer (%)	Options held on Completion of the Offer	Section 7.3
	Director						
	Richard Holzgrefe (via Holzgrefe Holdings Pty Ltd and Wandomount Pty Ltd)	12,061,917	12.88%	12,561,917	5.04%	785,714	
	Ian Daly (via Lovat Pty Ltd and Ian and Sheena Daly)	8,821,429	9.42%	8,821,429	3.54%	785,714	
	John Down (via Jambet Downs Pty Ltd and Kenneth John Down)	7,385,347	7.88%	7,385,347	2.96%	785,714	
	Craig Kinross	998,271	1.07%	10,498,271	4.21%	0	
	Kaylene Gaffney	0	0	0	0	0	
	David Trude	0	0	250,000	0.10%	0	
	Notes: 1. Includes shares issued on conversion of Converting Notes and Shares to be issued to Craig Kinross immediately prior to allotment under the Offer in accordance with incentive arrangements referred to in Section 6.3.3. The Directors reserve the right to apply for further Shares under the Offer which may increase their relevant holdings .						
What escrow restrictions apply to the key Shareholders' Shares?	The Directors have agreed to enter into voluntary escrow arrangements in relation to the Shares retained by them following the Company being admitted to the official list of the ASX.  Under the terms of the voluntary escrow arrangements, Director's Shares will be escrowed until release of the FY18 results.						Section 9.7
What significant benefits and interests are payable to Directors and other persons connected with MSL or the Offer?	The CEO and Managing Director (Craig Kinross) will receive a cash bonus of \$800,000 and will be issued 9,000,000 Shares immediately prior to allotment of Shares under the Offer as a result of the IPO. Two members of the executive team, Peter Jefferis and Greg Davies, will also be issued 1,047,409 and 523,704 Shares respectively under their incentive arrangements with the Company as a result of the IPO. Greg Davies will receive a one-off cash bonus of \$40,000 and Paul Shipley will receive a one-off cash bonus of \$10,000 as a result of the IPO						Section 6.3

# 1 INVESTMENT OVERVIEW

## 1.8 OVERVIEW OF THE OFFER

TOPIC	SUMMARY	MORE INFORMATION
<b>What is the Offer?</b>	<p>The Offer is an initial public offering of 60 million Shares to be issued at the Offer Price of \$0.25 per Share to raise a total of \$15 million.</p> <p>The Shares being offered will represent approximately 24.07% of Shares on issue on Completion of the Offer.</p>	Section 7.1.1
<b>Who is the issuer of the Prospectus?</b>	MSL Solutions Limited (ACN 120 815 778) is a public company registered in Queensland, Australia.	Section 9.1
<b>Why is the Offer being conducted?</b>	<p>The Offer is being conducted to:</p> <ul style="list-style-type: none"><li>› raise funds to strengthen MSL's balance sheet and provide working capital;</li><li>› fund further product development and enhancements;</li><li>› cover IPO and capital raising costs;</li><li>› fund geographic expansion and sales and marketing growth; and</li><li>› provide MSL with the benefits of an increased profile that comes from being a listed entity.</li></ul>	Section 7.1.3
<b>Will the Shares be quoted?</b>	The Company will apply for admission to the official list of the ASX and quotation of Shares on the ASX under the code 'MPW'. Completion of the Offer is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.	Section 7.2
<b>How is the Offer structured?</b>	<p>The Offer comprises:</p> <ul style="list-style-type: none"><li>› the Broker Firm Offer which is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia; and</li><li>› the Institutional Offer, which consists of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares.</li></ul>	Section 7.1.2
<b>Is the Offer underwritten?</b>	Yes, the Offer is fully underwritten by the Lead Manager.	Sections 7.2, 7.6 and 9.8
<b>What is the allocation policy?</b>	<p>The allocation of Shares between the Broker Firm Offer and the Institutional Offer will be determined by the Lead Manager and the Company. The Lead Manager, in consultation with the Company, has absolute discretion regarding the basis of allocation of Shares among Institutional Investors.</p> <p>For Broker Firm Offer participants, Brokers will decide as to how they allocate Shares that they are allocated to their retail clients.</p>	Sections 7.2, 7.4.5 and 7.5.2



TOPIC	SUMMARY	MORE INFORMATION
<b>Is there any brokerage, commission or stamp duty payable by Applicants?</b>	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.	Section 7.2
<b>What are the tax implications of investing in the Shares?</b>	<p>Given that the taxation consequences of an investment will depend upon the investor's particular circumstances; it is the obligation of the investors to make their own enquiries concerning the taxation consequences of an investment in the Company.</p> <p>If you are in doubt as to the course you should follow, you should consult your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser.</p> <p>An overview of the tax treatment for Australian resident investors is included in Section 7.8.</p>	Section 7.8
<b>How can I apply?</b>	<p>Eligible investors may apply for Shares by completing a valid Application Form attached to or accompanying this Prospectus.</p> <p>To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.</p>	Section 7.2
<b>When will I receive confirmation that my Application has been successful?</b>	It is expected that initial holding statements will be despatched by standard post on or about 1 May 2017.	Section 7.2
<b>Can the Offer be withdrawn?</b>	<p>The Company reserves the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants.</p> <p>If the Offer does not proceed, Application Monies will be refunded.</p> <p>No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.</p>	Section 7.2
<b>Where can I find more information about this Prospectus or the Offer?</b>	<p>If you have any questions about this Prospectus or how to apply for Shares, please call the MSL IPO Information Line on 1800 679 701 (within Australia) or +61 7 3512 3510 (outside Australia) from 9am to 5.00pm (AEST), Monday to Friday (excluding public holidays).</p> <p>If you are unclear or uncertain as to whether MSL is a suitable investment for you, you should seek professional guidance from your lawyer, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest in Shares.</p>	Important Notices

#### Important notice

This Section is not intended to provide full details of the investment opportunity. Investors must read this Prospectus in full to make an informed investment decision. The Shares offered under this Prospectus carry no guarantee of return of capital, return on investment, payment of dividends or on the future value of the Shares. In addition, past financial performance is not a guide to future financial performance.



INDEPENDENT MARKET REPORT



## 2 INDEPENDENT MARKET REPORT

FROST & SULLIVAN

### INDEPENDENT MARKET REPORT

#### SPORT, LEISURE & HOSPITALITY SOFTWARE MARKET

The Directors

MSL Solutions Limited

Level 10, 300 Ann Street

Brisbane QLD, 4000

21 February 2017

Dear Directors,

This Independent Market Report (IMR or Report) on the sport, leisure & hospitality software market has been prepared by Frost & Sullivan Australia Pty Limited (Frost & Sullivan) at the request of the Directors of MSL Solutions Ltd (hereafter known as MSL Solutions or the Company) for inclusion in a prospectus to be lodged with the Australian Securities Exchange (ASX) on or about April 2017.

#### INTRODUCTION AND BACKGROUND

MSL Solutions is a platform vendor providing software, data and media solutions to sporting, community and private clubs in Australia and New Zealand. Through the acquisitions of GolfBox and Verteda, MSL Solutions is expanding in product range and geographical coverage, transforming the Company into a global software provider, primarily focused on the sport, leisure & hospitality industry. We understand that MSL Solutions' platform has been endorsed by relevant industry bodies such as the Club Managers Association of Australia and Golf Australia.

This report focuses on the market for sport, leisure & hospitality software, including software specifically designed for this sector, as well as broader business software also used in the sport, leisure & hospitality industry. The report includes analysis of the market opportunity available to MSL Solutions in terms of numbers of potential customers, the status and outlook for the sport, leisure & hospitality industry, industry challenges which are likely to stimulate the adoption of software and other factors that will drive growth in the sport, leisure

& hospitality software market, the size and growth of the sport, leisure & hospitality software market and key technology trends.

As Australia and New Zealand (ANZ) have been MSL Solutions' core market, the report includes analysis of this region. However, information on global markets is also included where relevant.

#### OVERVIEW OF MSL SOLUTIONS

MSL Solutions provides a platform that connects the member-based organisation (MBO) business software and data needs to support them in running their operations and improving member engagement. The Company's MPower platform provides cloud-based and on-site software services to clubs and organisations through an open platform environment, allowing it to integrate with a number of other services. These services include other software provided by MSL Solutions company product brands, including Micropower and InfoGenesis (venue management software), GolfLink (golf handicap, statistics and virtual tournament software), Marketown Media (multi-channel marketing and media platform) and iseekgolf (online marketing and tee-bookings for golf clubs).

Recently, MSL Solutions has expanded its product suite and geographical reach via the acquisitions of GolfBox (European golf administration, tournament management and lesson booking software) and Verteda (integrated venue management and hospitality software for stadia, arena and entertainment venues).

MSL Solution's software architecture involves the provision of an open-architecture<sup>1</sup> platform to which a range of applications can be added, including those provided by MSL Solutions and by third-parties. These applications comprise or could potentially comprise a range of solutions required by sport, leisure & hospitality industry participants, such as venue management, event management, point-of-sale (POS) / stock control, gaming, financials, etc. MSL Solutions can therefore offer the underlying platform as well as many of the core applications that are required by sport, leisure & hospitality industry participants.

MSL Solutions operates within the sport, leisure & hospitality software industry, which consists of organisations providing software to support clients in this industry with management of their operations.

#### DEFINITIONS AND OVERVIEW OF SPORT, LEISURE & HOSPITALITY SOFTWARE

The sport, leisure & hospitality industry comprises establishments that offer services and / or operate facilities, including offering leisure services such as culture, entertainment and recreation, and hospitality services, such as lodging and/or preparing meals, snacks, and beverages for immediate consumption. In some definitions, travel service providers are also included as part of the industry (e.g. airlines).

The sport, leisure & hospitality industry is characterised by the presence of large numbers of small organisations and a

high degree of industry fragmentation. Additionally, many industry participants have the legal form of MBOs that are typically not for profit and represent a specific community or segment of a community, or provide services to individuals in the community.<sup>2</sup> MBOs often have a legal structure of ownership by members rather than shareholders, and management by a committee rather than a board of directors. This industry structure creates a unique set of requirements for organisations in the sport, leisure & hospitality industry.

Organisations in the sport, leisure & hospitality sector typically require a range of software applications to support their activities, although the degree to which these applications are deployed depends on the size and level of sophistication of the individual business. Software utilised can include general business software (often customised to some degree for the specific requirements of the industry), as well as software applications specific to sport, leisure & hospitality. These can include applications such as financials, customer relationship management, POS, venue management and membership management.

#### ADDRESSABLE MARKET FOR MSL SOLUTIONS

MSL Solutions services a range of clients, but a principal focus area is MBOs. MSL Solutions currently has approximately 600 MBO clients in ANZ, and the acquisitions of GolfBox and Verteda will add approximately 900 golf facilities and 300 stadia, arena and hospitality venues to this client base. However, MSL Solutions has a relatively small share of the total addressable market (TAM) for its services, based on the number of potential clients in these industries. The TAM for MSL Solutions in each of these sectors is described in more detail below.

<sup>1</sup> Open architecture involves making the specifications public to encourage third-party developers to develop applications which can interface with the platform

<sup>2</sup> <https://www.law.cornell.edu/uscode/text/20/7801>

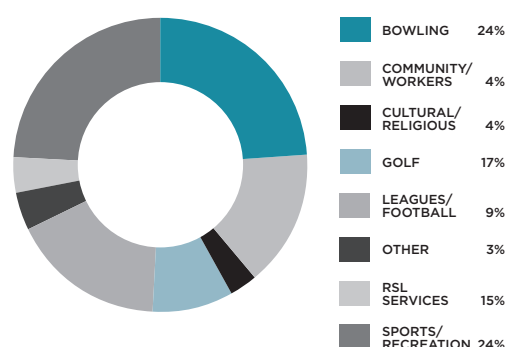
## 2 INDEPENDENT MARKET REPORT

FROST & SULLIVAN

### MBOS IN AUSTRALIA

Based on data from Clubs Australia, the coalition of state and territory associations representing the interests of licensed clubs<sup>3</sup> across Australia and New Zealand, in 2015 there were 6,413 licensed clubs in Australia. These clubs had approximately 13.2 million memberships (representing approximately 68% of the total Australian population over 15 years).<sup>4</sup> Based on a census undertaken in 2011, licensed clubs in Australia generated revenues of A\$9.6 billion, a majority of this derived from electronic gaming machines (EGMs). A majority of licensed clubs have a sporting or recreational focus, including bowling clubs, golf clubs and other sporting and recreational clubs (see Figure 1).<sup>5</sup>

Figure 1: Licensed Clubs by Type, Australia, 2011



Source: KPMG, National Club Census, 2011

Similar census data on the number of licensed MBOs in New Zealand is not available. Clubs NZ, the major association representing clubs has over 300 member clubs, however, this is estimated to be only a percentage of the total licensed clubs operating and, based on the relative population sizes, New Zealand could be assumed to have 19% of the number of clubs in Australia, or approximately 1,240.<sup>6</sup>

Based on its current base of approximately

600 MBOs, MSL Solutions therefore has a share of approximately 7.8% of the total of approximately 7,650 licensed MBOs in Australia and New Zealand.

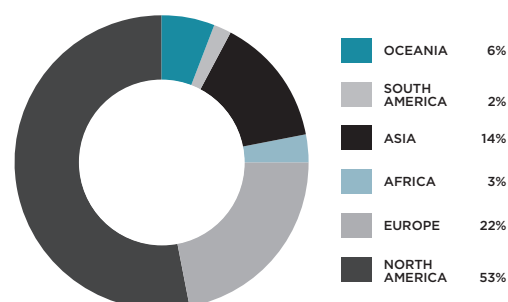
However, the opportunity in MBOs for MSL Solutions is broader than solely licensed clubs, as there are also significant numbers of non-licensed MBOs. Analysis by Mavern Marketing Solutions has identified over 12,000 social, sporting and recreational clubs in Australia. This suggests that MSL Solutions currently has under 5% of all MBOs in Australia as current clients.<sup>7</sup>

Additionally, whilst not necessarily MBOs in a legal sense, other forms of organisations that have a similar membership model may offer opportunities to MSL Solutions. These include retirement living communities, alumni associations etc.

### GOLF FACILITIES

Through the acquisition of GolfBox, MSL has gained enhanced exposure to the global golf club market, with GolfBox currently serving approximately 900 golf facilities, predominantly in Europe. Globally, there are estimated to be just over 34,000 individual golf facilities, with Europe and North America accounting for 75% of these (see Figure 2).<sup>8</sup>

Figure 2: Golf Facilities by Region, 2014



Source: R&A, Golf around the World, 2015

<sup>3</sup> Defined as any venue or organisation which is a community club, that holds a club and/or liquor licence under relevant state and territory legislation

<sup>4</sup> <http://www.clubsaustralia.com.au/knowledge-centre/research-and-trends>

<sup>5</sup> KPMG, National Club Census, 2011

<sup>6</sup> Calculation based on a NZ population of 4.6 million in 2015

<sup>7</sup> Mavern Marketing Solutions, clubs listing

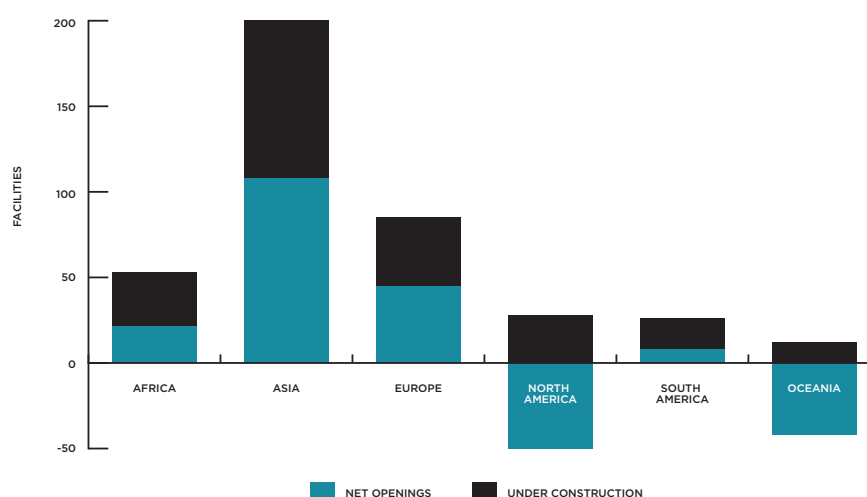
<sup>8</sup> R&A, Golf around the World, 2015



With around 900 golf facilities in Europe as clients, MSL Solutions, following the acquisition of GolfBox, will therefore have a share of approximately 2.6% of global golf facilities, and 12% share of golf facilities in Europe.

The number of golf facilities globally is increasing, providing a growing market opportunity for GolfBox. This is particularly the case in Asia, which accounted for over 100% of net openings<sup>9</sup> of new golf facilities between 2010 and 2014, and in 2015 accounted for 42% of all global golf courses under construction. Whereas regions such as North America and Oceania have seen a decline in the number of operational golf facilities over recent years, Asia has seen strong growth.

**Figure 3: Net Openings and Golf Facilities under Construction, by Region**



Source: R&A, Golf around the World, 2015. Net openings are new facilities opened minus facilities closed between 2010 and 2014. Facilities under construction are as of 2015

## SPORTS STADIA

Through its acquisition of Verteda, MSL offers a range of software solutions for sports and entertainment venues and attractions (stadia and arenas), restaurants and hotels, and food service operators. Verteda is a leader on the provision of software specifically to sporting stadia, with over 60 stadia currently served in the UK market.

Data on the number of stadia and arenas used for sports and other events is fragmented, owing to differing definitions and difficulty in accurately defining and measuring venues. One list of stadia in the USA identifies 1,335 separate sports stadia (with capacity of at least 3,500 for arenas and ballparks, 8,000 for football stadia and 6,000 for tennis stadia).<sup>10</sup> Another source has identified over 1,900 stadia used for soccer globally, including over 160 in the UK.<sup>11</sup> However, this excludes arenas and stadia used for other sports, or for non-sports activities.

Based on this fragmentary data, Frost & Sullivan estimates that there are likely to be in excess of 10,000 stadia and arenas globally, and with approximately 300 clients MSL Solutions (through Verteda) currently has approximately 3% of the TAM.

<sup>9</sup> Net openings are new facilities opened minus facilities closed between 2010 and 2014

<sup>10</sup> <https://stadiumsandarenas.files.wordpress.com/2016/11/stadiums.pdf>

<sup>11</sup> <http://stadiumdb.com/stadiums>



## 2 INDEPENDENT MARKET REPORT

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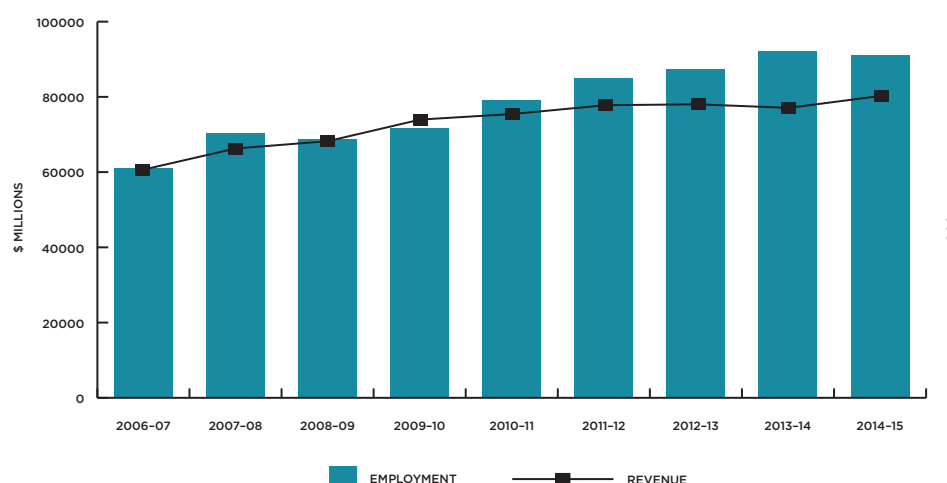
### SPORT, LEISURE & HOSPITALITY INDUSTRY STATUS AND OUTLOOK

#### Industry Outlook

Globally, the sport, leisure & hospitality industry has a positive outlook, stimulated by rising levels of disposable income and increased leisure time. Moreover, there is a general trend towards consumer expenditure on “experiences” rather than “things”. This is illustrated, for example, by the significant growth in out-of-home (OOH) food & beverage consumption in Australia, which has increased significantly ahead of other forms of retail expenditure. Over the period from 2005 to 2015, consumer expenditure on cafes, restaurants and takeaway food services increased from A\$22.2 billion in 2005 to A\$40.7 billion in 2015. This growth of 83% over this period compares to an increase of 56% in retail sales as a whole.<sup>12</sup>

Over recent years, the sport, leisure & hospitality industry has grown at above-GDP rates. Between 2005-06 and 2014-15, for example, the accommodation and food services industry in Australia grew employment at a CAGR of 3.2%, and industry revenue at a CAGR of 4.9%.<sup>13</sup> This compares to GDP growth of 2.6% CAGR over the same period.<sup>14</sup>

Figure 4: Industry Employment and Revenue, Accommodation and Food Services, Australia, 2005-06 to 2014-15



Source: ABS 8155.0 Australian Industry, 2014-15

#### Industry Challenges

Despite the overall growth in the sport, leisure & hospitality industry, industry participants, particularly MBOs, face a number of operational challenges that are likely to drive a requirement to make changes to structure, business models and business processes. Some of these industry challenges are described in more detail below. Although these are described in an Australian context, similar challenges are likely to exist in other countries:

- › **Small status of many MBOs:** although some MBOs are large organisations with revenues in excess of A\$100 million, the majority of MBOs in Australia are relatively small in terms of both employee numbers and revenue. Based on the 2011 National Club Census, the average

<sup>12</sup> ABS 8501.0 Retail Trade, December 2016

<sup>13</sup> ABS 8155.0 Australian Industry, 2014-15

<sup>14</sup> ABS 5204.0 Australian System of National Accounts, 2015-16

number of employees per club is less than 15 (of which an average of only 4 are full-time employees), with average revenue per club of A\$1.45 million.<sup>15</sup> This means that a majority of MBOs are generally too small to make significant investments in facilities or operations.

- › **Ownership structure:** as well as a general tendency to be small, MBOs have ownership and management structures that are different from most businesses which are shareholder-owned and with directors appointed by shareholders to manage their interests. MBOs are technically owned by members and management is usually undertaken by committees elected by members. This creates a much wider range of stakeholders than is common in many businesses (especially in smaller businesses) and often a lower level of professionalism in management.
- › **Enhanced focus on corporate governance:** there is an increased regulatory focus on corporate governance of MBOs. A review in 2008 of registered clubs in NSW by the Independent Pricing and Regulatory Tribunal (IPART) recommended a series of measures to improve corporate governance, including compulsory core professional development training for directors (with recognition of prior learning); encouraging boards to undertake performance assessments of their directors and the board as a whole; encouraging boards to have a formal succession planning policy in place; and advising ClubsNSW to more extensively promote examples of effective corporate governance and providing further guidance to clubs on best practice.<sup>16</sup>
- › **Declining memberships:** although club membership as a percentage of the population in Australia is relatively high, in certain segments memberships are declining, creating a significant issue for MBOs in replacing income lost from membership fees. This is particularly the case for bowling and golf clubs in Australia. For example, formal, or registered, playing membership of bowls clubs has decreased for over 30 years, at an annual rate of over 2.7%. However, over more recent years this decline has accelerated, with a decline of 6.9% between 2014 and 2015 alone.<sup>17</sup> Similarly, paid membership of golf clubs has been declining, with an average annual decline of 1.55% between 2001 and 2011.<sup>18</sup> These declines are despite overall population growth over this period and are likely due to social and demographic changes, including the increased interest in other forms of recreation and an increasingly “time-poor” population. Whilst formal memberships, however, are declining the overall participation rate in these sports is increasing. For example, in 2015 the number of golf rounds played in Australia increased by 1.9% over the previous year,<sup>19</sup> and the participation in regular bowls increased by 3.4% in 2015.<sup>20</sup>
- › **Over-reliance on gaming revenues:** revenue from EGMs forms a significant part of the income of the MBO sector, especially in NSW and ACT where legislation has permitted the emergence of several “mega-clubs” with significant gaming revenue. Nationally, EGMs were estimated to generate 52.7% of overall club revenue in 2011, but this was over 60% in NSW and the ACT.<sup>21</sup> However, the ability of clubs to grow, or maintain,

<sup>15</sup> KPMG, National Club Census, 2011. Based on 6,577 licensed clubs with 96,000 direct employees (27,000 full-time) and total revenue of \$9.6 billion

<sup>16</sup> [https://www.ipart.nsw.gov.au/files/sharedassets/website/trimholdingbay/fact\\_sheet\\_-\\_review\\_of\\_nsw\\_registered\\_clubs\\_industry\\_-\\_final\\_report\\_-\\_27\\_june\\_2008\\_-\\_apd\\_website.pdf](https://www.ipart.nsw.gov.au/files/sharedassets/website/trimholdingbay/fact_sheet_-_review_of_nsw_registered_clubs_industry_-_final_report_-_27_june_2008_-_apd_website.pdf)

<sup>17</sup> Bowls Australia, National Bowls Census Report, 2015

<sup>18</sup> Golf Australia, National Golf Census, 2011

<sup>19</sup> Golf Australia, 2015 Golf Club Participation Report

<sup>20</sup> Bowls Australia, National Bowls Census Report, 2015

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gaming revenue is largely dependent on state and territory government legislation, including limits on the number of EGMs per facility and potential limits on daily losses that gamers can incur.<sup>22</sup> Hence, many MBOs with gaming revenues are looking to further diversify revenue streams to reduce dependence on gaming income.

- › **Significant incidence of financial distress:** a significant number of MBOs are in financial distress, as defined by those that have an EBITDA<sup>23</sup> / revenue ratio of 10% or less.<sup>24</sup> Based on this definition, in 2011 51% of clubs in Australia were in distress or serious distress, with the most significant incidence of financial distress in smaller clubs.<sup>25</sup>

These factors are stimulating opportunities for software to be used in the sport, leisure & hospitality industry to address challenges faced by industry participants. This is described in more detail below. However, in general larger vendors of enterprise software suites (e.g. SAP, Oracle, etc.) have to date not focused on the sport, leisure & hospitality industry as a key target vertical, and have not developed industry-specific software solutions for this market. This may be due to a perception that the sport, leisure & hospitality industry is too small and too fragmented to justify a business focus.

### Growth Drivers for Software in the Sport, Leisure & Hospitality Industry

There are a number of factors that are likely to stimulate the adoption of software applications in the sport, leisure & hospitality industry. As well as overall industry growth, these include the requirement for software to support sport, leisure & hospitality industry participants to address some of the industry challenges outlined above.

- › **Greater interaction with members / customers:** sport, leisure & hospitality industry participants are likely to increasingly use software to enhance their ability to interact with members and customers through channels such as mobile phones. This is required to build closer relationships (to reduce membership and customer churn) and to exploit cross-sell and upsell opportunities (for example, offering specific promotions to members). In particular, ability to access real-time data can greatly assist industry participants in areas such as targeted marketing, timely reporting and predictive analytics.
- › **Need to automate processes:** the general small size of many industry participants means that business processes need to be automated wherever possible. Again, this drives the need to utilise software in many operational aspects.
- › **Adding additional revenue streams:** given declining membership bases in many cases and the threat to traditional revenue sources such as gaming, software can support industry participants in developing and launching new products and services to diversify revenue streams.
- › **Need to analyse additional data streams:** as with all industries, the amount of data available to sports, leisure & hospitality industry participants is increasing rapidly. This is driving a need for software that can assist in analysing and utilising data for value-added purposes, for example, more targeted promotional campaigns and more relevant communications with members.
- › **Need for increased professionalism:** as participants in a competitive market, many industry participants (especially MBOs) need to enhance their levels of

<sup>21</sup> KPMG, National Club Census, 2011

<sup>22</sup> The introduction of "pre-commitment" technology on EGMs is a topic of political discussion as a perceived method to address the social issue of problem gambling

<sup>23</sup> Earnings before interest, income tax, depreciation and amortisation

<sup>24</sup> As defined by NSW Independent Pricing and Regulatory Tribunal (IPART), Review of the Registered Clubs Industry in NSW, 2008

<sup>25</sup> KPMG, National Club Census, 2011

<sup>26</sup> IoT is a system of connected devices that are provided with unique identifiers and the ability to transfer data over a network without requiring human-to-human or human-to-computer interaction. In a sport, leisure & hospitality industry context this can include connected devices for applications such as crowd tracking

professionalism in today's market conditions. Adoption of software can support them in delivering more efficient and professional operations.

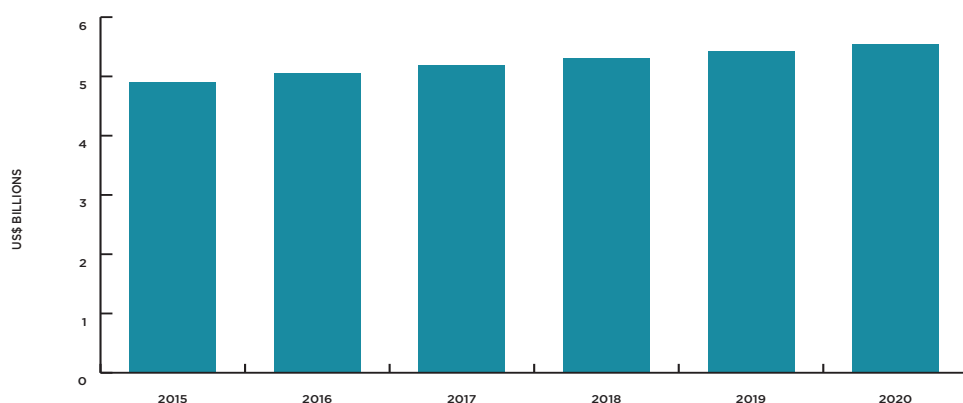
- › Roll-out of IoT solutions: appropriate software (especially with open interfaces) can support industry participants to roll-out solutions that utilise the Internet of Things (IoT).<sup>26</sup> These solutions can allow industry participants to provide value-added services to members and customers, as well as achieving process efficiencies.

### Sport, Leisure & Hospitality Software Market Size and Growth

The sport, leisure & hospitality industry forms an end-market for software. Globally, expenditure on enterprise software across all industries is estimated at US\$367.3 billion (A\$508 billion) in 2016, an increase of 6.9% over 2015.<sup>27</sup> This includes expenditure on software applications such as financials, customer relationship management (CRM), human resource management (HRM) and other general business software, as well as software designed for specific industry sectors.

Globally, expenditure on software in the sport, leisure & hospitality industry is estimated at US\$4.9 billion (A\$6.77 billion)<sup>28</sup> in 2015, and is forecast to increase at 2.4% CAGR to reach US\$5.54 billion (A\$7.66 billion) by 2020.<sup>29</sup> The sport, leisure & hospitality therefore accounts for just over 1% of total global enterprise software revenue.

Figure 5: Global Expenditure on Software, Sport, Leisure & Hospitality Industry, 2015 to 2020



Source: Apps Run the World, Top 10 Leisure & Hospitality Software Vendors and Market Forecast 2015-2020

### Key Technology Trends

Within the sport, leisure & hospitality software market, as with other software markets, a key technology trend over recent years has been the migration of applications from on-premises<sup>30</sup> to cloud-based hosting, involving the delivery of applications through a software-as-a-service (SaaS) model. This means that the applications are hosted remotely, but delivered to clients over the public Internet through a web browser interface. This allows access to the applications wherever users can access the internet. MSL Solutions' applications and architecture are delivered through this model.

SaaS-based solutions are generally significantly more cost-effective than their on-premises

<sup>27</sup> Gartner, Forecast: Enterprise Software Markets, Worldwide, 2013-2020, 3Q16 Update

<sup>28</sup> Exchange rates are as at January 4 2017

<sup>29</sup> Apps Run the World, Top 10 Leisure & Hospitality Software Vendors and Market Forecast 2015-2020. Includes expenditure on applications for Leisure and Lodging (Gaming, amusement, recreation services, hotels, cruises, lodging facilities) – Property Management, Cash Journaling & Gratuity Automation, Revenue Optimization, Hotel distribution, CRS, Channel management, Inventory Management, Financials, HR, Procurement

<sup>30</sup> On-premises is a software delivery model where software is installed and operated from a customer's in-house server and computing infrastructure. It utilises an organisation's internal computing resources and networks, and requires only a licensed or purchased copy of software from the software vendor.

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counterparts, with usage-based fees replacing software license and maintenance costs based on the number of users, irrespective of the degree or frequency of use. SaaS-based pricing models typically allow for payment on as “as used” or utility model, giving both more flexibility in price and overall cost-effectiveness. Additionally, SaaS-based solutions delivered over the public cloud minimise the capital investment required by customers. These solutions are typically accessed through a web browser, and do not require organisations to invest in software licenses, hardware and ongoing technical support and maintenance that are typical of on-premises solutions. This is particularly attractive for smaller organisations such as MBOs, which may lack the financial capacity to invest in on-premises solutions, with SaaS-based offerings giving them the ability to access the same software capability as larger organisations.

SaaS-based offerings are easily scalable as organisations grow, for example by taking on new employees, expanding geographically or making acquisitions. This makes SaaS-based solutions much easier to scale than on-premise systems, where clients may have to invest in new licenses and hardware. Continual and regular updates to solutions are a key feature of these applications. Ongoing changes to SaaS-based solutions are easily made by the vendor and are immediately accessible to users, unlike on-premise solutions where software patches need to be installed or downloaded.

A second major technology trend is for software to be accessible through or interface with mobile devices such as smartphones and tablets. Increasingly, employees need to access company software whilst out of the office, and the ability to utilise a mobile device to do (for example, whilst travelling) improves productivity. For interfacing with other

stakeholders (such as members or clients), the ability to be accessible through a mobile device is an important feature of latest-generation software.

Increasingly there is a trend towards use of open software platforms, which can interface with a variety of applications from third-parties, similar to the approach to apps from major smartphone manufacturers with open access operating systems. Hence, users are easily able to add new applications without the need for complex interfaces to be developed.

### CONCLUSION

Following the acquisitions of GolfBox and Verteda, MSL Solutions has transitioned from a supplier of software primarily to MBOs in ANZ, to a broader supplier of software to the global sport, leisure & hospitality industry. MSL Solutions’ open architecture and range of applications provide sport, leisure & hospitality industry participants with a range of functionality to manage their operations.

Based on the current client base and an estimate of the TAM available to MSL Solutions, the Company has significant scope to expand its business. For example, it is currently supplying less than 5% of MBOs in ANZ, and following the acquisitions of GolfBox and Verteda its penetration of the global golf facilities and stadia markets will not exceed 3%.<sup>31</sup>

Globally, the sport, leisure & hospitality is growing at above-GDP rates, primarily driven by increases in disposable income and increased leisure time. However, as the industry grows it is becoming more competitive, with a broader range of sport, leisure & hospitality options available. This has placed pressure on some traditional market participants, such as certain types of sporting clubs, which are facing an increasingly challenging environment. In Australia, for example, membership of bowls and golf

<sup>31</sup> Frost & Sullivan estimates

clubs, two of the major types of MBOs, is in long-term decline, despite increases in the overall participation rate in these sports. These organisations also face other challenges such as risks to their main revenue stream (gaming), their general small size and a legal structure that often makes management less professional than standard companies.

These factors are likely to drive the adoption of software solutions in the sport, leisure & hospitality industry, as industry participants seek to automate and professionalise business processes and build closer relationships with stakeholders such as members. Open platforms such as that supplied by MSL Solutions can support industry participants in being able to add a range of different applications to manage their business.

MBOs also need to improve governance, partly driven by regulation but also the need to make organisations more accountable to members. This again is likely to drive a need for adoption of software solutions that can improve the accuracy and timeliness of reporting.

Globally, expenditure on software by the sport, leisure & hospitality industry is estimated at US\$4.9 billion (A\$6.77 billion) in 2015, and is forecast to increase at 2.4% CAGR to reach US\$5.54 billion (A\$7.66 billion) by 2020.<sup>32</sup> This growth will be driven by overall industry growth, as well as increased adoption of software by industry participants.

A major trend in the use of software in the sport, leisure & hospitality industry has been towards SaaS-based solutions. These offer a number of benefits over on-premises based software, including greater cost-effectiveness and enhanced scalability. SaaS-based solutions are particularly appropriate for the many small organisations in the sport, leisure & hospitality industry, which, through the use of SaaS-based solutions, are able to gain the capability available traditionally only to larger organisations.

As a supplier of SaaS-based solutions to the sport, leisure & hospitality industry, MSL Solutions is likely to benefit from the growth in software adoption in the industry, as well as the trend towards adoption of SaaS-based solutions and the use of open platforms which allow easy integration of a wide-range of applications.

## DISCLOSURE

This is an independent report prepared by Frost & Sullivan. Save for the preparation of this report and services rendered in connection with this report for which normal professional fees will be received, Frost & Sullivan has no interest in MSL Solutions Ltd and no interest in the outcome of the IPO. Payment of these fees to Frost & Sullivan is not contingent on the outcome of the IPO. Frost & Sullivan has not and will not receive any other benefits (including any commissions) and there are no factors which may reasonably be assumed to have influenced the contents of this report nor which may be assumed to have provided bias or influence. Frost & Sullivan consents to the inclusion of this report in the Prospectus in the form and context in which it is included. As at the date of this report, this consent has not been withdrawn. Frost & Sullivan does not hold a dealer's license or Financial Services License. This report does not constitute advice in respect of the IPO.

Yours Sincerely



**Mark Dougan**  
Managing Director  
Frost & Sullivan Australia Pty Ltd

<sup>32</sup> Apps Run the World, Top 10 Leisure & Hospitality Software Vendors and Market Forecast 2015-2020. Includes expenditure on applications for Leisure and Lodging (Gaming, amusement, recreation services, hotels, cruises, lodging facilities) - Property Management, Cash Journaling & Gratuity Automation, Revenue Optimization, Hotel distribution, CRS, Channel management, Inventory Management, Financials, HR, Procurement



COMPANY OVERVIEW





## 3 COMPANY OVERVIEW

### 3.1 WHAT IS MSL?

MSL is a global provider of hosted, SaaS and on-site deployed solutions to clients in the sport, leisure and hospitality sector. MSL Solutions was established in 2007 and serves approximately 2,000 member based organisations in over 20 countries across APAC, EMEA and North America

MSL's MPower platform connects member organisations' business software and data needs to improve guest engagement, loyalty, gain business efficiencies and improve governance.

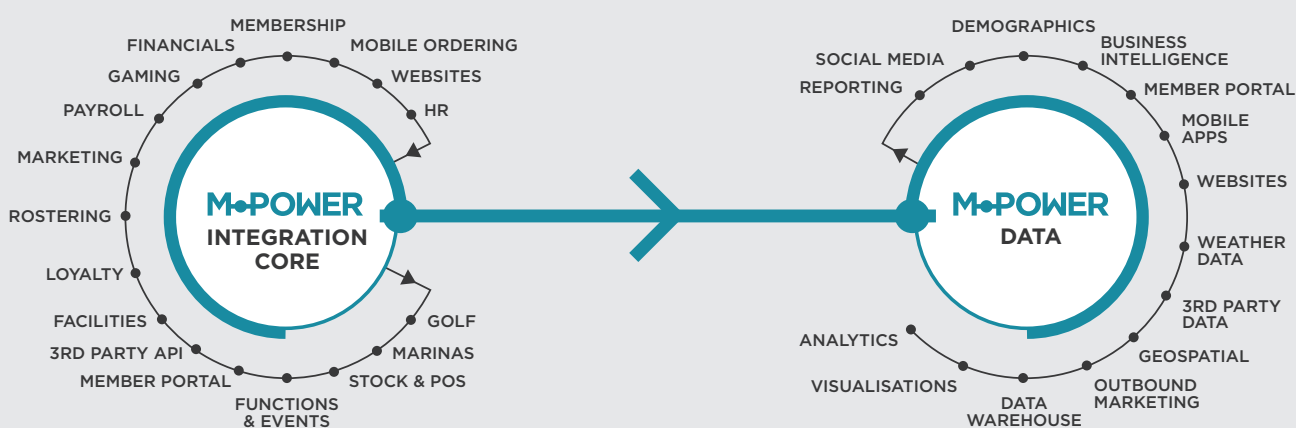
The MPower platform combines software applications, data and media channels in an open architecture platform that provides total integration from back office to member facing solutions encompassing the full needs of the business. The MPower platform "connects the dots" for the customer organisation connecting every department of the business from food and beverage point of sale, to membership, marketing, financials and workforce management.

MSL services the following key segments through its MPower platform:

- › Golf clubs and associations;
- › Registered clubs (excluding golf);
- › Stadia and arenas; and
- › Other hospitality and entertainment venues.

Member based organisations within the sport, leisure and hospitality sector face increasing competition to stay relevant to their members' needs. Member based organisations require a robust operating platform to better understand their business, make more informed choices and ultimately better engage with their members and customers.

MPower platform



Central to the MPower platform is MSL's MPower Business Intelligence Solution (**MPower BI**) which collects data from multiple systems (including third party applications), across the whole enterprise to unlock insights into real member/customer experiences and motivations. The BI Solution allows member based organisations to better understand their business and to make more informed decisions that drive greater revenues and efficiencies. Section 3.5 provides more information on the BI Solution.

### 3.2 SALES SEGMENTS AND GEOGRAPHIC FOOTPRINT

MSL services the following key segments across APAC, EMEA and North America through its MPower platform:

#### GOLF CLUBS AND ASSOCIATIONS

Example clients include:

- › Royal Sydney
- › Royal Melbourne
- › The Australian
- › Huntingdale
- › R&A
- › Golf Australia
- › PGA of Australia
- › Danish Golf Association
- › Swedish Golf Association
- › Norge Golf Association.

#### REGISTERED CLUBS (EXCLUDING GOLF CLUBS)

Example clients include:

- › Sandringham Yacht Club
- › Cruising Yacht Club of Australia
- › 15 of top 20 clubs in Australian Reciprocal Clubs Association
- › Canterbury Leagues Club
- › Rooty Hill RSL
- › Southport Sharks
- › AFC
- › Kedron Wavell RSL.

#### STADIUM AND ARENAS

Example clients include:

- › MCG
- › Stadium Australia
- › Anfield Stadium
- › Wembley
- › Old Trafford
- › NEC
- › Manchester Arena
- › Brisbane Convention & Exhibition Centre,
- › Melbourne Convention & Exhibition Centre.

#### OTHER HOSPITALITY AND ENTERTAINMENT VENUES

Example clients include:

- › Regency Hotels (Sydney, Melbourne)
- › Mandarin Oriental
- › Hamilton Island
- › Warner Bros
- › Movie World
- › Wet'n Wild
- › Sea World Gold Coast
- › Pizza Hut (UK)
- › Dan & Busters (North America).

### 3 COMPANY OVERVIEW

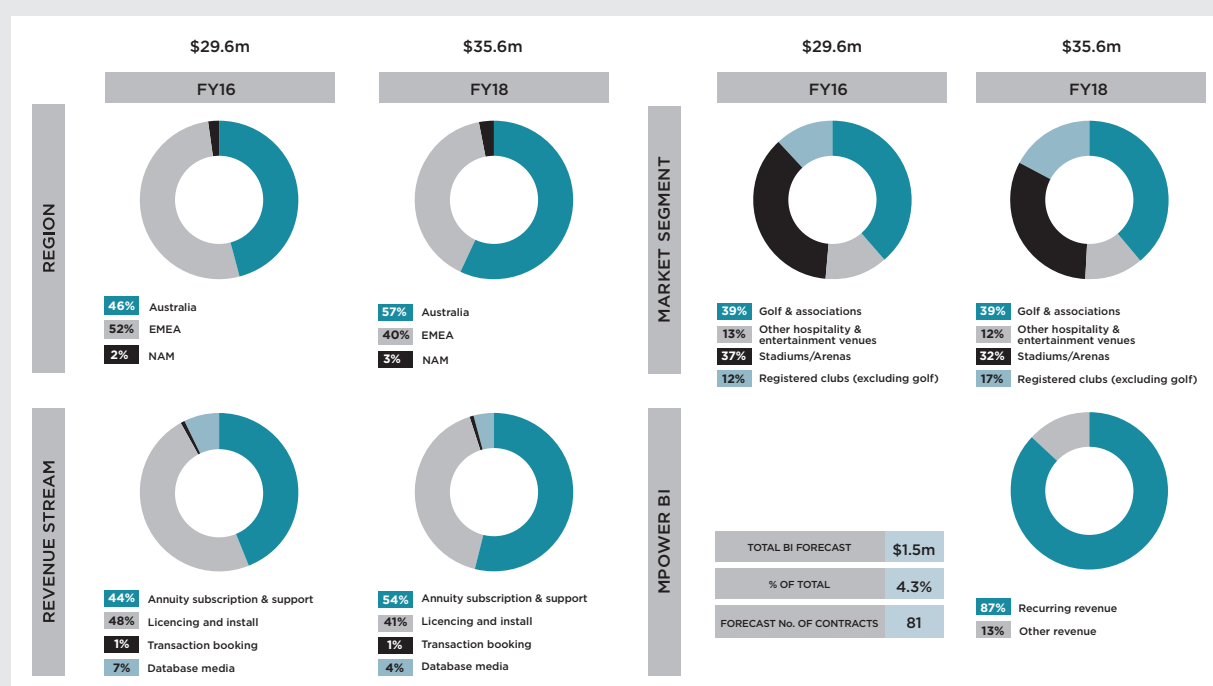
SALES SEGMENT	GOLF CLUBS AND ASSOCIATIONS		REGISTERED CLUBS (EXCLUDING GOLF)		
Sub-segment	Golf associations	Golf clubs	Marinas	Private clubs	Social clubs
Example clients	<div>› R&amp;A,</div> <div>› Golf Australia</div> <div>› PGA of Australia</div> <div>› Danish Golf Association</div> <div>› Swedish Golf Association</div> <div>› Norge Golf Association</div>	<div>› Royal Sydney,</div> <div>› Royal Melbourne,</div> <div>› The Australian, Huntingdale,</div> <div>› The Belfry</div>	<div>› Sandringham Yacht Club,</div> <div>› Cruising Yacht Club of Australia</div>	<div>› 15 of top 20 clubs in Australian Reciprocal Clubs Association</div>	<div>› Canterbury Leagues Club,</div> <div>› Rooty Hill RSL,</div> <div>› Southport Sharks AFC,</div> <div>› Kedron Wavell RSL</div>
MSL PRODUCT COVERAGE					
MPower BI					
MPowerVenue					
MPower Golf					
MPower Media Network					
MSL SALES PRESENCE AND CLIENT SERVICE					
APAC	Direct Sales & Client Support	Direct Sales & Client Support	Direct Sales & Client Support	Direct Sales & Client Support	Direct Sales & Client Support
EMEA	Direct Sales & Client Support	Direct Sales & Client Support		Direct Sales & Client Support	Direct Sales & Client Support
North America					


### 3 COMPANY OVERVIEW

MSL has a head office in Brisbane and offices in Sydney, Melbourne, UK and Denmark. MSL currently has approximately 130 staff.

	APAC	EMEA	NORTH AMERICA	TOTAL
<b>Total</b>	<b>761</b>	<b>1222</b>	<b>9</b>	<b>1992</b>
Golf clubs and Associations	520	896		1416
Registered Clubs (excl Golf)	191	3		194
Stadia and Arenas	10	61		71
Other Hospitality	40	262	9	311

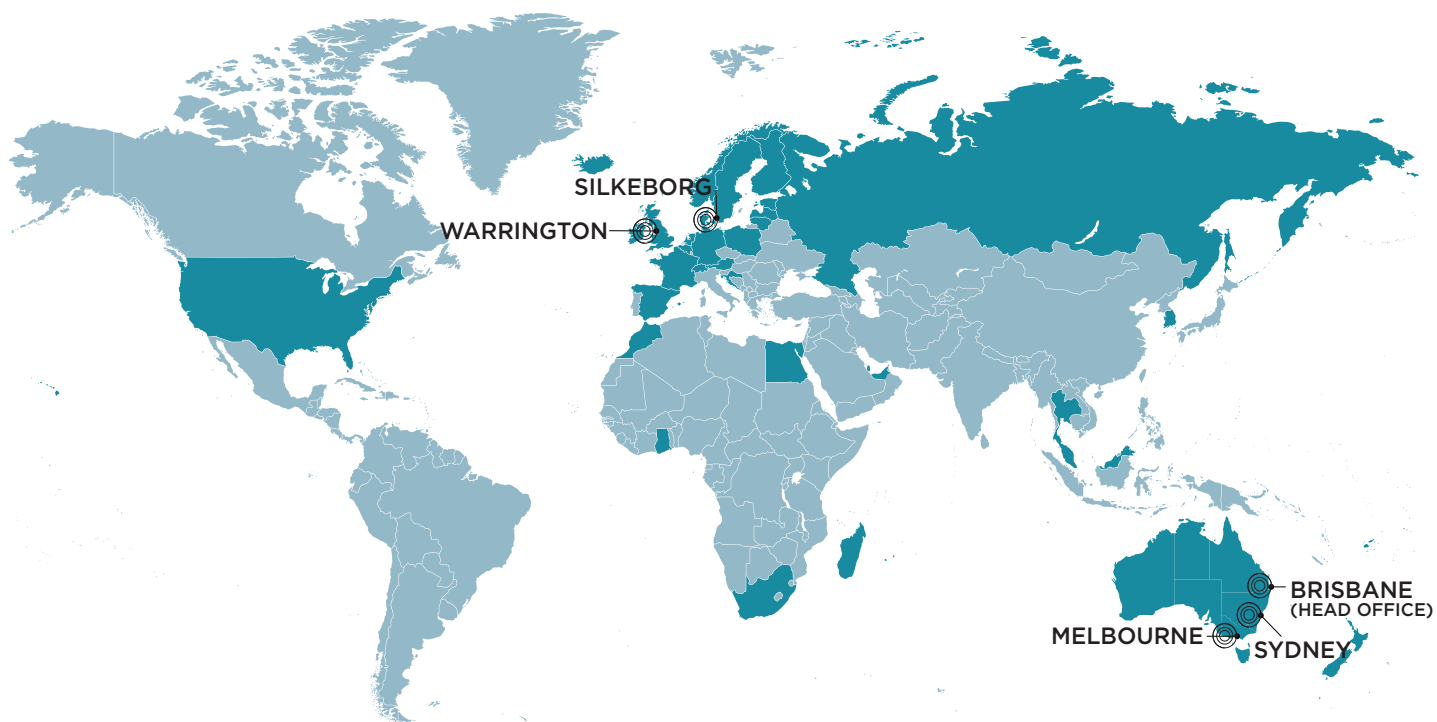
MSL pro-forma revenue mix for FY16 and FY18F by region, sales segment, revenue stream and MPower BI.



### 3.3 COMPANY HISTORY

MSL was founded in 2007 with the acquisition of Micropower Pty Ltd. The company has grown organically and through acquisition since then, and focused on the establishment of a strong alignment with the industry it services. In particular, MSL has a track record of successfully acquiring and integrating businesses into MSL.

JUL 2006	JAN 2007	DEC 2007	JUN 2009	FEB 2013	FEB 2014	FEB 2015	JUN 2014	MAR 2015
MSL is incorporated	Acquires Micropower Pty Ltd (Full Venue Enterprise System)	Acquires iseekgolf Pty Ltd	Acquires Palient (Marina Management System)	Acquires Artra I.P. as basis for Zuuse Pty Ltd	Acquires GolfLink Partners Pty Ltd	PGA Australia appoints MSL Strategic Technology Partner	Decon-solidation of Zuuse	Acquires Marketown Media Pty Ltd (MPower Media Network)



JAN 2016	APR 2016	JUN 2016	OCT 2016	NOV 2016	NOV 2016	DEC 2016	MAR 2017
Acquires InfoGenesis Pty Ltd	Acquires Rockit Pty Ltd (T/A Golf Computer Systems)	Acquires DotGolf cloud-based golf management system	MSL appointed Golf Australia Strategic Technology Partner	Acquires Verteda Holdings Limited (UK)	Acquires GolfBox A/S (Denmark)	First US client sales	Enters into binding agreement to acquire Pallister Assets



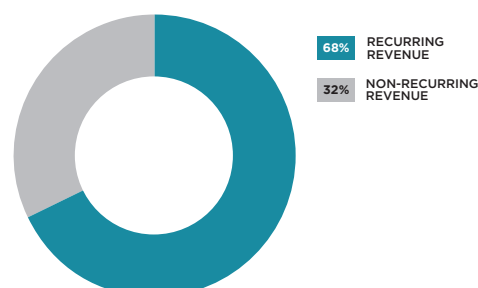
## 3 COMPANY OVERVIEW

### 3.4 SALES SEGMENTS AND PRODUCT OVERVIEW

#### 3.4.1 GOLF CLUBS AND ASSOCIATIONS


##### 3.4.1.1 Clients

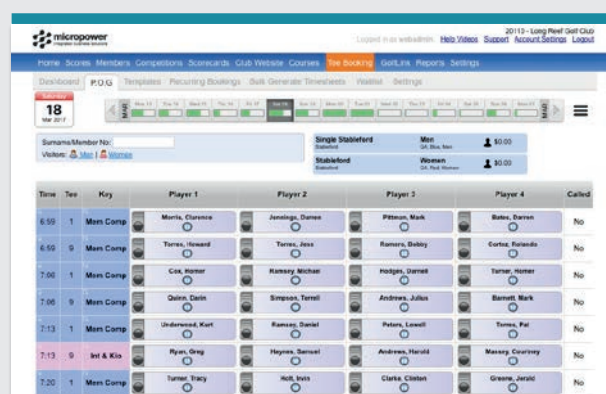
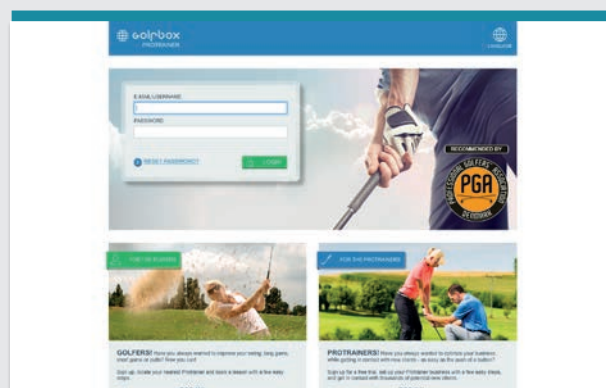
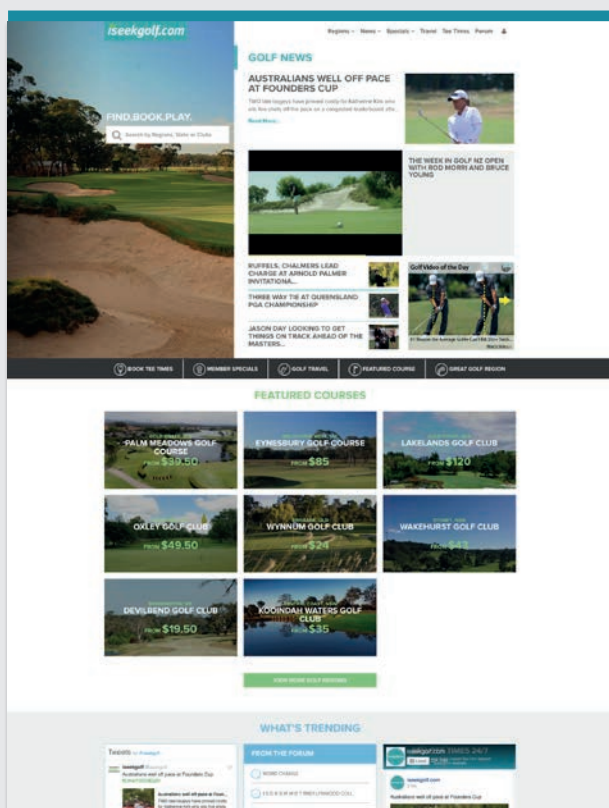
	APAC	EMEA	TOTAL
<b>Total</b>	<b>520</b>	<b>896</b>	<b>1416</b>
Golf clubs	516	877	1393
Associations	4	19	23



##### 3.4.1.2 Products and services

MSL provides the following solution to golf clubs and associations:

MODULES	DESCRIPTION
M•POWER GOLF	
M•POWER GMS	Cloud-based SaaS golf management system provides full function <ul style="list-style-type: none"><li>› Golf Competition management;</li><li>› Tee-time booking ; and</li><li>› Golf Administration.</li></ul>
Central Handicap Systems	Central Handicapping solutions allowing golf associations to manage score collation and re-handicapping of players.
M•POWER TOURNAMENT	Cloud-based SaaS full service tournament registration, management and leaderboard solution.
M•POWER MERCHANT	Online merchant facility allowing clubs to sell tee-times, vouchers, golf club memberships in a secure B2C trading environment.
M•POWER MATES	Specialised player statistics engagement solution & app providing additional detailed and personalised player statistics.
 GENESIS GOLF LINK CUP	Online virtual golf tournament solutions allowing golfers to compete on a national leaderboard which currently has 100,000 member participants.
M•POWER PROPLANNER	Cloud-based SaaS golf professional lesson booking and planning system.
M•POWER VENUE	
M•POWER MEMBER	Cloud-based SaaS, hosted and onsite deployed solutions that provide clubs with a full function enterprise solution for management of: <ul style="list-style-type: none"><li>› front office membership and marketing;</li><li>› back office membership, financials;</li><li>› member online portal for self-service bookings and processes;</li><li>› workforce management: HR, rostering;</li><li>› stock Management and procurement; and</li><li>› front of house POS, kiosk, mobile POS.</li></ul>
M•POWER FINANCIALS	
M•POWER POS	
M•POWER HR	
M•POWER BI	
M•POWER BI	Cloud-based SaaS full venue business intelligence and data analytics platform allowing clubs and associations to review playing patterns and score history, member retention statistics, along with external data feeds such as weather.
M•POWER MEDIA NETWORK	
M•POWER BUYING CLUB	Cloud-based SaaS loyalty / media platform to improve loyalty program engagement and facilitate club management and member connections to a network of national retailers and local merchants.




Our product strategy for the MPower Golf solution is to:

- › consolidate our position as the preferred technology partner for the golf industry in Australia and EMEA by:
  - continuing to enhance and deliver the best handicapping services in the world; and
  - providing the scoring & website technology powering some of the biggest amateur and tour events in those regions; and
  - be the front runner for the introduction of technology for the World Handicap System;
- › firmly establish MPower GMS as the leading Golf Management System for Australian and European clubs and use our experience to extend this product to new markets in the UK and North America;
- › build our user base of MPower Tournament among Australian, European and North America clubs to establish it as the market leading tournament management package worldwide;
- › enhance and grow the MPower Mates product to acquire new players, and offer a great new set of features to allow them to gain insights into their game and connect with other golfers, and replicate this opportunity in the European markets;
- › expand iSeekGolf's MPower Merchant platform to drive the future of ecommerce in Australian & International golf;
- › establish MPower ProPlanner as the dominant booking and coaching tool for golf professionals in the Australian, UK and North America markets; and
- › consolidate the data from player handicapping and venue administration to provide the most comprehensive association and club administration dashboard and predictive analysis capabilities in the market.

## 3 COMPANY OVERVIEW

### 3.4.1.3 Deployment profile

A typical installed deployment profile for this sector would be:

MODULES	GOLF CLUBS	GOLF ASSOCIATIONS
<b>M-POWER GOLF</b>		
M-POWER GMS	✓	
Central Handicap Systems		✓
M-POWER TOURNAMENT	✓	✓
M-POWER MERCHANT	✓	✓
M-POWER MATES	✓	✓
 GENESIS GOLF LINK CUP	✓	✓
M-POWER PROPLANNER	✓	✓
<b>M-POWER VENUE</b>		
M-POWER MEMBER	✓	
M-POWER FINANCIALS	✓	
M-POWER POS	✓	
M-POWER HR	✓	
<b>M-POWER BI</b>		
M-POWER BI	✓	✓
<b>M-POWER MEDIA NETWORK</b>		
M-POWER BUYING CLUB	✓	

### GOLF CLUBS AND ASSOCIATIONS CASE STUDY

#### Description

A leading Melbourne golf club requires an integrated software platform to combine existing back office operational software with tee-time booking, lesson booking and intra-club tournaments. They also want to understand more about members food & beverage requirements and golf course booking preferences

#### Solution

Through MSLs' MPower platform we install MPower Golf Merchant, GMS and Tournament modules to operate tee-booking, lesson booking and tournament administration. We also use our MPower Venue product, or integrate with existing third party software, to provide complete membership, accounting, POS/Stock and HR solution. Finally we install MPower BI solution to enable club management to profile member food & beverage ordering habits relative to their golf round booking history.

#### Outcome

The MPower solution provides management with a central business operation platform with accounting, financial reporting, food & beverage management, HR & rostering management and course booking capabilities.

The use of an online member portal leads to lower levels of missed payments and back office reconciliation, and the integrated MPower Venue solution leads to more streamlined food & beverage ordering and inventory management process

The MPower BI solution allows the club to promote F&B marketing campaigns specific to relevant members, and to better understanding of members requirements, improved booking processes and upsell of food & beverage items.

### 3.4.1.4 Sales and marketing strategy

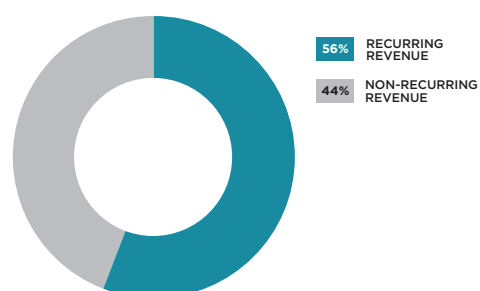
MSL's sales and marketing strategy for this sector can be summarised as follows:

- › build and promote relationships with relevant golf associations or golf-related organisations, in order to highlight sector specific expertise and promote relevant products and services;
- › use direct sales and marketing staff in APAC and EMEA regions, and relevant resellers in UK and North America regions; and
- › promote use of MPower BI Solution and MPower Media Network to existing customer base in APAC and EMEA.

### 3.4.2 REGISTERED CLUBS (EXCLUDING GOLF)

#### 3.4.2.1 Clients

	APAC	EMEA	TOTAL
<b>Total</b>	<b>191</b>	<b>3</b>	<b>194</b>
Marinas	53		53
Private clubs	26	2	28
Social clubs	112	1	113



#### 3.4.2.2 Clients

MSL provides the following solution to the registered clubs sector (excluding golf):

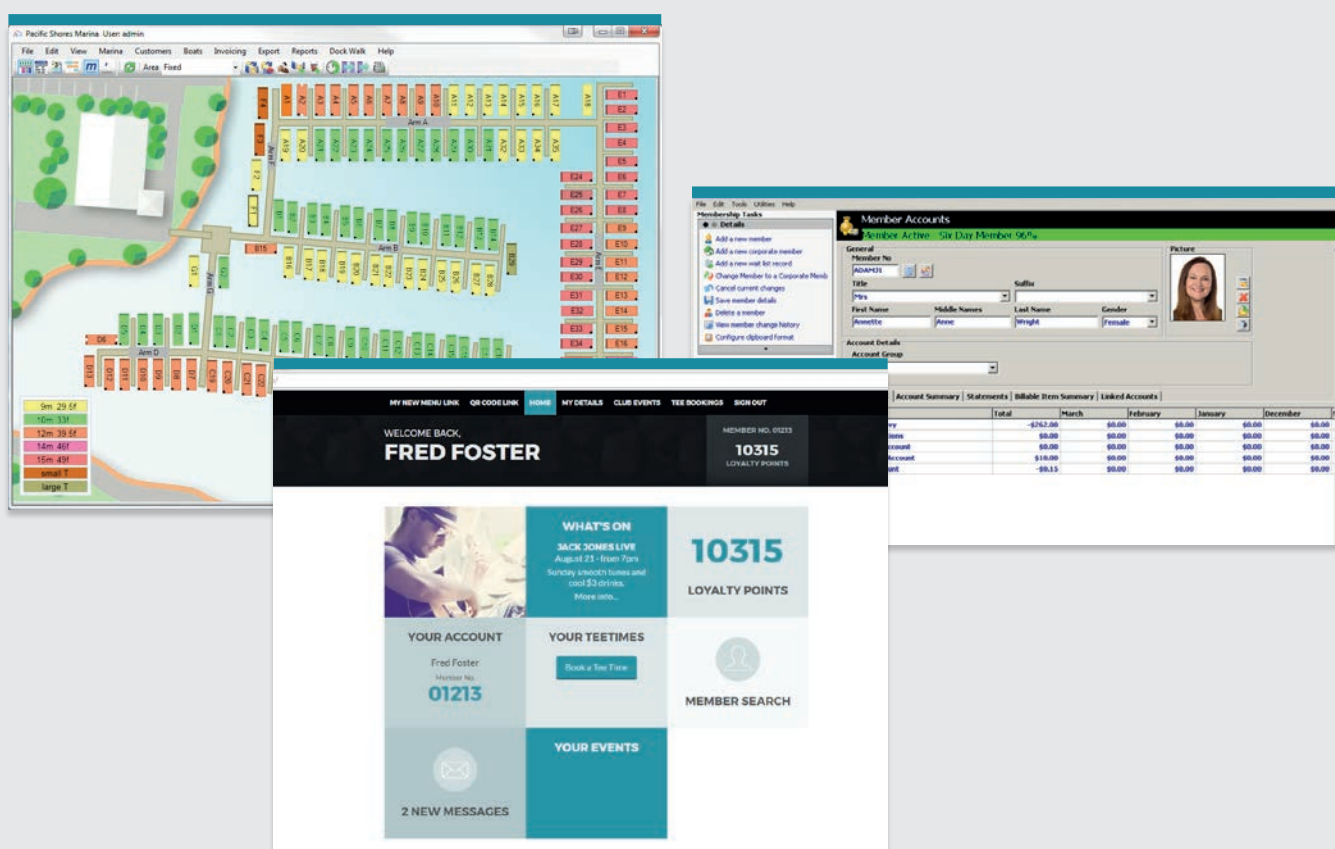
MODULES	DESCRIPTION
<b>M-POWER VENUE</b>	
<b>M-POWER MEMBER</b>	<p>Provides full function enterprise solution for management of membership including:</p> <ul style="list-style-type: none"> <li>› demographic and account management/processing;</li> <li>› subscription and payment processing;</li> <li>› member online portal for self service processing;</li> <li>› member engagement and campaign management;</li> <li>› multiple Member loyalty ledgers including integration to major Gaming loyalty solutions;</li> <li>› member functions and events management; and</li> <li>› integration with Member access control systems.</li> </ul>
<b>M-POWER FINANCIALS</b>	<p>Provides full function enterprise solution for:</p> <ul style="list-style-type: none"> <li>› general ledger;</li> <li>› accounts payable and accounts receivable;</li> <li>› asset register; and</li> <li>› club management accounts reporting.</li> </ul> <p>Includes integration to other 3<sup>rd</sup> party financials products including Xero and MYOB.</p>
<b>M-POWER POS</b>	<p>Provides full function F&amp;B point of sale solutions including:</p> <ul style="list-style-type: none"> <li>› front of house operations, including integrated menu boards and kitchen videos, happy hour and other discounting protocols, vouchers and promotions, and online ordering.</li> <li>› integration with member loyalty ledgers for charging to house accounts and club loyalty programs;</li> <li>› kiosk, tablet and mobile POS functions;</li> <li>› integration with EFTPOS and chip/pin providers; and</li> <li>› integrated Stock Management and Procurement.</li> </ul>
<b>M-POWER HR</b>	<p>Provides full function HR Solutions including:</p> <ul style="list-style-type: none"> <li>› HR management for staff;</li> <li>› payroll and Award Interpreter functions;</li> <li>› full feature workforce rostering solutions for both large (Stadia and Arena) and small (Golf, Marinas, Social Clubs) hospitality venues.</li> </ul>

table continue

### 3 COMPANY OVERVIEW

(Table continued)

MODULES	DESCRIPTION
<b>M-POWER MARINAS</b>	<p>Provides full feature enterprise solutions for managing marina and service yard operations including:</p> <ul style="list-style-type: none"> <li>› berth management booking and administration;</li> <li>› integration with club membership systems for fees processing;</li> <li>› scheduling of berth and lift operations;</li> <li>› integration with Member access control systems; and</li> <li>› service Yard operations including quotation, scheduling and invoicing</li> </ul>
<b>M-POWER BI</b>	<p>Full feature business intelligence and data analytics platform allowing venues to monitor and manage F&amp;B outlet performance, member engagement, access, and spending patterns.</p>
<b>M-POWER MEDIA NETWORK</b>	
<b>M-POWER BUYING CLUB</b>	<p>A loyalty / media platform to improve loyalty program engagement and facilitate connections to a network of national retailers and local merchants.</p>



Our product strategy for the MPower Venue solution is to:

- › Continue to enhance the MPower Member solution, particularly in the use of mobile technology and member engagement, marketing and promotions functions to:
  - maintain our position as the dominant provider in our market; and
  - build a significant foothold in the EMEA market.
- › Extend our mobile solutions to include further self-service features such as mobile ordering, vouchers and unique digital wallet.

The Buying Club provides a unique opportunity for venues to engage with the community allow members to spend and earn rewards with local merchants, we will continue to add features to this product throughout the year.

#### 3.4.2.3 Deployment profile

A typical installed deployment profile for this sector would be:

MODULES	MARINAS	PRIVATE CLUBS	SOCIAL CLUBS
<b>M•POWER VENUE</b>			
M•POWER MEMBER	✓	✓	✓
M•POWER FINANCIALS	✓	✓	✓
M•POWER POS	✓	✓	✓
M•POWER HR	✓	✓	✓
M•POWER MARINAS	✓		
<b>M•POWER BI</b>			
M•POWER BI	✓	✓	✓
<b>M•POWER MEDIA NETWORK</b>			
M•POWER BUYING CLUB	✓	✓	✓

## REGISTERED CLUBS CASE STUDY

### Description

The owner and operator of a group of luxury Sydney bars and restaurants was utilizing multiple POS, stock and HR applications from multiple vendors. They were unable to monitor F&B performance and stock management consistently or in realtime, across all their venues. In addition, they wanted to understand more about patrons food & beverage requirements by day/hour of operation.

### Solution

Through MSL's MPower platform we install the MPower Venue solution to provide enterprise wide F&B POS and Stock solution and online ordering facilities. MPower Venue also allows venues to provide VIP membership functions across the group for loyalty. This solution also allows us to integrate with other relevant 3rd party accounting and HR solutions for AP processing, rostering etc

We also install the MPower BI solution to enable management to monitor real-time performance for all F&B outlets, and profile VIP Member's F&B and attendance habits.

### Outcome

The MPower solution provides management with central business operation platform with accounting, financial reporting, food & beverage management, HR & rostering management and VIP Member functions. This leads to improved food & beverage ordering and inventory management process, and more profitable menu lines. The online ordering also results in lower patron wait times

The MPower BI solution allows the club to promote venue marketing campaigns specific to VIP members, and provide increased patronage and upsell of food & beverage items

#### 3.4.2.4 Sales and marketing strategy

MSL's sales and marketing strategy for this sector can be summarised as follows:

- › for Marinas and Private Clubs, use direct sales and marketing staff to extend existing customer base in APAC (SE Asia) and EMEA (UK) regions;
- › in APAC, promote use of MPower BI and MPower Media Network to existing customer base; and
- › in EMEA, promote use of MPower BI to existing customer base.

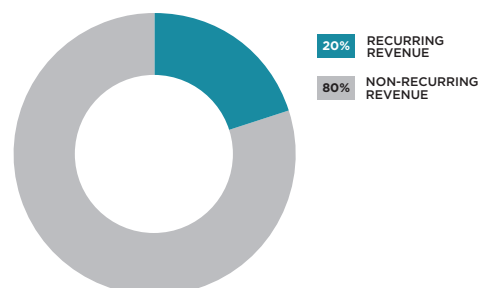


## 3 COMPANY OVERVIEW

### 3.4.3 STADIA AND ARENAS

#### 3.4.3.1 Clients

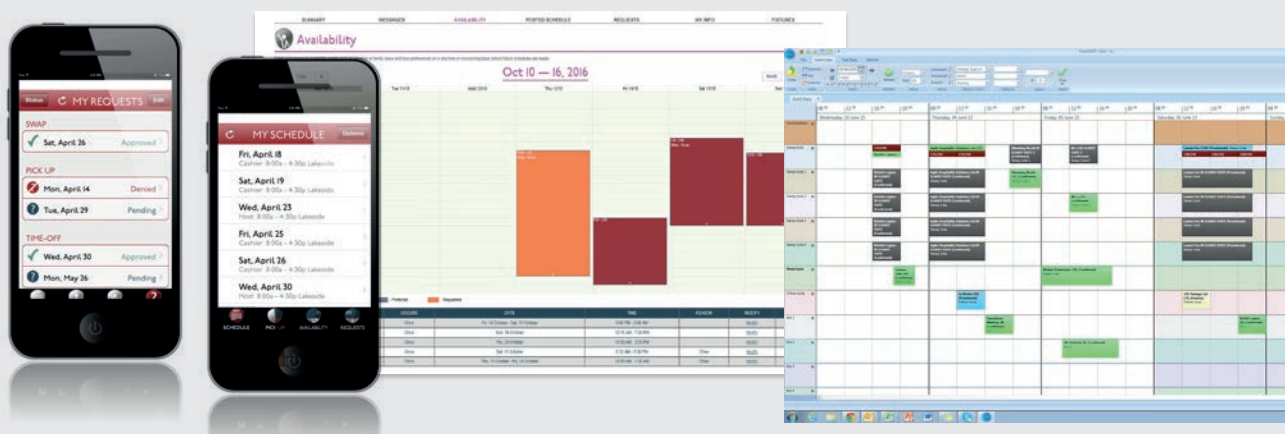
	APAC	EMEA	TOTAL
<b>Total</b>	<b>10</b>	<b>61</b>	<b>71</b>
Stadiums	4	38	42
Arenas	6	23	29



#### 3.4.3.2 Products and services

MSL provides the following solution to the Stadia and Arenas market.

MODULES	DESCRIPTION
<b>M-POWER VENUE</b>	
<b>M-POWER POS</b>	<p>Provides full function F&amp;B Point of Sale solutions including:</p> <ul style="list-style-type: none"> <li>› front of house operations, including F&amp;B outlet packaging;</li> <li>› kiosk, tablet and mobile POS functions;</li> <li>› integration with EFTPOS and chip/pin providers;</li> <li>› centralised back office management of F&amp;B outlet stock and cash levels;</li> <li>› integrated stock management and procurement;</li> <li>› remote or mobile ordering by patrons</li> <li>› full back office functions or integration with: <ul style="list-style-type: none"> <li>- financials systems;</li> <li>- membership;</li> <li>- cash and stock management; and</li> <li>- events management.</li> </ul> </li> </ul>
<b>M-POWER HR</b>	<p>Provides full function Workforce Management Solutions including:</p> <ul style="list-style-type: none"> <li>› HR management for staff;</li> <li>› full feature rostering solutions allowing back office; management of large workforces across multiple venues and outlets;</li> <li>› tablet and mobile solutions for management of workforce levels and assignments; and</li> <li>› app based solution for staff to manage rosters, absences and employment details.</li> </ul>
<b>M-POWER BI</b>	
<b>M-POWER BI</b>	<p>Full Venue Business Intelligence and data analytics platform allowing venue management to monitor venue and outlet performance, and stock and cash levels.</p>





### 3.4.3.3 Deployment profile

A typical installed deployment profile for this sector would be:

MODULES	STADIA	ARENAS
<b>M-POWER VENUE</b>		
M-POWER POS	✓	✓
M-POWER HR	✓	✓
<b>M-POWER BI</b>		
M-POWER BI	✓	✓

### 3.4.3.4 Sales and marketing strategy

MSL's sales and marketing strategy for this sector can be summarised as follows:

- › use existing relationships with relevant contract catering organisations to highlight sector specific expertise and promote relevant products and services to new customers in all regions;
- › in APAC, use direct sales and marketing resources to promote use of MPower BI and relevant Verteda products and experience, to build on existing customer base;
- › in EMEA, use direct sales and marketing resources to promote use of MPower BI to existing customer base; and
- › in North America, promote relevant products and services to new customers via a combination of
  - Existing direct sales and marketing resources;
  - Existing contract catering relationships in APAC and EMEA; and
  - New local reseller arrangements specifically targeted at the Stadia and Arena sector.

## STADIA AND ARENAS CASE STUDY

### Description

A leading English Premier League club requires a platform to allow stadium management to manage its food & beverage ordering and inventory along with its POS and staff rostering. In particular, stadium management needs to optimise staffing for specific events and at peak periods of demand such as half-time and prior to full-time

### Solution

Through MSL's MPower platform we install the MPower Venue product with POS functions for full food & beverage outlet packaging, kiosk POS functions with EFTPOS and chip integration and online ordering, along with centralised back office management of food & beverage stock and cash management.

We also install MPower HR module for workforce management of the large casual workforce they require for game days to operate the multiple F&B outlets they require across a single venue. Finally we install the MPower BI solution to provide real-time monitoring of the F&B outlets for stock movement and cash management, and include feeds from ticketing and weather data providers to provide insights into patron preferences and peak periods of demand

### Outcome

The MPower solution provides stadium management with a central operating platform for food & beverage operations and staff roster management. Staff have a smartphone app capability so they can regularly monitor rosters and advise availability as well as receive relevant notices from the stadium operators.

The Kiosk and online ordering reduces patron wait time and cash management issues at F&B outlets

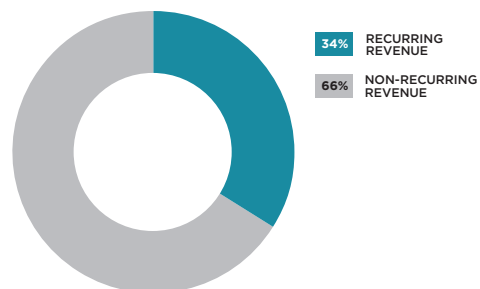
Finally, the MPower BI solution allow stadium management to manage staff and stock levels at individual F&B outlets during the event. Importantly, the cash management position can also be monitored for each outlet, to improve security and reduce staff theft levels.

### 3 COMPANY OVERVIEW

### 3.4.4 OTHER HOSPITALITY AND ENTERTAINMENT VENUES

#### 3.4.4.1 Clients

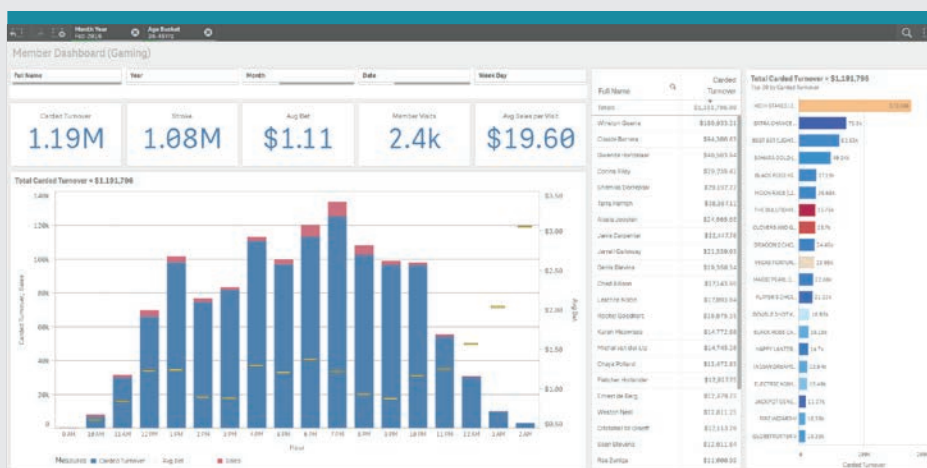
	APAC	EMEA	NORTH AMERICA	TOTAL
<b>Total</b>	<b>40</b>	<b>262</b>	<b>9</b>	<b>311</b>
Hotel/resort	16	150	4	170
Theme parks	1	6		7
Retail	23	106	5	134



#### 3.4.4.2 Products and services

MSL provides the following solution to the hospitality and entertainment venues sector:

MODULES	DESCRIPTION
<b>M•POWER VENUE</b>	
<b>M•POWER POS</b>	<p>Provides full function F&amp;B Point of Sale solutions including:</p> <ul style="list-style-type: none"> <li>› front of house operations, including F&amp;B product packaging, vouchers;</li> <li>› integration with EFTPOS and chip/pin providers;</li> <li>› kiosk, tablet and mobile ordering and payment POS functions;</li> <li>› centralised back office management of F&amp;B outlet stock</li> <li>› integrated Stock Management and Procurement; and</li> <li>› integration with hotel/resort PMS for room charging.</li> </ul>
<b>M•POWER HR</b>	<p>Provides full function HR Solutions including</p> <ul style="list-style-type: none"> <li>› HR management for staff;</li> <li>› full feature rostering solutions allowing back office; management of large workforces across multiple venues and outlets;</li> <li>› tablet and mobile solutions for management of workforce levels and assignments; and</li> <li>› app based solution for staff to manage rosters, absences and employment details.</li> </ul>
<b>M•POWER BI</b>	
<b>M•POWER BI</b>	<p>Full Venue Business Intelligence and data analytics platform allowing management to monitor venue and outlet performance, and stock levels.</p>



#### 3.4.4.3 Deployment profile

A typical installed deployment profile for this sector would be:

MODULES	HOTEL/ RESORTS	THEME PARKS	RETAIL
<b>M•POWER VENUE</b>			
M•POWER POS	✓	✓	✓
M•POWER HR		✓	✓
<b>M•POWER BI</b>			
M•POWER BI	✓	✓	✓

#### 3.4.4.4 Sales and marketing strategy

MSL's sales and marketing strategy for this sector can be summarised as follows:

- › use existing relationships with relevant contract catering organisations to highlight sector specific expertise and promote relevant products and services to new customers in all regions;
- › in APAC, use direct sales and marketing resources to promote use of MPower BI and relevant Verteda products and experience, to build on existing customer base;
- › in EMEA, use direct sales and marketing resources to promote use of MPower BI to existing customer base; and
- › in North America, promote relevant products and services to new customers via a combination of
  - Existing direct sales and marketing resources;
  - Existing contract catering relationships in APAC and EMEA.

### OTHER HOSPITALITY AND ENTERTAINMENT VENUES CASE STUDY

#### Description

A global contract catering company requires a platform to allow centralised management of a number of F&B outlets across multiple venues. In particular they require centralised stock management and workforce management, with local F&B operations in each venue.

#### Solution

Through MSL's MPower platform we install the MPower Venue product with POS functions for full food & beverage outlet operations including EFTPOS and chip integration, along with centralised back office management of food & beverage stock

We also install MPower HR module for workforce management of the part-time and casual workforce across multiple outlets at separate geographic locations allowing sharing of resources among venues. Finally we install the MPower BI solution to provide monitoring of F&B outlets for stock movement and F&B sales.

#### Outcome

The MPower solution provides company management with a central operating platform for food & beverage operations and staff roster management across outlets in multiple geographic locations. Staff have a smartphone app capability so they can regularly monitor rosters and advise availability as well as receive relevant notices from the stadium operators.

Finally, the MPower BI solution allow company management to review and model staff and stock levels at individual F&B outlets.

## 3 COMPANY OVERVIEW

### 3.5 MPOWER BI SOLUTION

Sports, leisure and hospitality organisations are increasingly reliant on data to improve and optimise decisions and business performance and better understand the needs of their members, guests and corporate partners. The MPower BI Solution combines data from multiple data sources to provide historical, current and predictive views of business operations.

Supporting a wide range of business decisions ranging from operational to strategic, it is a highly scalable cloud platform and lets you access data at any time and on any device.

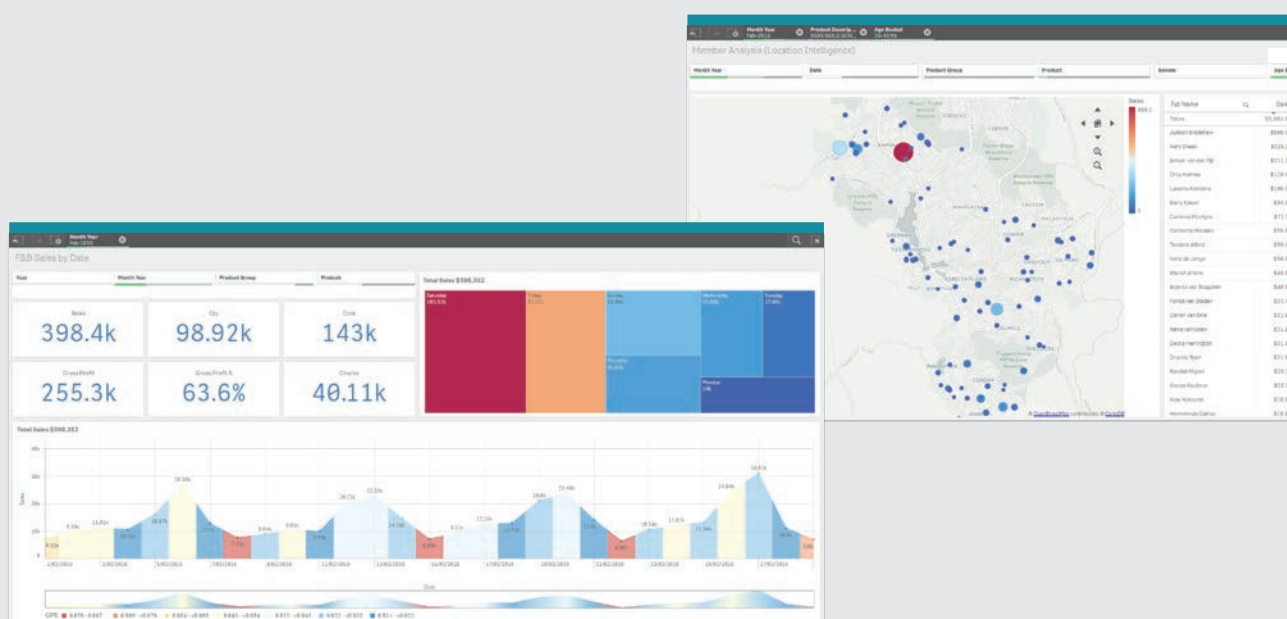
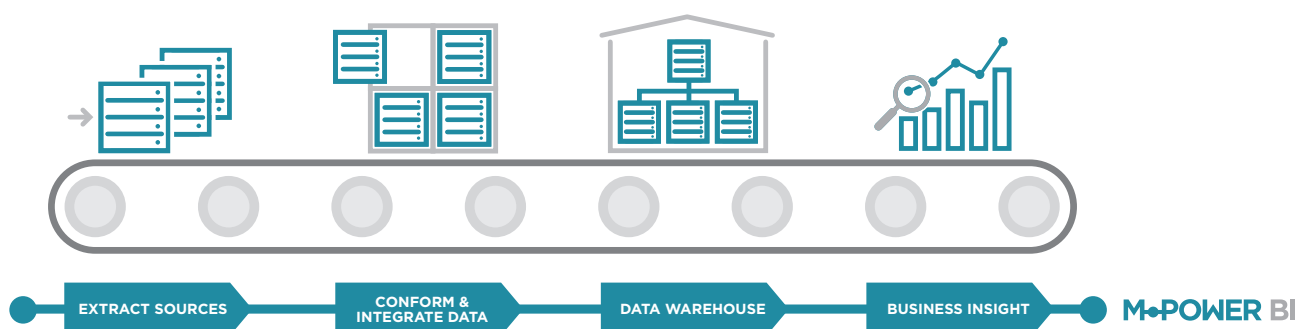
#### KEY FEATURES:

- › scalable data platform that integrates source data into an Enterprise Data Warehouse.

- › use simple drag-and-drop interfaces to create flexible, interactive data visualisations.
- › self-service creation.
- › gain full capability on any device, including exploration, analysis, creation and collaboration allowing you to instantly solve problems anywhere and anytime they arise.
- › interactive Data Storytelling allows you to use analytics to create and present guided stories, rich with narrative and graphics, to communicate insights and facilitate discussion.

MPower ultimately allows member based organisations to better understand their business and to make more informed decisions that ultimately drive greater revenues and efficiencies.

#### Mpower BI process:



### 3.6 REVENUE MODEL

MSL earn revenues in the following manner:


MODULES	ANNUITY SUBSCRIPTION & SUPPORT FEES	UPFRONT PERPETUAL LICENSING	TRANSACTION BOOKING FEES	DATA ACCESS & MEDIA FEES	PROFESSIONAL SERVICES FEES	HARDWARE REVENUE
<b>M-POWER BI</b>						
M-POWER BI	✓			✓	✓	
<b>M-POWER GOLF</b>						
M-POWER GMS	✓				✓	✓
Central Handicap Systems	✓			✓	✓	
M-POWER TOURNAMENT	✓				✓	
M-POWER MERCHANT			✓			
M-POWER MATES	✓					
 GENESIS GOLF LINK CUP	✓				✓	
M-POWER PROPLANNER	✓				✓	
<b>M-POWER VENUE</b>						
M-POWER MEMBER	✓	✓			✓	
M-POWER FINANCIALS	✓	✓			✓	
M-POWER POS	✓				✓	✓
M-POWER HR	✓	✓			✓	
M-POWER MARINAS	✓	✓			✓	
<b>M-POWER MEDIA NETWORK</b>						
M-POWER BUYING CLUB	✓		✓	✓	✓	

table continue

## 3 COMPANY OVERVIEW

- › **Annuity Subscription and Support Fees** are contracted recurring revenue transactions invoiced either for ongoing licensed use of the product and/or for maintenance and support services supplied by MSL. Fees may be invoiced annually, quarterly or monthly.
- › **Upfront Perpetual Licensing Fees** are contracted one-off license fees for customers perpetual use of the product. Where this model is used, the customer typically will also pay an annual support fee for ongoing maintenance and support services provided by MSL.
- › **Transaction Booking Fees** are “clip the ticket” style fees where MSL is contractually entitled to either a set booking fee per transaction or proportion of total transaction value.
- › **Data Access and Media Fees** are contracted one-off or regular on-going fees, for access to databases or audiences where MSL owns the rights for commercial use of that IP.
- › **Professional Services Fees** are contracted fees charged by MSL for provision of technical, consulting or development services to the customer.
- › **Hardware Revenue** is contracted revenue invoiced by MSL for the provision of third party hardware, typically required as part of either installation or maintenance projects.

### 3.7 GROWTH STRATEGY

MSL’s growth strategy is based upon four key components; strong organic growth in existing sales segments, cross-selling opportunities between sales segments, expansion of the business intelligence & analytics platform and further acquisitions.

MSL intends to fund its growth strategy through a combination of operating cash flow and equity and debt capital where required.

#### 3.7.1 ORGANIC GROWTH WITHIN EACH SALES SEGMENT

The scalability of the MPower platform enables our clients to increase the use of the MPower platform and its modules as their business grows. MSL intend to grow the use of the MPower platform and additional modules through increased promotion and education by our sales managers to existing customers and new customers. Once clients are on the MPower platform they often employ more MPower modules as they require enhanced business operations and customer knowledge than originally thought. Further our sales & marketing strategy to existing and new customers focuses on the sale of high margin SaaS solutions including the MPower BI Solution, the loyalty and media member engagement software and the golf management solution for our golf providers. This strategy also allows us to use our open MPower API to build a larger ecosystem of 3<sup>rd</sup> part products which integrate with our systems.

#### Increasing the number of customers using the MPower BI Solution

Central to the value proposition of the MPower platform is our BI Solution. Our clients have a need to not only know their customers but how they will behave. The ability for the MPower BI Solution to collect data from multiple systems allows their clients to achieve this. As MPower grows its customer base the implementation of our sales and marketing strategy allows us to better educate our clients about the value of the MPower BI Solution and how it can assist their business. This will grow the install base and usage of the MPower BI Solution.

### 3.7.2 CROSS-SELL OF PRODUCTS BETWEEN SALES SEGMENTS

MSL's ability to acquire companies with leading software capabilities provides us with an opportunity to cross sell software products across our expanded customer base. For example MSL has been able to take its existing leading MPower BI Solution, membership solutions modules and loyalty/ media engagement solutions to the customer base of its European acquisitions. Similarly the software capabilities from its European acquisitions such as leading workforce management solutions for stadia and hospitality, inventory and cash management solutions for venues and clubs and golf tournament software for our golf clients can be sold to our existing Australia & New Zealand client base. Ultimately with the implementation of our direct sales & marketing strategy MSL is able to offer our client base an expanded suite of software solutions through the MPower platform.

### 3.7.3 ACCELERATING GROWTH THROUGH ACQUISITIONS

To accelerate the execution of our strategy and growth we make strategic acquisitions of sports, leisure and hospitality software providers. MSL uses acquisitions to enter new markets and new geographies, acquire new software capabilities and knowledge, acquire new customer bases and ultimately develop cross sell opportunities between acquisitions and existing sales segments. MSL believes the acquisition of complementary software companies to be an efficient and relatively low cost growth strategy to build our presence and expand our customer base.

### 3.7.4 ACQUISITIONS STRATEGY

MSL have a model to grow both organically and via strategic partnerships and acquisitions.

MSL's general criteria for assessing acquisitions are:

- › grow the marketplace of clients;
- › fill a gap in relation to technology or staff capabilities;
- › positively improve EBITDA; and
- › complement the international growth profile of MSL.

### 3.7.5 RECENT MATERIAL ACQUISITIONS

In November 2016 MSL expanded via acquisition into the European market with the acquisitions of Verteda (UK) and GolfBox (Denmark). The acquisitions of Verteda and GolfBox have transformed MSL into a global player in the sport, leisure and hospitality software sector.

- › Verteda is a leader in software solutions to sporting, hospitality and stadia clients in the UK
- › GolfBox is a Danish owned IT company focused on the development and sale of software for the golf industry. GolfBox is an existing partner of MSL.

Both companies have been integrated into MSL following a 100-day integration plan. Staff and client support for the acquisitions has been positive and well received. Revenue synergies have been realised including cross-selling and product integration as set out below and in Section 4.



### 3 COMPANY OVERVIEW

COMPANY	GEOGRAPHIES	KEY SOLUTIONS	ACQUISITION RATIONALE
GolfBox A/S	Scandinavia	MPower Tournament MPower Trainer	<p>The acquisition has provided growth opportunities that benefit MSL in the following ways:</p> <ul style="list-style-type: none"> <li>› enhanced MSL's growth in the golf markets in the United Kingdom (UK), Europe, the United States (US) and Asia;</li> <li>› GolfBox's solution set is similar or complementary to the solution set currently offered by MSL's business;</li> <li>› cross-selling capabilities for both GolfBox and MSL products into their respective existing customer bases;</li> <li>› significant revenue based on the: <ul style="list-style-type: none"> <li>- provision of MSL's business intelligence analytics and membership/loyalty solutions to the Nordic and European club and association market;</li> <li>- integration with iSeek Golf for tee time booking solutions; and</li> <li>- provision of GolfBox club administration software to UK based clubs, via Verteda's existing customer relationships;</li> </ul> </li> <li>› earnings per share (EPS) accretive for MSL's shareholders.</li> </ul>
Verteda Holdings Limited	United Kingdom	Agilysys reseller	<p>The acquisition has provided significant growth opportunities that benefit MSL in the following ways:</p> <ul style="list-style-type: none"> <li>› enhancing MSL's growth in the UK, Europe, the US and Asia, in complementary sports, stadia and hospitality venues;</li> <li>› Verteda's solution set is complementary to the solution set offered by MSL's subsidiary InfoGenesis Pty Ltd;</li> <li>› cross sell capabilities for both Verteda and MSL products into their respective existing customer bases;</li> <li>› significant revenue opportunities based on: <ul style="list-style-type: none"> <li>- Verteda's existing stadium solution to existing Australian clients;</li> <li>- substitution of the existing stock management product with existing Verteda products; and</li> <li>- MSL's membership/loyalty and venue analytics solution to existing UK clients;</li> </ul> </li> <li>› EPS accretive for MSL's shareholders.</li> </ul>

#### 3.7.6 ACQUISITION OF PALLISTER ASSETS

MSL has entered into an agreement, subject to final MSL Board approval and completion of the Offer, to acquire additional member engagement products from Ray Pallister Pty Ltd.

The products to be acquired are already licensed for use in over 45 clubs throughout NSW, and allow the clubs to promote member attendance and

participation by programmatically awarding prizes or loyalty incentives. The products are protected by patent and MSL expect to benefit from this acquisition by:

- › extending sales of the products outside NSW through MSL's existing customer base;
- › anticipated monthly recurring revenues protected by customer agreements;

- › packaging the products with other existing MSL member engagement products for the club market; and
- › expected to be revenue accretive.

Refer to Section 9.10.2 for a further summary of the agreement terms.

## 3.8 FURTHER INFORMATION ON MSL

### 3.8.1 INFRASTRUCTURE, DEPLOYMENT AND DATA CENTRES

MSL has appropriate IT infrastructure and contractual arrangements with industry certified third party providers including Microsoft Azure and Amazon for the provision of data centre solutions in the jurisdictions in which it operates.

### 3.8.2 CUSTOMER CONTRACTS

MSL and its Subsidiaries enter into service agreements with clients which represent a substantial portion of annual revenue. The customer agreements specify the terms and conditions for the provision of and consideration for MSL's SaaS and on-site deployed software, data and loyalty/media solutions. The particular scope of those services, are specific to each contract.

In some cases MSL provides a licence of its software for a term to enable the customer to operate the software. In other cases MSL also agrees to provide support services to an agreed customer care plan. The contracts contain standard terms and include warranties, disclaimers and indemnity provisions in favour of MSL.

This is a summary only and the provisions of each contract are not fully described. To fully understand all rights and obligations pertaining to the contracts which MSL has with its clients, it would be necessary to read them in full.

### 3.8.3 INTELLECTUAL PROPERTY

MSL relies on a combination of trade secrets and copyright assertion, as well as contractual provisions to protect its intellectual property. Employees, consultants and contractors are required to enter into agreements to protect the intellectual property and confidential information of MSL.

These agreements provide that all intellectual property created by employees, consultants and contractors for MSL, is owned by or assigned to MSL and that all employees, consultants and contractors are required to keep all confidential information of

MSL (which includes intellectual property rights such as trade secrets) in strict confidence.

MSL also believes that the ability of the Company and its staff to innovate and rapidly deploy new functionality to meet the needs of clients is a major contributing factor to MSL's growth.

### 3.8.4 EMPLOYEES AND CULTURE

MSL's primary asset is its staff, employing approximately 130 employees with a wealth of experience in cloud and IT services and who have delivered outstanding customer service to member-based organisations.

MSL's approach to attracting, developing and retaining talented people aligns with its product positioning – supporting its people through investment in technology and innovation.

Investment in staff development is an important factor in MSL's ongoing success, supported by a work environment in which employees can grow and succeed.

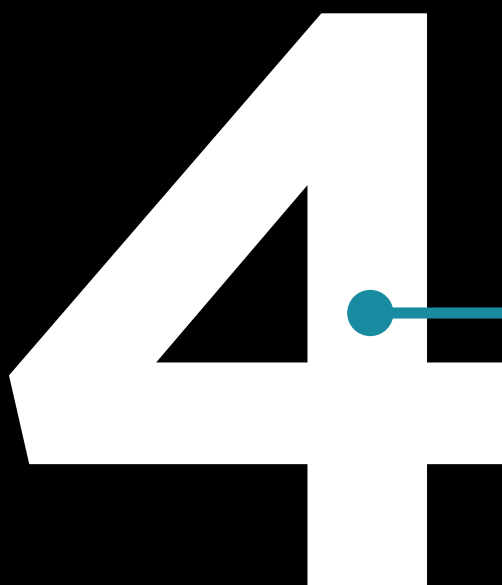
### 3.8.5 KEY BUSINESS DEPENDENCIES

MSL's business model is subject to the following key dependencies:

- › continued access to highly skilled staff – MSL is dependent upon recruiting and retaining experienced staff to support its current growth strategy;
- › MSL operates internationally and in a number of currencies (including GBP and DKK). Accordingly, fluctuations in prevailing exchange rates or legislative jurisdictions may affect MSL's profitability and financial position; and
- › MSL uses a variety of related technologies, through third party suppliers, for its operations. If these technologies ceased to be available, or were only available at a prohibitive price, then moving to an alternative technology or service provider would likely involve additional costs for MSL and potentially disrupt the provisions of services to MSL clients.

MSL is also subject to the general and specific risks set out in Section 5.

# 4



FINANCIAL INFORMATION



## 4 FINANCIAL INFORMATION

### 4.1 INTRODUCTION

The Financial Information of MSL Solutions Limited (**MSL**) contained in this Section 4 (**Financial Information**) includes:

**Historical Financial Information comprising:**

- › Statutory Historical Financial Information comprising:
  - Statutory consolidated revenue and net profit after tax (**NPAT**) for the years ended 30 June 2015 (**FY15**) and 30 June 2016 (**FY16**) and the six month periods ended 31 December 2015 (**H1 FY16**) and 31 December 2016 (**H1 FY17**) (**Statutory Historical Results**);
  - Statutory consolidated balance sheet as at 31 December 2016 (**Statutory Historical Balance Sheet**); and
  - Statutory consolidated operating cash flow for FY15, FY16, H1 FY16 and H1 FY17 (**Statutory Historical Cash Flows**).

(together the “Statutory Historical Financial Information”); and

**Pro Forma Historical Financial Information comprising:**

- Pro forma consolidated income statements for FY15, FY16, H1 FY16 and H1 FY17 (**Pro Forma Historical Results**);
- Pro forma consolidated balance sheet as at 31 December 2016 (**Pro Forma Historical Balance Sheet**); and
- Pro forma consolidated operating cash flows for FY15, FY16, H1 FY16 and H1 FY17 (**Pro Forma Historical Cash Flows**).

(together, the “Pro Forma Historical Financial Information”); and

**Forecast Financial Information comprising:**

- › Statutory Forecast comprising:
  - Statutory consolidated forecast income statement for the year ending 30 June 2017 (**FY17**) and year ending 30 June 2018 (**FY18**) (**Statutory Forecast Results**); and
  - Statutory consolidated forecast operating cash flows for FY17 and FY18 (**Statutory Forecast Cash Flow**).

- › Pro Forma Forecast comprising:
  - Pro forma consolidated forecast income statement for FY17 and FY18 (**Pro Forma Forecast Results**); and
  - Pro forma consolidated forecast operating cash flows for FY17 and FY18 (**Pro Forma Forecast Cash Flows**).

(together the “Pro Forma Forecast Financial Information”).

The Pro Forma Historical Financial Information, the Statutory Forecast Financial Information and the Pro Forma Forecast information each assume completion of the Offer.

Also contained in this Section 4 are:

- › the basis of preparation and presentation of the Financial Information (refer to Section 4.2);
- › segment revenue (refer to Section 4.2.3 and 4.4);
- › key operating metrics (refer to Section 4.3.1);
- › reconciliation of Statutory revenue and NPAT to Pro Forma Financial Information (Section 4.3.2);
- › management’s discussion and analysis of the Pro Forma Historical Financial Information (refer to Section 4.7);
- › the specific and general assumptions underlying the Forecast Financial Information (refer to Section 4.8.1 and 4.8.2);
- › management’s discussion of assumptions of the Pro Forma Forecast Financial Information (refer to Section 4.8.3 to 4.8.6);
- › a sensitivity analysis of the Forecast Financial Information to changes in certain key forecast assumptions (refer to Section 4.9); and
- › dividend policy (refer to Section 4.10).

The information in Section 4 should also be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

All amounts disclosed in Section 4 are presented in Australian dollars unless stated otherwise. Tables and figures are rounded to the nearest \$1,000 and have not been amended to correct immaterial summation differences that may arise from this rounding convention.

## 4.2 BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

### 4.2.1 OVERVIEW

The Directors of MSL are responsible for the preparation and presentation of the Financial Information.

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (**AAS**), International Financial Reporting Standards (**IFRS**) and MSL's accounting policies.

The Company's key accounting policies have been consistently applied throughout the financial periods presented and are set out on [www.mpowermsl.com](http://www.mpowermsl.com). The Directors note that the Forecast Financial Information does not consider the effect of AASB15 Revenue which is applicable from 1 July 2018 as the Company has not yet completed its assessment of the impact.

The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information as required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

In preparing the Pro Forma Historical Financial Information, adjustments have been made to the Actual Historical Financial Information to reflect the acquisitions made by MSL Group. The Figure below summarises, by entity, the Pro Forma adjustments made to present the Pro Forma Financial Information.

**Table 4.2.1: Overview of the income statement and cash flow disclosures contained in this Section 4**

MSL GROUP		Q1 15	Q2 15	Q3 15	Q4 15	H1 FY16				H1 FY17				Q1 18	Q2 18	Q3 18	Q4 18
		PRO FORMA/ STATUTORY HISTORICAL FY15				PRO FORMA/ STATUTORY HISTORICAL FY16				PRO FORMA /STATUTORY HISTORICAL FY17	PRO FORMA /STATUTORY FORECAST FY17	PRO FORMA/ STATUTORY FORECAST FY18					
TREATMENT OF ACQUIRED ENTITIES	Acquisition Date																
GolfBox A/S	Nov 16																
Verteda Limited	Oct 16																
InfoGenesis Pty Ltd	Jan 16																
Rockit Pty Ltd	Apr 15																
Marketown Media Pty Ltd	Feb 15																

Historical  
Financial Results

Forecast  
Financial Results

Post acquisition  
actual results

Pre acquisition  
Pro Forma

The Financial Information has been reviewed and reported on by PricewaterhouseCoopers Securities Ltd (**PwC**) as set out in the Independent Limited Assurance Report in Section 8. Investors should note the scope and limitations of the Independent Limited Assurance Report (refer to Section 8).



## 4 FINANCIAL INFORMATION

### 4.2.2 PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Statutory Historical Financial Information has been derived from MSL's consolidated financial statements for FY15 and FY16 and half year review for H1 FY17, including the H1 FY16 comparative period.

The FY15 and FY16 MSL general purpose financial statements were audited by BDO Audit Pty Ltd, issuing unqualified opinions for each period. The H1 FY17 interim condensed consolidated financial statements were reviewed by BDO Audit Pty Ltd, issuing an unmodified review opinion.

In preparing the Pro Forma Historical Financial Information adjustments have been made to the Statutory Historical Financial Information to reflect MSL's structure post Completion of the Offer, elimination of non-recurring expenses and to reflect the costs of being a listed entity as described in Section 4.3.2.

During the period covered by the Historical Financial Information, MSL has undertaken the following acquisitions and divestments which have been reflected as Pro Forma adjustments as if the acquisitions and divestments had been undertaken at the start of the period covered by the Historical Financial Information:

- › On 15 February 2015, MSL acquired 100% of the issued capital of Marketown Media Pty Ltd, a company incorporated in Australia. The Historical Financial Information of Marketown Media Pty Ltd prior to acquisition is unaudited; however, it is immaterial to MSL as a whole, and forms part of the Pro Forma Historical Financial Information of MSL which has been reviewed by PwC as set out in the Independent Limited Assurance Report in Section 8.
- › On 29 June 2015, MSL sold down its share of Zuuse Pty Ltd from 66% to 49% and deconsolidated the subsidiary on that date. During FY16, MSL further sold down its share in Zuuse Pty Ltd to 30% and, in September 2016, the Group started action with a view to sell its entire interest in Zuuse Pty Ltd, with the investment recognised as an asset held for sale. The Company is currently engaged in an active sell-down process to divest itself of its remaining shareholding in Zuuse. No financial impact has been assumed in the Forecast Financial Information for this sale.
- › On 4 January 2016, MSL acquired 100% of the issued capital of InfoGenesis Pty Ltd, a company incorporated in Australia. Prior to being consolidated in the MSL Statutory Financial Information on 4 January 2016, the non-statutory special purpose financial statements of InfoGenesis Pty Ltd for FY15 were prepared in accordance with IFRS and audited by PwC, who issued an unqualified opinion. The audited FY15 financial information and the unaudited financial information for the 6 month period to 31 December 2015 form part of the Pro Forma Financial Information of MSL which has been reviewed by PwC as set out in the Independent Limited Assurance Report in Section 8.
- › On 1 April 2016, MSL acquired 100% of the issued capital of Rockit Pty Ltd a company incorporated in Australia. The Historical Financial Information of Rockit Pty Ltd prior to acquisition is unaudited; however, it is immaterial to MSL as a whole and forms part of the Pro Forma Financial Information of MSL which has been reviewed by PwC as set out in the Independent Limited Assurance Report in Section 8.
- › On 31 October 2016 MSL acquired 100% of the issued capital of Verteda Limited, a company incorporated in England. The special purpose financial statements of Verteda Limited for the years ended 31 March 2015 and 31 March 2016 were prepared in accordance with generally accepted accounting principles in the United Kingdom and audited by RSM UK Audit LLP who issued unqualified opinions. The financial statements for the 9 month period to 31 December 2016 were reviewed by RSM UK Audit LLP who issued an unmodified review opinion. This forms part of the Pro Forma Historical Financial Information of MSL which has been reviewed by PwC as set out in the Independent Limited Assurance Report in Section 8.



- › On 14 November 2016, MSL acquired 100% of the issued capital of GolfBox A/S, a company incorporated in Denmark. The financial statements of GolfBox A/S for the years ended 30 April 2015 and 30 April 2016 were prepared in accordance with the Danish Financial Statements Act, in accordance with IFRS, and audited by Kroyer Pedersen who issued unqualified opinions. The special purpose financial statements for the 8 month period to 31 December 2016 were reviewed by Kroyer Pedersen who issued an unmodified review opinion. This forms part of the Pro Forma Financial Information of MSL which has been reviewed by PwC as set out in the Independent Limited Assurance Report in Section 8.

Investors should note that past results do not guarantee future performance.

#### 4.2.3 SEGMENT REPORTING

The reportable segments for the Company are described in Section 4.4.

In accordance with AASB 8 Operating Segments and as described in the consolidated financial statements for H1 FY17, the Company's revenue is reported in four segments: MPower Venue, MPower Golf, MPower Media, MPower BI.

#### 4.2.4 PREPARATION OF FORECAST FINANCIAL INFORMATION

The Forecast Financial Information has been prepared by MSL solely for inclusion in this Prospectus. The Forecast Financial Information is presented on both a Pro Forma and statutory basis for FY17 and FY18.

The Forecast Financial Information for FY17 comprises actual results for the six months ended 31 December 2016 and forecast results for the six months ending 30 June 2017. Forecast Financial Information is based on MSL's specific and general assumptions, as set out in Sections 4.8.1 and 4.8.2. The Directors believe the general and specific assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. However, the information is not fact, and investors are cautioned not to place undue reliance on the Forecast Financial Information.

The Forecast Financial Information should be read in conjunction with the specific assumptions set out in Section 4.8.1, the general assumptions set out in Section 4.8.2, the sensitivity analysis set out in Section 4.9, the risk factors as set out in Section 5 and other information in this Prospectus. The inclusion of these assumptions and these risks is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information and that this may have a material positive or negative effect on MSL's statutory financial performance, cash flows or financial position. In addition, the assumptions upon which the Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of the Company, the Directors and management, and are not reliably predictable. Accordingly, none of the Company and its Directors and management or any other person can give investors any assurance that the outcomes disclosed in the Forecast Financial Information will arise. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

MSL has no intention to update or revise the Forecast Financial Information or other forward looking statements or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

## 4 FINANCIAL INFORMATION

### 4.2.5 EXCHANGE RATES USED

The functional currency of the Group is Australian Dollars. Exchange rates used in translating the Financial Information are as follows:

		EXCHANGE RATES USED
DKK	Spot Rate <sup>(1)</sup>	Yearly Average Rate
FY15	AUD 1: DKK 5.2718	AUD 1: DKK 5.3607
FY16	AUD 1: DKK 5.1539	AUD 1: DKK 5.0654
H1 FY16	AUD 1: DKK 5.1516	AUD 1: DKK 5.0620
H1 FY17	AUD 1: DKK 5.2827	AUD 1: DKK 5.2867
H2 FY17		AUD 1: DKK 5.4100
FY18		AUD 1: DKK 5.4100
GBP	Spot Rate <sup>(1)</sup>	Yearly Average Rate
FY14	AUD 1: GBP 0.4885	AUD 1: GBP 0.5263
FY15	AUD 1: GBP 0.5549	AUD 1: GBP 0.4951
FY16	AUD 1: GBP 0.4929	AUD 1: GBP 0.4713
H1 FY17	AUD 1: GBP 0.5892	AUD 1: GBP 0.5874
H2 FY17		AUD 1: GBP 0.6100
FY18		AUD 1: GBP 0.6100

Notes:

(1) Spot exchange rate at 30 June of the relevant year.

(2) Average exchange rates are based on the average month end rate for the 12 months ended or ending 30 June each year or in the case of H1 FY16 and H1 FY17, the six months ended 31 December.

(3) Forecast exchange rates for H2 FY17 are based on the average rates for the six months to December 2016 and forecast exchange rates for FY18 have been based on average rates for February 2017.

(4) Source: Reserve Bank of Australia and the Australian Tax Office.

### 4.2.6 NON-IFRS FINANCIAL MEASURES

MSL uses certain measures to manage and report on its business that are not recognised under AAS or IFRS. These measures are collectively referred to in this Section 4 as 'non-IFRS financial information' under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC. The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

- › **Recurring Revenue** is a measure of revenue that the Company is earning on a recurring basis. This relates to product subscriptions and customer support services;
- › **Gross Profit** means operating revenue less cost of revenues;
- › **EBITDA** is earnings before interest, tax, depreciation and amortisation;
- › **Working capital** is trade and other receivables, other current assets less trade and other payables and provisions;
- › **Capital expenditure** is a combination of capitalised product and development and other costs primarily related to property, plant and equipment;
- › **Net Free Cash Flow** is operating free cash flow less capital expenditure;
- › **NPBT** is net profit before tax from continuing operations;
- › **NPAT** is net profit after tax from continuing operations;
- › **NPATA** is NPAT but excluding amortisation.

Certain financial data included in Section 4 is non-IFRS financial information. MSL believes that this non-IFRS financial information provides useful information to users in measuring the financial performance of MSL. As non-IFRS measures are not defined by recognised standard setting bodies, they do not have a prescribed meaning. Therefore, the way in which MSL calculates these measures may be different to the way other companies calculate similarly titled measures. Investors are cautioned not to place undue reliance on any non-IFRS financial information and ratios.

### 4.3 PRO FORMA HISTORICAL RESULTS, PRO FORMA FORECAST RESULTS AND STATUTORY FORECAST RESULTS

Table 4.3 sets out a summary of the Pro Forma Historical Results, the Pro Forma Forecast Results and the Statutory Forecast Results. The Pro Forma Historical Results and Pro Forma Forecast Results are reconciled to the Statutory Historical revenue and NPAT and Statutory Forecast revenue and NPAT in Section 4.3.2.

**Table 4.3: Pro Forma Historical Results, Pro Forma Forecast Results and Statutory Forecast Results**

NOTES	PRO FORMA HISTORICAL RESULTS		PRO FORMA FORECAST RESULTS		STATUTORY FORECAST RESULTS		PRO FORMA HISTORICAL RESULTS	
A\$'000S	FY15	FY16	FY17	FY18	FY17	FY18	H1 FY16	H1 FY17
Revenue	27,176	29,590	29,263	35,557	24,248	35,557	14,900	14,235
Cost of sales	(8,613)	(8,857)	(7,902)	(9,515)	(6,303)	(9,515)	(4,785)	(3,666)
<b>Gross margin</b>	<b>18,563</b>	<b>20,733</b>	<b>21,361</b>	<b>26,042</b>	<b>17,945</b>	<b>26,042</b>	<b>10,115</b>	<b>10,569</b>
Sales & marketing	(4,809)	(5,195)	(3,960)	(4,806)	(2,885)	(4,806)	(2,514)	(2,854)
Customer support & technical services	(3,336)	(3,665)	(4,340)	(5,443)	(4,340)	(5,443)	(1,864)	(1,746)
Research & development	(3,193)	(3,640)	(3,198)	(3,979)	(3,198)	(3,979)	(1,991)	(1,350)
General and administration	(3,924)	(4,804)	(5,537)	(5,363)	(7,682)	(5,363)	(2,275)	(3,741)
Other income and expenses	211	206	(338)	-	(3,981)	-	170	(338)
<b>Total expenses</b>	<b>(15,051)</b>	<b>(17,097)</b>	<b>(17,373)</b>	<b>(19,592)</b>	<b>(22,086)</b>	<b>(19,592)</b>	<b>(8,474)</b>	<b>(10,029)</b>
<b>EBITDA</b>	<b>3,512</b>	<b>3,636</b>	<b>3,988</b>	<b>6,450</b>	<b>(4,140)</b>	<b>6,450</b>	<b>1,641</b>	<b>540</b>
Depreciation	(156)	(291)	(214)	(142)	(151)	(142)	(163)	(137)
Amortisation	(1,644)	(1,898)	(4,900)	(6,394)	(4,900)	(6,394)	(658)	(2,104)
<b>EBIT</b>	<b>1,713</b>	<b>1,447</b>	<b>(1,126)</b>	<b>(86)</b>	<b>(9,192)</b>	<b>(86)</b>	<b>820</b>	<b>(1,701)</b>
Finance costs	(232)	(177)	(39)	-	(830)	-	(57)	(39)
<b>NPBT</b>	<b>1,481</b>	<b>1,270</b>	<b>(1,165)</b>	<b>(86)</b>	<b>(10,022)</b>	<b>(86)</b>	<b>763</b>	<b>(1,741)</b>
Tax expense	(576)	(798)	(259)	(390)	(154)	(390)	(396)	(91)
<b>NPAT</b>	<b>905</b>	<b>472</b>	<b>(1,424)</b>	<b>(476)</b>	<b>(10,176)</b>	<b>(476)</b>	<b>366</b>	<b>(1,831)</b>
Amortisation	1,644	1,898	4,900	6,394	4,900	6,394	658	2,104
<b>NPATA</b>	<b>2,549</b>	<b>2,370</b>	<b>3,476</b>	<b>5,918</b>	<b>(5,276)</b>	<b>5,918</b>	<b>1,024</b>	<b>273</b>

Notes:

1. The Company recognises computer software and customer contracts as intangible assets which are amortised to the income statement. The adjustment to calculate NPATA reverses the amortisation charge each year.
2. Research and development grants have been offset against the research and development cost line in the Historical Results in accordance with Australian Accounting Standards. Due to the increase in the level of revenue from MSL Limited, research and development grants in the future are required to be presented as an offset against tax expense, although an accounting policy choice is available to include approximately 22% of the benefit within EBITDA. The research and development grants are forecast to have an impact of \$0.3m FY17 and \$0.3m in FY18 with \$0.2m presented against tax expense and \$0.1m presented against research and development costs. Please refer to Section 5 regarding the status of AusIndustry's review of the Company's research and development grants.
3. The Pro Forma Forecast Results exclude discontinued operations, which are solely related to Zuuse Pty Ltd. Refer to Section 4.3.2 for more detail.

## 4 FINANCIAL INFORMATION

### 4.3.1 KEY OPERATING METRICS

Table 4.3.1 sets out a summary of MSL's key operating metrics for FY15 and FY16 derived from the Pro Forma Historical Results and for FY17 and FY18 derived from the Pro Forma Forecast Results.

**Table 4.3.1: Pro Forma Historical Results and Pro Forma Forecast Results**

A\$'000S	PRO FORMA HISTORICAL INFORMATION		PRO FORMA FORECAST INFORMATION		PRO FORMA HISTORICAL INFORMATION	
	FY15	FY16	FY17	FY18	H1 FY16	H1 FY17
<b>Group</b>						
Revenue growth	n/a	9%	(1%)	22%	n/a	(4%)
GM growth	n/a	12%	3%	22%	n/a	4%
Gross margin %	68%	70%	73%	73%	68%	74%
EBITDA growth	n/a	4%	10%	62%	n/a	(67%)
EBITDA margin %	13%	12%	14%	18%	11%	4%
Recurring revenue	11,453	12,584	13,939	17,847	6,541	8,159
Other Revenue	15,723	17,006	15,323	17,710	8,359	6,076
Net cash flow	(2,464)	2,767	1,275	5,790	1,431	578
<b>Operating segment metrics:</b>						
<b>MPower Venue</b>						
No. of customers under contract	897	927	1,024	1,151	942	1,024
<b>MPower Golf</b>						
No. of Golf Australia members	398,392	389,690	389,340	389,340	398,392	391,190
<b>MPower Media</b>						
No. of venues under contract	-	-	83	123	-	6
<b>MPower BI</b>						
No. of customers under contract	-	13	43	81	-	29
Employee headcount	126	123	135	141	132	135

Notes:

1. Recurring revenue reflects revenue from subscription and support arrangements. The contracts are typically rolling 12 month contracts (billing cycle may differ) or monthly billing.
2. Golf Australia members reflects the number of individual golf club members using the GolfLink platform.
3. Venues under contract reflects the period end number. Number of venues reflects the number of sites subscribing to the platform. Growth is forecast to trend on a broadly consistent monthly profile year on year.
4. Customers under contract reflects the number of contracts at period end (this includes both licence subscriptions and support agreements). Each customer contract may cover multiple venues or sites. Growth is forecast to trend on a broadly consistent monthly profile year on year.
5. Member data is collated by Golf Australia once per year after 30-April each year. In April 2016 the member data was updated from 398,392 to 389,690.

### 4.3.2 PRO FORMA ADJUSTMENTS TO THE CONSOLIDATED INCOME STATEMENTS

Table 4.3.2 sets out the Pro Forma adjustments that have been made to MSL's Statutory Historical Results and Statutory Forecast Results to derive the Pro Forma Historical Results and Pro Forma Forecast Results.

**Table 4.3.2: Pro Forma adjustments to the Statutory Historical Results and Statutory Forecast Results**

	NOTES	HISTORICAL FINANCIAL RESULTS		FORECAST FINANCIAL RESULTS		HISTORICAL FINANCIAL RESULTS	
A\$'000S		FY15	FY16	FY17	FY18	H1 FY16	H1 FY17
<b>Statutory Revenue</b>	<b>1</b>	<b>8,702</b>	<b>11,289</b>	<b>24,248</b>	<b>35,557</b>	<b>3,966</b>	<b>9,221</b>
Verteda Limited	2(a)	9,752	12,491	3,687	-	7,112	3,687
GolfBox A/S	2(b)	2,880	3,088	1,328	-	1,311	1,328
Others	2(c)	5,842	2,722	-	-	2,510	-
<b>Pro Forma Revenue</b>		<b>27,176</b>	<b>29,590</b>	<b>29,263</b>	<b>35,557</b>	<b>14,900</b>	<b>14,235</b>
<b>Total comprehensive income / (loss) for the year</b>	<b>1</b>	<b>983</b>	<b>(1,266)</b>	<b>(10,102)</b>	<b>(476)</b>	<b>(1,366)</b>	<b>(2,826)</b>
Adjust for profit from discontinued operations	1	(1,698)	-	-	-	-	-
Adjust for other comprehensive income for the year		-	-	(74)	-	-	(74)
<b>Loss from continuing operations</b>	<b>1</b>	<b>(715)</b>	<b>(1,266)</b>	<b>(10,176)</b>	<b>(476)</b>	<b>(1,366)</b>	<b>(2,900)</b>
Verteda Limited	2(a)	435	1,916	921	-	1,364	921
GolfBox A/S	2(b)	685	805	624	-	263	624
Others	2(c)	883	135	-	-	275	-
Fair value of earn-out provisions	3	-	-	241	-	-	241
Release of earn-out provisions	4	-	(372)	(925)	-	-	(591)
Bargain purchase gain on acquisition	5	-	(475)	-	-	-	-
Fair value impact on convertible notes	6	-	-	555	-	-	555
Cost of convertible notes	7	-	-	793	-	-	793
Discount on convertible notes	8	-	-	3,695	-	-	-
Senior management IPO bonus	9	-	-	3,140	-	-	-
Public company costs	10	(383)	(391)	(369)	-	(288)	(222)
IPO costs expensed	11	-	-	76	-	-	-
Equity accounting impact of discontinued operations	12	-	118	-	-	118	-
Derecognition of deferred tax asset on equity raise	13	-	-	-	-	-	(1,103)
Treatment of research and development grants	14	-	-	-	-	-	(150)
Tax effect of Pro Forma adjustments	15	-	-	-	-	-	-
<b>Pro Forma NPAT</b>		<b>905</b>	<b>472</b>	<b>(1,424)</b>	<b>(476)</b>	<b>366</b>	<b>(1,831)</b>
Amortisation		1,644	1,898	4,900	6,394	658	2,104
<b>Pro Forma NPATA</b>		<b>2,549</b>	<b>2,370</b>	<b>3,476</b>	<b>5,918</b>	<b>1,024</b>	<b>273</b>

Notes:

- Statutory Revenue and Loss from Continuing Operations:** Historical revenue and NPAT is presented as reported in the audited and reviewed financial statements of MSL Limited. Discontinued operations (Zuuse Pty Ltd) are excluded from the income statement in accordance with the statutory financial presentation. This adjustment is as per the MSL Limited financial statements and reflects a loss from discontinued operations offset by a gain on loss of control which resulted in profit from discontinued operations of \$1.7m being recognised in the FY15 financial statements.
- Impact of historical acquisitions:** Reflects the revenues and earnings of Verteda Limited, GolfBox A/S, InfoGenesis Pty Ltd, Marketown Media Pty Ltd and Rockit Pty Ltd as if these acquisitions had been completed prior to 1 July 2014. Verteda Limited and GolfBox A/S have been retranslated at the historical average rates detailed in Section 4.2.5. Included within adjustment 2(c) is the pre-acquisition revenue and NPAT of InfoGenesis Pty Ltd for FY15 which was \$5.4m and \$0.8m respectively. The FY15 financial statements of InfoGenesis Pty Ltd have been audited as set out in Section 4.2.2.

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3. **Fair value of earn-out provisions:** Historical acquisitions have included contingent consideration, subject to future targets being met. The earn-out provision for the acquisition of Rockit Pty Ltd (T/A Golf Computer Systems) includes an equity component which was fair valued at 31 December 2016, resulting in an expense of \$0.2m which has been adjusted as a non-operating item. A summary of earn-out provisions is included in Section 4.5.2.
4. **Release of earn-out provisions:** In FY16 Marketown Media Pty Ltd did not fully meet earn-out targets and the earn-out provision was released to other income resulting in an increase to NPAT. This adjustment reverses the other income as a non-recurring item (\$591,000). The remainder of the Marketown Media Pty Ltd earn-out was reversed in H1 FY17 and has also been adjusted. As detailed in Section 4.5.2, an agreement has been reached with the vendors of Rockit Pty Ltd to fully settle the remaining earn-out on Completion of the Offer. This will result in a release of the provision in the FY17 Statutory Financial Information which has been adjusted as a non-operating item (\$334,000).
5. **Bargain purchase gain on acquisition:** The acquisition of InfoGenesis Pty Ltd resulted in a bargain purchase adjustment being recognised as a gain in other income. This adjustment reverses the gain as a non-recurring item.
6. **Fair value impact of convertible notes:** On 7 November 2016, the Company issued 3,395 convertible notes at \$5,000 per note, raising \$17m. An expense of \$0.6m was recognised in the H1 FY17 income statement for the fair value of the convertible notes which has been adjusted for as a non-recurring expense as the convertible notes will convert to equity on completion of the Offer.
7. **Costs of issuing convertible notes:** Costs associated with raising the convertible notes have been expensed. The notes will convert to equity on completion of the Offer and this adjustment removes the non-recurring expense incurred from raising the convertible notes which will not form part of the post Offer capital structure.
8. **Convertible note discount:** On completion of the Offer the convertible notes convert to equity at a discount of 20% to the share price. An expense of \$3.7m will be recognised in the statutory income statement and hence this adjustment reverses the expense as a non-recurring item.
9. **Senior management IPO bonus:** Reflects the costs associated with a one-off senior management bonus which will crystallise on Completion of the Offer. The adjustment reverses the expense assumed in the Statutory Forecast Results on the grant of these shares and cash bonus as a non-recurring item. This is a one-off bonus and not related to a future incentive scheme and relates to the grant of shares against which no service provisions operate or other restrictions apply. No revised employee share option plan has been or will be implemented with existing options granted in FY16 and accounted for in that year. MSL has not proposed to provide an employee share plan or incentive program as a result of the Offer and all employees will continue to be remunerated on a cash based incentive program consistent with past practices for the duration of the forecast period. The adjustment reflects the value of cash and shares granted on Completion of the Offer (\$3.5m), less the value of previous option and incentive schemes forfeited (\$0.4m).
10. **Public company costs:** Reflects the Directors' estimate of the incremental annual costs that the Company will incur as an ASX listed entity. These costs include Chairman and other Non-Executive Director remuneration, alterations to CEO salary arrangements, additional audit and legal costs, listing fees, share registry costs, Directors' and officers' insurance premiums as well as annual general meeting and annual report costs. This adjustment reflects a May 2017 listing and therefore an adjustment of 10 months of incremental costs in FY17. The Statutory Forecast Results in FY17 includes 2 months of public company costs whilst Statutory Forecast Results in FY18 reflect 12 months of public company costs hence no Pro Forma adjustment.
11. **Costs of the Offer (expensed):** Costs of the Offer are estimated at \$1.4m, of which \$1.36m relates to the issue of new shares and will be capitalised against equity with no impact on the income statement. This adjustment reflects the associated non-deductible GST of \$76,000 which has been expensed in statutory FY17 NPAT.
12. **Equity accounting impact of discontinued operations:** Operations of Zuuse Pty Ltd were equity accounted for three months in FY16 prior to being recognised as an asset held for sale. The Financial Information has been presented excluding discontinued operations.
13. **De-recognition of DTA:** In respect of the H1 FY17 period, a deferred tax asset (of \$1.1m) in respect of tax losses carried forward has been de-recognised. This is discussed further in Section 4.5.1.
14. **Treatment of research and development grants:** The Company has accrued \$0.3m of research and development grants in the half year accounts. Given considerations regarding the recoverability of deferred tax benefits post Offer, discussed in Section 4.5.1, the amount of this benefit has been adjusted to \$150,000 of which \$0.1m is included in tax expense.
15. **Tax impact of adjustments:** Given the historical tax loss position of the Company in respect of its Australian operations, no tax effect has been applied for the other adjustments.

### 4.4 SEGMENT PRO FORMA HISTORICAL AND FORECAST RESULTS

In accordance with AASB 8 Operating Segments and as described in the consolidated financial statements for the six month period ended 31 December 2016, the Company's revenue is reported in four segments: MPower Venue, MPower Golf, MPower Media, and MPower BI.

Table 4.4: Segment Pro Forma Historical Revenue and Pro Forma Forecast Revenue

		PRO FORMA HISTORICAL INFORMATION		PRO FORMA FORECAST INFORMATION		PRO FORMA HISTORICAL INFORMATION	
A\$'000S	UNIT	FY15	FY16	FY17	FY18	H1 FY16	H1 FY17
MPOWER VENUE							
Recurring revenue	A\$'000s	7,603	8,297	8,203	9,346	4,377	5,183
Other revenue	A\$'000s	12,731	14,038	12,175	13,927	7,319	4,799
Revenue - MPower Venue	A\$'000s	20,333	22,334	20,378	23,273	11,696	9,982
Operating metrics							
Recurring revenue as a % of total	%	37%	37%	40%	40%	37%	52%
Total no. of customers under contract	#	897	927	1,024	1,151	942	1,024
MPOWER GOLF							
Recurring revenue	A\$'000s	3,850	4,288	5,095	4,584	2,164	2,842
Other revenue	A\$'000s	2,773	2,687	2,083	2,881	899	1,097
Revenue - MPower Golf	A\$'000s	6,623	6,975	7,178	7,465	3,063	3,939
Operating metrics							
Recurring revenue as a % of total	%	58%	61%	71%	61%	71%	72%
Total no. of Golf Australia members	#	398,392	389,690	389,340	389,340	398,392	391,190
MPOWER MEDIA							
Recurring revenue	A\$'000s	-	-	181	2,606	-	-
Other revenue	A\$'000s	219	281	817	698	141	163
Revenue - MPower Media	A\$'000s	219	281	997	3,304	141	163
Operating metrics							
Recurring revenue as a % of total	%	-	-	18%	79%	-	-
Total no. of venues under contract	#	-	-	83	123	-	6
MPOWER BI							
Recurring revenue	A\$'000s	-	-	460	1,311	-	135
Other revenue	A\$'000s	-	-	249	204	-	16
Revenue - MPower BI	A\$'000s	-	-	709	1,515	-	151
Operating metrics							
Recurring revenue as a % of total	%	-	-	65%	87%	-	89%
Total no. of customers under contract	#	-	13	43	81	-	29
GROUP							
Total group recurring revenue	A\$'000s	11,453	12,584	13,939	17,847	6,541	8,159
Total group other revenue	A\$'000s	15,723	17,006	15,323	17,710	8,359	6,076
Total group revenue	A\$'000s	27,176	29,590	29,263	35,557	14,900	14,235
Group operating metrics							
Recurring revenue as a % of total	%	42%	43%	48%	50%	44%	57%
Growth in recurring revenue from pcp	%	n/a	10%	11%	28%	n/a	25%
Growth in other revenue from pcp	%	n/a	8%	(10%)	16%	n/a	(28%)
Growth in total revenue from pcp	%	n/a	9%	(1%)	22%	n/a	(5%)

Notes:

1. Recurring revenue reflects revenue from subscription and support arrangements. The contracts are typically rolling 12 month contracts (billing cycle may differ) or monthly billing.
2. Golf Australia members reflects the number of individual golf club members using the GolfLink platform.
3. Venues under contract reflects the period end number. Number of venues reflects the number of sites subscribing to the platform. Growth is forecast to trend on a broadly consistent monthly profile year on year.
4. Customers under contract reflects the number of contracts at period end. Each customer contract may cover multiple venues or sites. Growth is forecast to trend on a broadly consistent monthly profile year on year.
5. Member data is collated by Golf Australia once per year after 30-April each year. In April 2016 the member data was updated from 398,392 to 389,690 however no further updates have been provided.



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### 4.5 PRO FORMA HISTORICAL CONSOLIDATED BALANCE SHEET

#### 4.5.1 OVERVIEW

The Pro Forma Balance Sheet as at 31 December 2016 is derived from the Statutory Balance Sheet as at 31 December 2016, adjusted to reflect the Offer and the associated impacts.

The Pro Forma Balance Sheet is provided for illustrative purposes and is not necessarily indicative of MSL's view of its financial position upon Completion or at a future date. Further information on the sources and uses of funds of the Offer is contained in Section 7.1.4.

Table 4.5.1: Statutory and Pro Forma Balance Sheet as at 31 December 2016

	IMPACT OF THE OFFER					OTHER ADJUSTMENTS			
A\$'000S	31 DEC 2016 AUDITED	CONVER-SION OF NOTES <sup>(1)</sup>	CAPITAL RAISE <sup>(2)</sup>	DE-RECOG-NITION OF DTA <sup>(3)</sup>	IPO BONUS <sup>(4)</sup>	ACQUI-SITION OF IP <sup>(5)</sup>	EARN-OUT SETTLE-MENT <sup>(6)</sup>	PURCHASE PRICE ADJUST-MENT <sup>(7)</sup>	31 DEC'16 PRO FORMA
<b>Current assets</b>									
Cash and cash equivalents	1,542	-	13,560	-	(850)	(1,600)	(530)	-	12,122
Trade and other receivables	5,584	-	-	-	-	-	-	-	5,584
Assets classified as held for sale	2,258	-	-	-	-	-	-	-	2,258
Prepayments	644	-	-	-	-	-	-	-	644
<b>Total current assets</b>	<b>10,027</b>	<b>-</b>	<b>13,560</b>	<b>-</b>	<b>(850)</b>	<b>(1,600)</b>	<b>(530)</b>	<b>-</b>	<b>20,607</b>
<b>Non-current assets</b>									
Receivables	888	-	-	-	-	-	-	-	888
Property, plant and equipment	810	-	-	-	-	-	-	-	810
Intangible assets	29,530	-	-	-	-	2,500	-	-	32,030
Goodwill	4,224	-	-	-	-	750	-	6,403	11,376
Other non-current assets	154	-	-	-	-	-	-	-	154
Deferred tax assets	1,187	-	-	(1,103)	-	-	-	-	84
<b>Total non-current assets</b>	<b>36,793</b>	<b>-</b>	<b>-</b>	<b>(1,103)</b>	<b>-</b>	<b>3,250</b>	<b>-</b>	<b>6,403</b>	<b>45,343</b>
<b>Total assets</b>	<b>46,820</b>	<b>-</b>	<b>13,560</b>	<b>(1,103)</b>	<b>(850)</b>	<b>1,650</b>	<b>(530)</b>	<b>6,403</b>	<b>65,949</b>
<b>Current liabilities</b>									
Trade and other payables	(7,405)	-	-	-	-	-	-	-	(7,405)
Borrowings	(17,912)	17,555	-	-	-	-	-	-	(357)
Provisions	(4,073)	-	-	-	-	(300)	864	-	(3,509)
Deferred revenue	(4,191)	-	-	-	-	-	-	-	(4,191)
<b>Total current liabilities</b>	<b>(33,581)</b>	<b>17,555</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(300)</b>	<b>864</b>	<b>-</b>	<b>(15,462)</b>
<b>Non-current liabilities</b>									
Payables	(577)	-	-	-	-	-	-	-	(577)
Provisions	(2,019)	-	-	-	-	(1,350)	-	(6,403)	(9,772)
<b>Total non-current liabilities</b>	<b>(2,596)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,350)</b>	<b>-</b>	<b>(6,403)</b>	<b>(10,349)</b>
<b>Total liabilities</b>	<b>(36,177)</b>	<b>17,555</b>		<b>-</b>	<b>-</b>	<b>(1,650)</b>	<b>864</b>	<b>(6,403)</b>	<b>(25,810)</b>
<b>Net assets</b>	<b>10,643</b>	<b>17,555</b>	<b>13,560</b>	<b>(1,103)</b>	<b>850</b>	<b>-</b>	<b>334</b>	<b>-</b>	<b>40,139</b>
<b>Equity</b>									
Contributed equity	23,080	21,250	13,636	-	2,290	-	-	-	60,256
Reserves	1,374	-	-	-	-	-	-	-	1,374
Retained earnings	(13,811)	(3,695)	(76)	(1,103)	(3,140)	-	334	-	(21,491)
<b>Total equity</b>	<b>10,643</b>	<b>17,555</b>	<b>13,560</b>	<b>(1,103)</b>	<b>(850)</b>	<b>-</b>	<b>334</b>	<b>-</b>	<b>40,139</b>

Notes:

- Impact of the Offer - conversion of notes:** As a consequence of Completion of the Offer, the convertible notes issued with an amount outstanding of approximately \$17.6m convert into Shares at a 20% discount to the Offer Price. Share capital increases by \$21.3m being the total of the \$17.0m face value, \$0.6m fair value adjustment at 31 December 2016 and \$3.7m impact of the discount on conversion. Costs of \$0.8m associated with issuing the convertible notes were expensed in H1 FY17.
- Impact of the Offer - capital raise:** As a consequence of the Offer, Share Capital increases \$13.6m through the issue of new Shares in relation to the Offer (\$15m) less Offer costs of \$1.36m that are offset against equity. Total costs of the Offer of \$1.4m include \$76,000 of associated non-deductible GST which is expensed.
- Impact of the Offer - de-recognition of deferred tax asset:** As a consequence of the Offer, the Company will be subject to more stringent loss testing rules in order to be able to recoup the carried forward tax losses of the Australian group. As a consequence of this uncertainty, it has been decided to no longer recognise the deferred tax asset in respect of tax losses carried forward.
- IPO Bonus -** As set out in Section 4.3.2, senior management will be entitled to a one-off bonus on completion of the Offer. The bonus will be in the form of cash and shares, the impact of which has been reflected as a pro forma adjustment.
- Acquisition of Pallisters Gaming online shop:** The Company has entered into a binding agreement for the acquisition of software; however, the agreement includes as condition precedent, the Offer to be completed. Under the acquisition agreement, \$1.6m is payable on completion of the Offer with further earn-out payments structured over FY18, FY19 and FY20 as discussed further in Section 4.5.2. These earn-outs amount are estimated to be \$0.9m.
- Early settlement of earn-out:** The Company has agreed settlement of the Rockit Pty Ltd earn-out for a cash payment of \$530,000 on Completion of the Offer with the difference of \$334,000 being recognised as other income in the income statement.
- Purchase price adjustment:** In accordance with Australian Accounting Standards, MSL has updated its acquisition accounting in respect of the acquisitions of InfoGenesis Pty Ltd, Rockit Pty Ltd, Verteda Limited and Golfbox A/S. The accounting standards permit acquisition accounting to be finalised within a 12 month period from the date of acquisition. As a consequence of these adjustments, MSL has recognised an additional deferred tax liability of \$6.4m, with an equivalent increase in goodwill recognised.

## 4.5.2 CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Table 4.5.2 summarises MSL's contractual obligations and commitments.

**Table 4.5.2: Pro Forma contractual obligations and commitments at 31 December 2016**

A\$'000S	NOTES	<1 YEAR	1-5 YEARS	>5 YEARS	TOTAL COMMITMENTS
<b>Finance lease - non-cancellable</b>	1	19	35	-	54

Notes:

- Finance leases:** The Group signed a finance lease in July 2016 for the acquisition of 36 laptops. This lease will be paid over the next two financial years.

Table 4.5.3 summarises the earn-out provisions currently recognised by the Company in the Pro Forma Balance Sheet at 31 December 2016. The forecast assumes that these earn-out payments will occur in line with the provision amounts; hence, no impact on the forecast NPAT in FY17 or FY18. Provisions in respect of Verteda Ltd and GolfBox A/S may change subject to foreign currency movements.

**Table 4.5.3: Earn-out provisions**

A\$'000S	EXPECTED YEAR OF SETTLEMENT					TOTAL POTENTIAL EARN-OUT
	NOTES	FY17	FY18	FY19	FY20	
<b>Acquisitions</b>						
Verteda Limited	1	321	2,557	-	-	2,878
GolfBox A/S	1	-	1,773	1,973	-	3,745
InfoGenesis Pty Ltd	1	538	44	-	-	581
Golf Computer Systems (Rockit Pty Ltd)	2	432	432	-	-	864
Pallisters Gaming	3	-	300	300	300	900
<b>Total potential earn-out</b>		<b>1,290</b>	<b>5,106</b>	<b>2,273</b>	<b>300</b>	<b>8,969</b>

Notes:

- 100% cash earn-out
- Cash earn-out is capped at \$350k and equity earn-out is capped at 570 shares. The Company has agreed full settlement of this earn-out on completion of the Offer for a cash payment of \$530,000.
- The purchase agreement includes provision for an earn-out payment of \$0.3m in each of FY18, FY19 and FY20 if EBITDA of \$0.5m is achieved. If Pallisters Gaming outperforms annual EBITDA of \$0.5m, an additional payment of up to \$0.2m in each of FY18, FY19 and FY20 would be payable. The Forecast Financial Information assumes \$0.5m of revenue in FY18.

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### 4.6 PRO FORMA HISTORICAL AND FORECAST CONSOLIDATED CASH FLOW STATEMENTS

Table 4.6 sets out a summary of the Pro Forma Historical Cash Flows, the Pro Forma Forecast Cash Flows and the Statutory Forecast Cash Flows. The Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows are reconciled to the Statutory Historical Cash Flows and Statutory Forecast Cash Flows in Section 4.6.1.

Table 4.6: Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows

	PRO FORMA HISTORICAL CASH FLOWS		PRO FORMA FORECAST CASH FLOWS		STATUTORY FORECAST CASH FLOWS		PRO FORMA HISTORICAL CASH FLOWS	
A\$'000S	FY15	FY16	FY17	FY18	FY17	FY18	H1 FY16	H1 FY17
NPAT	905	472	(1,424)	(476)	(10,176)	(476)	366	(1,831)
<b>Less non-cash items in NPAT</b>								
Depreciation and amortisation	1,800	2,189	5,114	6,536	5,051	6,536	723	2,241
Share based payments	-	84	-	-	-	-	-	-
Fair value gains and losses	-	-	-	-	796	-	-	-
Convertible note discount	-	-	-	-	3,695	-	-	-
Gain on earn-out	-	-	-	-	(925)	-	-	-
Cost of convertible note issue	-	-	-	-	793	-	-	-
Shares issued as IPO bonus	-	-	-	-	2,290	-	-	-
<b>Total non-cash items in NPAT</b>	<b>1,800</b>	<b>2,273</b>	<b>5,114</b>	<b>6,536</b>	<b>11,700</b>	<b>6,536</b>	<b>723</b>	<b>2,241</b>
Movement in working capital	(4,882)	1,154	(815)	30	(2,553)	30	1,025	1,758
<b>Operating Cash Flow</b>	<b>(2,177)</b>	<b>3,898</b>	<b>2,875</b>	<b>6,090</b>	<b>(1,029)</b>	<b>6,090</b>	<b>2,114</b>	<b>2,168</b>
Capital expenditure	(287)	(1,132)	(1,600)	(300)	(1,600)	(300)	(683)	(1,589)
<b>Net Free Cash Flow</b>	<b>(2,464)</b>	<b>2,767</b>	<b>1,275</b>	<b>5,790</b>	<b>(2,629)</b>	<b>5,790</b>	<b>1,431</b>	<b>579</b>

#### 4.6.1 PRO FORMA HISTORICAL AND FORECAST CONSOLIDATED CASH FLOW STATEMENTS

Table 4.6.1 sets out the Pro Forma adjustments that have been made to MSL's Statutory Historical Cash Flows, Statutory Forecast Cash Flow to derive the Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows.

Table 4.6.1: Pro Forma adjustments to the Statutory Historical Cash Flows and Statutory Forecast Cash Flows

		HISTORICAL CASH FLOWS		FORECAST CASH FLOWS		HISTORICAL CASH FLOWS	
A\$'000S	NOTES	FY15	FY16	FY17	FY18	H1 FY16	H1 FY17
<b>Statutory or Forecast Operating Cash Flows</b>		<b>842</b>	<b>565</b>	<b>(1,029)</b>	<b>6,090</b>	<b>559</b>	<b>(1,869)</b>
<b>Impact of historical acquisitions - NPAT</b>	1						
Impact of historical acquisitions - NPAT		2,002	2,857	1,545	-	1,902	1,545
Depreciation of historical acquisitions		430	210	63	-	-	63
Senior management IPO cash bonus		-	-	850	-	-	-
Public company costs		(383)	(391)	(369)	-	(288)	(222)
IPO costs expensed		-	-	76	-	-	-
Cost of convertible note issue		-	-	-	-	-	793
Adjustment for research and development grants		-	-	-	-	-	(150)
Reduction in deferred tax asset		-	-	-	-	-	(86)
<b>Cash flow impact to adjustments to working capital</b>	2						
Statutory vs. pro forma working capital		(5,069)	657	1,739	-	(59)	2,094
<b>Pro Forma Operating Cash Flow</b>		<b>(2,177)</b>	<b>3,898</b>	<b>2,875</b>	<b>6,090</b>	<b>2,114</b>	<b>2,168</b>

Notes:

1. **Cash flow impact of adjustments to NPAT:** Reflects the cash flow impact of the Pro Forma adjustments to NPAT discussed in Section 4.3.2.
2. **Adjustments to working capital movements:** Pro Forma impact of movements in working capital relating to the acquired businesses.

## 4.7 MANAGEMENT DISCUSSION AND ANALYSIS OF PRO FORMA HISTORICAL FINANCIAL INFORMATION

### 4.7.1 GENERAL FACTORS AFFECTING THE HISTORICAL OPERATING RESULTS OF MSL

Section 4.7 sets out a discussion of the key factors which affected MSL's operating and financial performance during FY15 and FY16. The discussion of these factors is intended to provide a brief summary only and does not detail all the factors that affected MSL's historical Pro Forma financial performance, or may affect MSL's future Pro Forma financial performance.

#### 4.7.1.1 Revenue

MSL derives Recurring Revenues through recurring subscription licensing and ongoing support and maintenance services from the sale of upfront perpetual software licences and hardware. MSL also earns related services revenues (being implementation and consulting services) related to the software sales.

The key drivers of Recurring Revenue are set out below:

- › **MPower Golf:** number of golf club members in respect of the provision of handicapping services provided by MSL to Golf Australia in a long-term annuity contract through to 2025 as well as the number of clubs under contract in respect of administration and club management products. Modules and products purchased are a variable of revenue by club.
- › **MPower Venue:** number of clubs under contract. Revenue by venue will be dependent upon the modules and services provided to each venue.
- › **MPower Media:** number of clubs offering the Buying Club and other MSL member engagement tools as part of their customer loyalty programme.
- › **MPower BI:** number of venues under contract. Revenue per venue will be dependent upon the number of software applications and data sources integrated into the data platform.
- › The growth in subscriber numbers or venues under contract provides a platform for high margin full year growth in subsequent periods given the recurring nature of the revenue base operating expenses.

Key operating expense categories of MSL are set out below:

- › **Cost of sales** includes expenses associated with third party software and hardware.
- › **Sales and marketing** expense relates to personnel and related costs of sales and marketing employees and executives, including salaries, benefits, bonuses, commissions, cost of marketing programs, such as lead generation, promotional events, public relations services, webinars and other meeting costs and allocated overhead, including facility and recruitment costs.
- › **Product development** expense consist of personnel and related costs of product development relating to product development consultants and allocated overheads, which include facility and recruitment costs.
- › **General and administration** expense includes personnel and related costs of executive, finance and administrative personnel, office costs, legal and other professional fees, other corporate expenses and allocated overhead.

#### 4.7.1.2 Depreciation and amortisation

Depreciation and amortisation are non-cash items that predominantly relate to:

- › Depreciation of fixed assets, largely comprising computers and office equipment; and
- › Amortisation of limited life intangible assets, comprising intellectual property, licences and customer lists pre-dominantly identified in relation to prior year acquisitions.

MSL's accounting policies with regards to the calculation of depreciation and amortisation are set out at [www.mslsolutions.com.au/investor](http://www.mslsolutions.com.au/investor).

#### 4.7.1.3 Tax

The primary jurisdictions in which MSL operates and the FY16 corporate tax rates applicable in those jurisdictions are Australia (30%), UK (20%) and Denmark (22%). Due to tax losses historically incurred in Australia, no income tax is expected to be payable in Australia in respect of historical periods.

#### 4.7.1.4 Foreign exchange

The Financial Information is presented in Australian Dollars, which is MSL's functional currency. Net Assets of the Company's Denmark and UK operations are translated at the exchange rate applicable at each balance date. Results of overseas operations have been translated at the average exchange rate applicable for each period. The historical and forecast exchange rates are also set out in Section 4.2.5.

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### 4.7.2 PRO FORMA HISTORICAL RESULTS FOR FY16 COMPARED TO FY15

Table 4.7.2 sets out the Pro Forma Historical Results for FY16 compared to FY15.

Table 4.7.2: Pro Forma Historical Results: FY16 vs FY15

PRO FORMA HISTORICAL RESULTS				
A\$'000S	FY15	FY16	\$ CHANGE	% CHANGE
MPower Venue	20,333	22,334	2,001	10%
MPower Golf	6,623	6,975	352	5%
MPower Media	219	281	62	28%
MPower BI	-	-	-	-
<b>Total revenue</b>	<b>27,176</b>	<b>29,590</b>	<b>2,414</b>	<b>9%</b>
Cost of sales	(8,613)	(8,857)	(244)	3%
<b>Gross margin</b>	<b>18,563</b>	<b>20,733</b>	<b>2,170</b>	<b>12%</b>
Sales and marketing	(4,809)	(5,195)	(386)	8%
Customer support and technical services	(3,336)	(3,665)	(329)	10%
Research and development	(3,193)	(3,640)	(447)	14%
General and administration	(3,924)	(4,804)	(879)	22%
Other income and expenses	211	206	(6)	(3%)
<b>Total expenses</b>	<b>(15,051)</b>	<b>(17,097)</b>	<b>(2,047)</b>	<b>14%</b>
<b>EBITDA</b>	<b>3,512</b>	<b>3,636</b>	<b>123</b>	<b>4%</b>
Depreciation	(156)	(291)	(134)	86%
Amortisation	(1,644)	(1,898)	(254)	15%
<b>EBIT</b>	<b>1,713</b>	<b>1,447</b>	<b>(265)</b>	<b>(15%)</b>
Finance costs	(232)	(177)	55	(24%)
<b>NPBT</b>	<b>1,481</b>	<b>1,270</b>	<b>(210)</b>	<b>(14%)</b>
Tax expense	(576)	(798)	(223)	39%
<b>NPAT</b>	<b>905</b>	<b>472</b>	<b>(433)</b>	<b>(48%)</b>
Amortisation	1,644	1,898	254	15%
<b>NPATA</b>	<b>2,549</b>	<b>2,370</b>	<b>(179)</b>	<b>(7%)</b>
<b>Group metrics</b>				
Gross margin %	68%	70%		2%
EBITDA margin %	13%	12%		(1%)
NPATA margin %	9%	8%		(1%)
Group recurring revenue	11,453	12,584	1,132	10%
Group other revenue	15,723	17,006	1,283	8%
Recurring revenue as a % of total	42%	43%		0%
<b>Operating metrics</b>				
<b>MPower Venue</b>				
No. of customers under contract	897	927	30	3%
<b>MPower Golf</b>				
No. of Golf Australia members	398,392	389,690	(8,702)	(2%)
<b>MPower Media</b>				
No. of Media venues under contract	-	-	-	-
<b>MPower BI</b>				
No. of BI customers under contract	-	13	13	-
<b>Employee headcount</b>	<b>126</b>	<b>123</b>	<b>(3)</b>	<b>(2%)</b>

Notes: 1. Refer to notes under Section 4.3

## Revenue

Revenue increased by \$2.4m or 9% from \$27.2m in FY15 to \$29.6m in FY16. The composition of FY16 revenue was \$12.6m related to recurring revenue and \$17.0m related to other revenue. The increase in revenue in FY16 was due to:

Recurring revenue increased by \$1.1m or 10% from \$11.5m in FY15 (42% of total revenue) to \$12.6m in FY16 (43% of total revenue), due to:

### › MPower Venues:

- Recurring revenue increased by \$0.7m or 9% from \$7.6m in FY15 to \$8.3m in FY16 as a result of subscribers increasing from 897 in FY15 to 927 in FY16 along with contractual annuity increases of 2% for inflation.

### › MPower Golf:

- Recurring revenue increased by \$0.4m or 10% from \$3.9m in FY15 to \$4.3m in FY16 due to an increase in GolfBox subscriptions by \$0.4m from increased subscribers from 794 to 806 in FY16 and an increase in average subscriptions. GolfLink member revenue was stable with a reduction in Golf Australia members of 2%. The reduction in member numbers reflects the mature member base although this has not varied significantly over the historical period.

Other revenue increased by \$1.3m or 8% from \$15.7m in FY15 to \$17.0m in FY16, due to:

- › An increase of \$0.3m associated with increased upfront sales of perpetual software licences and associated hardware purchases made via MSL as a reseller; and
- › An additional \$0.4m installation services revenue associated with the software and hardware sales to major stadium customers.

### › Foreign currency impact:

- A \$1.0m increase in revenue, mostly impacting other revenue, arose from foreign exchange movements between the AUD and GBP/ DKK which resulted in favourable translation impacts on GolfBox and Verteda revenue.

### Cost of sales and Gross Profit:

- › Cost of sales increased by \$0.3m or 3% from \$8.6m in FY15 to \$8.9m FY16, with gross margin increasing from 68% in FY15 to 70% in FY16. The improved gross margin was driven by a favourable mix change in sales of software and hardware as well as high prices being achieved.

### Total expenses

Total expenses increased by \$2.0m or 14% from \$15.1m in FY15 to \$17.1m in FY16 primarily due to:

- › Sales and marketing costs increased by \$0.4m or 8% from \$4.8m in FY15 to \$5.2m in FY16;
- › Customer support and technical costs increased by \$0.3m (10%) in line with the increase in the associated revenue; and
- › General and administration expenses increased by \$0.9m or 22% from \$3.9m in FY15 to \$4.8m in FY16 due to higher salary costs, including increased headcount from 16 to 18 and a \$0.4m increase in acquisition related transaction costs.

### NPAT and NPATA

NPAT decreased from \$0.9m in FY15 to \$0.5m in FY16 for the reasons described above, as well as recording an additional \$0.1m in depreciation expense on purchases and \$0.2m in amortisation of identified intangibles as a result of the acquisitions of InfoGenesis Pty Ltd and Rockit Pty Ltd.

NPATA decreased from \$2.5m to \$2.4m after adjusting NPAT for amortisation.

## 4.7.3 PRO FORMA HISTORICAL CASH FLOWS FOR FY16 COMPARED TO FY15

Table 4.7.3 sets out the Pro Forma Historical Cash Flows for FY16 compared to FY15.

Table 4.7.3: Pro Forma Historical Cash Flows: FY16 vs FY15

A\$'000S	PRO FORMA HISTORICAL RESULTS			
	FY15	FY16	\$ CHANGE	% CHANGE
NPAT	905	472	(433)	(48%)
Less non-cash items in NPAT				
Depreciation and amortisation	1,800	2,189	389	22%
Share based payments	-	84	84	n/a
Total non-cash items in NPAT	1,800	2,273	473	26%
Movement in working capital	(4,882)	1,154	6,036	(124%)
Operating Cash Flow	(2,177)	3,898	6,076	(279%)
Capital expenditure	(287)	(1,132)	(845)	295%
Net Free Cash Flow	(2,464)	2,767	5,231	(212%)

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### Net Free Cash Flow

Net Free Cash Flow was \$2.8m in FY16, an increase of \$5.2m over FY15. The improvement in cash flow was primarily attributable to the following:

- › A \$0.4m reduction in NPAT, however, offset by a \$0.5m increase in non-cash items included in NPAT, related to a higher level of depreciation and amortisation which resulted in cash flow from NPAT being relatively consistent year on year;
- › A favourable movement in working capital which generated positive cash flow while FY15 included a working capital outflow; and
- › Offset by higher capital expenditure of \$1.1m in FY16 related to the acquisition of DotGolf intellectual property (\$0.4m paid of total acquisition cost of \$1.8m) and the purchase of software resulted in an increase of \$0.8m over FY15 capex of \$0.3m.

### 4.8 FORECAST FINANCIAL INFORMATION

The Forecast Financial Information has been prepared based on the significant accounting policies adopted by MSL that are in accordance with AAS and disclosed at [www.mslsolutions.com.au/investor](http://www.mslsolutions.com.au/investor). It is assumed that there will be no changes to Accounting Standards, the Corporations Act or other financial reporting requirements that may have a material effect on MSL's accounting policies during the forecast period.

The Forecast Financial Information is based on a large number of best estimate assumptions concerning future events as set out below. MSL believes that it has prepared the Forecast Financial Information with due care and attention and considers all assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus, including each of the general assumptions set out in Section 4.8.2.

However, the actual results are likely to vary from that forecast and any variation may be materially positive or negative. The assumptions on which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of MSL and its Directors, and are not reliably predictable.

Accordingly, none of MSL, the Directors or any other person can give any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in quantum and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

Investors are advised to review the best estimate assumptions set out below in conjunction with the description of the basis of preparation of the forecast above, the sensitivity analysis in Section 4.9 and the risk factors set out in Section 5. The Independent Limited Assurance Report on Directors' Forecasts is set out in Section 8. Investors should note the scope and limitations of the Independent Limited Assurance Report.

Accordingly, neither MSL and its Directors nor any other person can give any assurance that the forecast or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in quantum and timing from the assumptions, with a material consequential impact on the forecast.

#### 4.8.1 SPECIFIC ASSUMPTIONS

The basis of the specific assumptions that have been used in the preparation of the Pro Forma Forecast Financial Information is set out below.

##### 4.8.1.1 Revenue assumptions

The Forecast Financial Information is based on the following key revenue assumptions.

Revenue is considered by segment and also by recurring and other revenue streams (hardware and software sales, installation fees and consulting income).

Recurring revenue by segment assumes the following:

##### › MPower Venue:

- Increase in subscribers numbers from 927 in FY16 to 1,024 in FY17 as a result of conversion of software sales with assumption of conversion of 20% of prior month software sales, consistent with historical conversion rates in Micropower and InfoGenesis. Subscriber numbers to increase further to 1,151 by the end of FY18 primarily driven by Micropower and InfoGenesis.
- Growth in Verteda is supported by expansion into the Americas with 12 customers under contract at March 2017.

##### › MPower Golf:

- Golf Australia membership numbers are assumed stable with membership in FY17 and forecast to decline marginally in FY18. Contractually agreed monthly fees per member increased from \$2.75 to \$3.50 from January 2017 with no further increases forecast.



- GolfBox subscribers are assumed to increase by 39 subscribers or 5% in FY17 to 845 subscribers due to expansion of sales into Australia and the UK with products launched in these markets supported by agreements with local suppliers.
- › **MPower Media:**
  - Assumes the continued roll out of the Buying Club which commenced in H1 FY17 with the forecast rollout profile reflecting implementation to date and current negotiations with existing customers. The forecast assumes 83 MPower Media customers, including customers related to Pallisters Gaming, by 30 June 2017 and 123 customers by 30 June 2018.
- › **MPower BI:**
  - Assumes the roll out of analytics support from H1 FY17. The Business Intelligence revenue stream represents a combination of upfront implementation revenue (average \$5,500 per club which is included in other revenue) and subscription based revenue (average recurring revenue of \$1,000 per club per month). The forecast assumes 43 customers by the end of FY17 and 81 by the end of FY18.

Other revenue is assumed to remain relatively stable in FY17 and FY18 based on current pipelines (applying probability of success and historical conversion) and with consideration of historical growth rates.

#### 4.8.1.2 Costs of sales, operating expenses and other assumptions

The Forecast Financial Information is based on the following key cost assumptions for FY17 and FY18:

- › **Cost of sales** – primarily relate to third party software and hardware sales and are forecast in FY17 and FY18 based on forecast sales and at gross margins consistent with FY16.
- › **Operating expenses** – primarily comprise employee costs and rent (together accounting for approximately 80% of the cost base). Assumptions applied to these costs include:
  - Average salary increases of 2% per annum. Salaries for H2 FY17 reflect the actual December pay rates;
  - Increased headcount, largely reflecting new sales and customer support headcount for the new MPower BI and MPower Media product offerings; and
  - Rent increases have been assumed to increase in line with the lease agreements.

- › **Research and development government grants** – assumes an incentive credit of \$0.3m in FY17 and FY18 with approximately 22% of this included as an offset to the research and development expense and the remainder netted against tax expense;
- › **Convertible notes** – The FY17 Statutory forecast assumes there are no interest costs on the convertible notes assuming the shares are trading on the ASX by 7 May 2017. If not, then MSL will incur interest costs of \$850,000 in the form of a coupon due for the first six month period of the notes in accordance with the convertible note agreement. See further commentary in the sensitivity analysis at Section 4.9;
- › **Depreciation & Amortisation** – reflects forecast depreciation and amortisation consistent with current accounting policies; and
- › **Tax expense** is based on the corporate tax rates as set out in Section 4.7.1.3. No tax effect or benefit has been recognised on tax losses incurred by the Company in Australia prior to Offer, due to the uncertainty of the Company's ability to utilise these tax losses as a consequence of the Offer.

#### 4.8.2 GENERAL ASSUMPTIONS

In preparing the Forecast Financial Information, the following general assumptions have been adopted for the forecast period:

- › no material change to the competitive operating environment in which MSL operates;
- › no material changes in the exchange rates between the currencies of Australia, the UK and Denmark (See table 4.2.5);
- › no significant deviation from current market expectations of broader economic conditions relevant to countries in which MSL operates;
- › no significant interruptions are expected in relation to MSL's technology, platform and software;
- › no material change in the legislative regimes (including taxation) and regulatory environment in the areas in which MSL and its key suppliers operate;
- › no material amendments to any of MSL's key supplier contracts;
- › no material supplier losses;
- › no loss of key management personnel and MSL maintains its ability to recruit and retain required personnel;
- › no change in MSL's capital structure, other than changes flowing directly from the Offer as set out in, or contemplated by, this Prospectus;

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- › no material acquisitions, disposals, restructuring or investments;
- › no material adverse impact in relation to litigation or claims;
- › no changes to the Research and Development tax incentive;
- › the Offer proceeds substantially in accordance with the timetable set out on page 4 of this Prospectus; and
- › none of the key risks listed in Section 5 occur, or if they do, none of them has a material impact on the operations of MSL.

### 4.8.3 MANAGEMENT'S DISCUSSION OF ASSUMPTIONS RELATING TO THE PRO FORMA FORECAST RESULTS FOR FY17 COMPARED TO FY16

Table 4.8.3 sets out the Pro Forma Forecast Results for FY17 compared to Pro Forma Historical Results for FY16.

**Table 4.8.3: Pro Forma Historical and Forecast Results: FY17 vs FY16**

A\$'000S	PRO FORMA HISTORICAL & FORECAST RESULTS			
	FY16	FY17	\$ CHANGE	% CHANGE
MPower Venue	22,334	20,378	(1,956)	(9%)
MPower Golf	6,975	7,178	203	3%
MPower Media	281	997	716	255%
MPower BI	-	709	709	-
<b>Total revenue</b>	<b>29,590</b>	<b>29,263</b>	<b>(327)</b>	<b>(1%)</b>
Cost of sales	(8,857)	(7,902)	955	(11%)
<b>Gross margin</b>	<b>20,733</b>	<b>21,361</b>	<b>628</b>	<b>3%</b>
Sales and marketing	(5,195)	(3,960)	1,235	(24%)
Customer support and technical services	(3,665)	(4,340)	(675)	18%
Research and development	(3,640)	(3,198)	442	(12%)
General and administration	(4,804)	(5,537)	(733)	15%
Other income and expenses	206	(338)	(544)	(264%)
<b>Total expenses</b>	<b>(17,097)</b>	<b>(17,373)</b>	<b>(276)</b>	<b>2%</b>
<b>EBITDA</b>	<b>3,636</b>	<b>3,988</b>	<b>352</b>	<b>10%</b>
Depreciation	(291)	(214)	77	(26%)
Amortisation	(1,898)	(4,900)	(3,002)	158%
<b>EBIT</b>	<b>1,447</b>	<b>(1,126)</b>	<b>(2,573)</b>	<b>(178%)</b>
Net finance costs	(177)	(39)	138	(78%)
<b>NPBT</b>	<b>1,270</b>	<b>(1,165)</b>	<b>(2,435)</b>	<b>(192%)</b>
Tax expense	(798)	(259)	539	(68%)
<b>NPAT</b>	<b>472</b>	<b>(1,424)</b>	<b>(1,896)</b>	<b>(402%)</b>
Amortisation	1,898	4,900	3,002	158%
<b>NPATA</b>	<b>2,370</b>	<b>3,476</b>	<b>1,106</b>	<b>47%</b>
<b>Group metrics</b>				
Gross margin %	70%	73%		3%
EBITDA margin %	12%	14%		1%
NPATA margin %	8%	12%		4%
Group recurring revenue	12,584	13,939	1,355	11%
Group other revenue	17,006	15,323	(1,683)	(10%)
Recurring revenue as a % of total	43%	48%		5%
<b>Operating metrics</b>				
<b>MPower Venue</b>				
No. of customers under contract	927	1,024	97	10%

PRO FORMA HISTORICAL & FORECAST RESULTS				
A\$'000S	FY16	FY17	\$ CHANGE	% CHANGE
<b>MPower Golf</b>				
No. of Golf Australia members	389,690	389,340	(350)	(0%)
<b>MPower Media</b>				
No. of Media venues under contract	-	83	83	-
<b>MPower BI</b>				
No. of BI customers under contract	13	43	30	231%
<b>Employee headcount</b>	123	135	12	10%

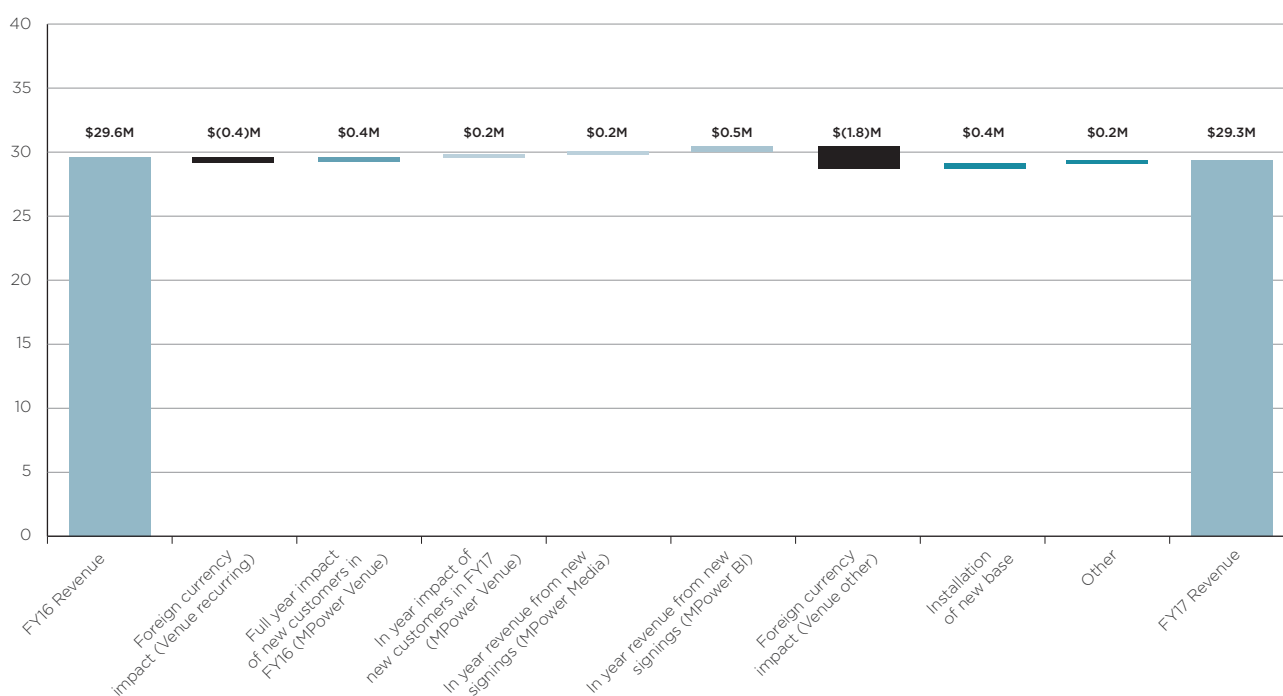
Notes:

1 Refer to notes under Section 4.3

## Revenue

FY17 is forecast to include recurring revenue of \$13.9m and other revenue of \$15.3m. Revenue is forecast to decline by \$0.3m from \$29.6m in FY16 to \$29.3m in FY17.

Figure 4.8.3: FY16 - FY17 Pro Forma revenue bridge



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Recurring revenue assumes an increase of \$1.4m or 11% from \$12.6m in FY16 (43% of total revenue) to \$13.9m in FY17 (48% of recurring revenue), due to:

› **MPower Venue:**

- Increase in subscribers from 927 in FY16 to 1,024 in FY17 (10%) combined with the full year impact on new subscribers in FY16 resulting in a \$0.6m or 7% increase in recurring revenue.
- The increase in subscribers has been supported by expansion of the European business into America with 12 customers under contract at March 2017 with recurring monthly revenue of GBP37,000 (A\$60,000).

› **MPower Golf:**

- Golf Australia handicap service support fees were increased from January 2017 to \$3.25 per golf club member in Australia, up 18% from the prior contracted fee of \$2.75. Across nearly 400,000 club members this equates to an uplift in annual revenue of \$0.2m;
- Golf Australia contracted MSL to roll out the BI tool to 1,500 golf clubs in Australia in April and May 2017. MSL have locked in contracted fees from July 2016 of \$0.2m.

› **MPower Media**

- Assumes an increase in the Buying Club contracts from 6 at December 2016 to 83 at June 2017 from market resellers, the existing installed base and Pallister Gaming clients.
- MSL have executed a reseller agreement with a large listed company to resell the Buying Club to their customer base, and a second reseller agreement with an established industry organisation in the social clubs expanding the target market more broadly than the current MSL installed base.
- The MSL direct sales team is targeting existing and new clients, and at the end of February 2017 had executed 9 client contracts in the first three months since launch.
- The Company has an agreement with Pallister Gaming to sell the Buying Club through their clubs, with a commission of 20% received by Pallister. To date Pallisters had agreed contracts with 2 clubs and was in negotiation with a further 3.

› **MPower BI**

- Assumes an increase in clubs under contract from 13 in FY16 to 43 clubs by 30 June 2017, generating an additional \$0.2m in FY17.

Other revenue assumes a decrease by \$1.7m or 10% from \$17.0m in FY16 to \$15.3m in FY17, due to:

› **MPower Venue:**

- a decline in revenue from \$14.0m in FY16 to \$12.2m in FY17 primarily due to unfavourable foreign currency movements which are estimated at \$2.2m (\$1.7m of which impacts other revenue) and primarily relate to the translation of the Verteda results from GBP to AUD.

› **MPower Golf:**

- Media advertising revenue associated with the golf database declining by \$0.3m as a result of changes to the Golf Australia agreement.

› **MPower Media:**

- Increased software and implementation revenue of \$0.5m in support of the rollout of the Buying Club.

### Cost of sales and Gross Profit

Cost of sales are forecast to decline by \$1.0m or 11% from \$8.9m in FY16 to \$7.9m in FY17. The weakened GBP against the AUD is forecast to have a favourable impact on cost of sales of \$1.0m. Cost of sales on all other areas of the business are forecast to increase only marginally, resulting in an improvement in gross profit to \$21.4m in FY17 at a margin of 73%.

### Total expenses

Operating expenses are forecast to be broadly stable and increase from \$17.1m in FY16 to \$17.4m in FY17:

- › Sales and marketing expense declining by \$1.2m or 24% due to as a result of business decisions to redistribute resources to support development and customer functions.
- › Customer support and technical services increasing by \$0.7m or 18% primarily due to an increase in headcount from 34 at 30 June 2016 to 37 at 30 June 2017 in support of the increasing product offerings and in particular 1 additional head added to support the increase in the subscriber base in the United States. Increased server costs required to host the analytics platform will also increase costs by \$0.1m in FY17.

- › Research and development decreasing by \$0.4m or 12% primarily due to an increase in headcount of 2 people to 27 people at 30 June 2017, and increased consulting fees of \$0.1m associated with the business analytics platform. In FY17, \$0.2m of research and development grants are accounted for against tax expense with \$0.1m against research and development expense while in FY16 \$0.7m of grants was offset against research and development costs.
- › General and administration expenses to increase by \$0.7m in FY17 primarily from transaction costs of \$0.6m in relation to the acquisitions of Verteda and GolfBox in H1 FY17 being higher than the \$0.4m of transaction costs in FY16. An increase in salary costs is expected to be offset by a decline in external consulting and advisor costs.

Total expenses also includes unrealised foreign currency losses of \$0.3m in FY17 on translation of the Verteda Limited and GolfBox A/S acquisitions.

#### NPAT and NPATA

NPAT is forecast to decrease by \$1.9m in FY17 to \$(1.4)m primarily due to an increase in amortisation changes related to the acquisitions and for the reasons described above.

NPATA is forecast to increase from \$2.4m to \$3.5m after adjusting NPAT for amortisation.

#### 4.8.4 MANAGEMENT'S DISCUSSION OF ASSUMPTIONS RELATING TO THE PRO FORMA FORECAST CASH FLOWS FOR FY17 COMPARED TO FY16

Table 4.8.4 sets out the Pro Forma Forecast Cash Flows for FY17 compared to Pro Forma Historical Cash Flows for FY16.

**Table 4.8.4: Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows: FY17 vs FY16**

A\$'000S	PRO FORMA HISTORICAL AND PRO FORMA FORECAST CASH FLOWS			
	FY16	FY17	\$ CHANGE	% CHANGE
<b>NPAT</b>	<b>472</b>	<b>(1,424)</b>	<b>(1,896)</b>	<b>(402%)</b>
<b>Less non-cash items in NPAT</b>				
Depreciation and amortisation	2,189	5,114	2,925	134%
Share based payments	84	-	(84)	(100%)
<b>Total non-cash items in NPAT</b>	<b>2,273</b>	<b>5,114</b>	<b>2,841</b>	<b>125%</b>
Movement in working capital	1,154	(815)	(1,969)	(171%)
<b>Operating Cash Flow</b>	<b>3,898</b>	<b>2,875</b>	<b>(1,024)</b>	<b>(26%)</b>
Capital expenditure	(1,132)	(1,600)	(468)	41%
<b>Net Free Cash Flow</b>	<b>2,767</b>	<b>1,275</b>	<b>(1,492)</b>	<b>(54%)</b>

#### Net Free Cash Flow

Net Free Cash Flow was \$2.8m in FY16 and is forecast to decrease by \$1.5m in FY17 to result in Net Free Cash Flow of \$1.3m. The forecast decline in Net Free Cash Flow is expected through:

- › A \$1.9m decrease in NPAT, however, offset by a \$2.9m increase in non-cash items included in NPAT, as a result of a higher level of depreciation and amortisation flowing from acquisitions. The net forecast impact from higher cash NPAT earnings is an increase in cash flow of \$0.9m over FY16;
- › A forecast outflow of \$0.8m from an unfavourable movement in working capital in FY17 whereas FY16 benefited from favourable working capital movements resulting in a difference of \$2.0m between FY16 and FY17 cash flow; and
- › Capital expenditure increasing by \$0.5m to \$1.6m for the acquisition of DotGolf intellectual property with the final payment of \$1.4m in H1 FY17.

## 4 FINANCIAL INFORMATION

### 4.8.5 MANAGEMENT'S DISCUSSION OF ASSUMPTIONS RELATING TO THE PRO FORMA FORECAST RESULTS FOR FY18 COMPARED TO FY17

Table 4.8.5 sets out the Pro Forma Forecast Results for FY18 compared to FY17.

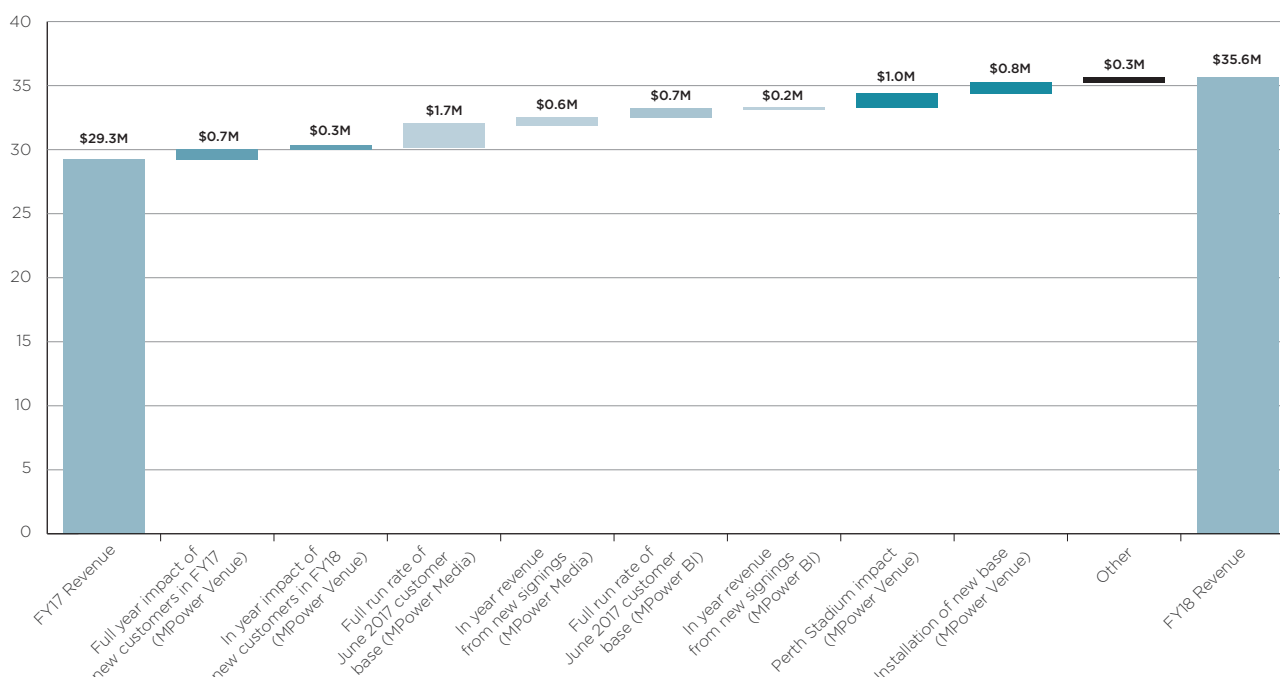
**Table 4.8.5: Pro Forma Forecast Results: FY18 vs FY17**

PRO FORMA FORECAST RESULTS				
A\$'000S	FY17	FY18	\$ CHANGE	% CHANGE
MPower Venue	20,378	23,273	2,895	14%
MPower Golf	7,178	7,465	287	4%
MPower Media	997	3,304	2,307	231%
MPower BI	709	1,515	805	114%
<b>Total revenue</b>	<b>29,263</b>	<b>35,557</b>	<b>6,294</b>	<b>22%</b>
Cost of sales	(7,902)	(9,515)	(1,613)	20%
<b>Gross margin</b>	<b>21,361</b>	<b>26,042</b>	<b>4,681</b>	<b>22%</b>
Sales & marketing	(3,960)	(4,806)	(846)	21%
Customer support & technical services	(4,340)	(5,443)	(1,103)	25%
Research and development	(3,198)	(3,979)	(781)	24%
General and administration	(5,537)	(5,363)	173	(3%)
Other expenses	(338)	-	338	(100%)
<b>Total expenses</b>	<b>(17,373)</b>	<b>(19,592)</b>	<b>(2,219)</b>	<b>13%</b>
<b>EBITDA</b>	<b>3,988</b>	<b>6,450</b>	<b>2,462</b>	<b>62%</b>
Depreciation	(214)	(142)	72	(33%)
Amortisation	(4,900)	(6,394)	(1,494)	30%
<b>EBIT</b>	<b>(1,126)</b>	<b>(86)</b>	<b>1,040</b>	<b>(92%)</b>
Net finance costs	(39)	-	39	(100%)
<b>NPBT</b>	<b>(1,165)</b>	<b>(86)</b>	<b>1,079</b>	<b>(93%)</b>
Tax expense	(259)	(390)	(130)	50%
<b>NPAT</b>	<b>(1,424)</b>	<b>(476)</b>	<b>948</b>	<b>(67%)</b>
Amortisation	4,900	6,394	1,494	30%
<b>NPATA</b>	<b>3,476</b>	<b>5,918</b>	<b>2,442</b>	<b>70%</b>
<b>Group metrics</b>				
Gross margin %	73%	73%		0%
EBITDA margin %	14%	18%		5%
NPAT margin %	12%	17%		5%
Group recurring revenue	13,939	17,847	3,907	28%
Group other revenue	15,323	17,710	2,387	16%
Recurring revenue as a % of total	48%	50%		3%
<b>Operating metrics</b>				
<b>MPower Venue</b>				
No. of customers under contract	1,024	1,151	127	12%
<b>MPower Golf</b>				
No. of Golf Australia members	389,340	389,340	-	-
<b>MPower Media</b>				
No. of Media venues under contract	83	123	40	48%
<b>MPower BI</b>				
No. of BI customers under contract	43	81	38	88%
<b>Employee headcount</b>	135	141	6	4%

## Revenue

FY18 is forecast to include recurring revenue of \$17.9m and other revenue of \$17.7m. Revenue is forecast to increase by \$6.3m from \$29.3m in FY17 to \$35.6m in FY18.

Figure 4.8.5: FY17 - FY18 Pro Forma revenue bridge



Recurring revenue assumes an increase of \$3.9m or 28% from \$13.9m in FY17 (48% of total revenue) to \$17.9m in FY18 (50% of recurring revenue).

### › MPower Venue

- Increase in subscribers from a total of 1,024 in FY17 to 1,151 in FY18, along with assumed price increases (approximately 2 -3 % depending on customer and region), support growth in the Australian and European Markets.
- The European business has secured 12 new contracts in the US market generating \$0.7m of recurring revenue on a full year basis, however only contributing \$0.2m in FY17. An additional significant customer contract has been signed and is due to commence in the last quarter of FY17 contributing an additional \$0.2m recurring revenue in FY18.
- The forecast assumes a further 5 contracts will be signed by the end of FY18 generating recurring revenue in FY18 of \$0.2m.

### › MPower Golf

- Increased Golf Australia member fees of \$0.50 per member per month from \$2.75 to \$3.50 from January 2017 will have 12 months benefit compared to FY17 which included six months of the price increase.

### › MPower Media

- Assumes an increase in the Buying Club contracts from 83 at June 2017 to 123 at June 2018, including:
  - Pallister Gaming IP acquisition: forecast to generate \$0.5m in revenue from 40 existing clients. While these clients were in the contract numbers at June 2017, their impact was minimal on the FY17 forecast, with 2 customers secured and a further 3 in negotiation at March 2017;
  - Recognition of a full year of subscriptions for new clients which were either secured or are assumed to be secured in FY17 resulting in an increase of \$1.3m; and
  - An additional 40 new clients from established resellers and the MSL sales team selling direct into the MSL existing client install base. The MSL sales team are targeting over 50 existing clubs (less than 3% of the MSL existing client installed base) by 30 June 2018.
  - Between 50 and 75 club sales by FY18 through reseller agreements with established industry organisations.



## 4 FINANCIAL INFORMATION

### › MPower BI

- Assumes an increase in clubs under contract from 43 at June 2017 to 81 at June 2018 which together with the full year impact of contracts secured during FY17 result in increased revenue forecast of \$0.8m.

Other revenue assumes an increase by \$2.4m or 16% from \$15.3m in FY17 to \$17.7m in FY18, due to:

- › Forecasting \$1.0m in FY18 for a major venue/stadia deal in Australia that is currently in the pipeline (at a cost of sales of \$0.8m); and
- › additional services revenues of 0.8m associated with new subscribers for MPower Venues going from 1,024 at FY17 to 1,151 at FY18.

### **Cost of sales and Gross Profit**

Cost of sales are forecast to increase by \$1.6m or 20% from \$7.9m in FY17 to \$9.5m in FY18. Gross margin is assumed to remain stable between FY17 and FY18 at 73%.

### **Total expenses**

Operating expenses are forecast to increase by \$2.2m or 13% from \$17.4m in FY17 to \$19.6m in FY18 primarily due to:

- › Sales and marketing expense increasing by \$0.8m or 21% due to a 2% increase in salaries and an increase in headcount of 5 to support growth of the analytics platform, Buying Club roll out and Venues sales targeting in America.
- › Customer support and technical services increasing by \$1.1m or 25% primarily due to increase in salaries of 2% and an increase in headcount to support growth in the Venue customer base along with additional hosting related costs.
- › Research and development costs increasing by \$0.8m or 24% primarily due to an increase in salaries of 2% while headcount is assumed stable at 27 heads as a result of an anticipated increase in activity and includes costs associated with a full year of staff appointed in the later part of FY17 as well as a salary increase factored that's in across all R&D staff.

Total expenses are not assumed to include expenses related to transaction or foreign currency impacts.

### **NPAT and NPATA**

NPAT is forecast to increase by \$0.9m from \$(1.4)m in FY17 to \$(0.5)m in FY18 for the reasons described above.

NPATA is forecast to increase from \$3.5m in FY17 to \$5.9m in FY18 after adjusting NPAT for amortisation.

#### 4.8.6 MANAGEMENT'S DISCUSSION OF ASSUMPTIONS RELATING TO THE TABLE 4.8.6 PRO FORMA FORECAST CASH FLOWS FOR FY18 COMPARED TO FY17

Table 4.8.6 sets out the Pro Forma Forecast Cash Flows for FY18 compared to FY17.

**Table 4.8.6: Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows: FY18 vs FY17**

A\$'000S	PRO FORMA HISTORICAL AND PRO FORMA FORECAST CASH FLOWS			
	FY17	FY18	\$ CHANGE	% CHANGE
<b>NPAT</b>	<b>(1,424)</b>	<b>(476)</b>	<b>948</b>	<b>(67%)</b>
<b>Less non-cash items in NPAT</b>				
Depreciation and amortisation	5,114	6,536	1,422	28%
<b>Total non-cash items in NPAT</b>	<b>5,114</b>	<b>6,536</b>	<b>1,422</b>	<b>28%</b>
Movement in working capital	(815)	30	845	n/a
<b>Operating Cash Flow</b>	<b>2,875</b>	<b>6,090</b>	<b>3,216</b>	<b>112%</b>
Capital expenditure	(1,600)	(300)	1,300	n/a
<b>Net Free Cash Flow</b>	<b>1,275</b>	<b>5,790</b>	<b>4,516</b>	<b>354%</b>

#### Net Free Cash Flow

Net Free Cash Flow is forecast to increase by \$4.5m in FY18 to \$5.8m. The forecast improvement in cash flow is expected through:

- › A \$0.9m increase in NPAT combined with a \$1.4m increase in non-cash items included in NPAT, as a result of a higher level of depreciation and amortisation flowing from the full year impact of amortisation charges relating to the Verteda and GolfBox acquisitions in FY17. The net impact is forecast cash NPAT being \$2.3m higher;
- › Forecast working capital remaining relatively flat between FY17 and FY18, thereby having minimal impact on FY18 cash flow and resulting in an improvement over FY17 of \$0.8m; and
- › Capital expenditure forecast to decrease to \$0.3m in FY18 following increased levels in FY17 owing to the DotGolf software acquisition.

## 4.9 SENSITIVITY ANALYSIS

The Forecast Financial Information included in Section 4 is based on a number of specific and general assumptions which have been outlined above and which are subject to change. The Forecast Financial Information is also subject to a number of risks as outlined in Section 5.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the forecasts, the sensitivity of the forecast Pro Forma NPAT for FY17 and FY18 to changes in certain key assumptions is set out below.

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables in order to illustrate the likely impact on the forecast. In practice, changes in variables may offset each other or be additive, and it is likely that management would respond to any adverse change in one variable by seeking to minimise the net effect on MSL's NPAT.

The sensitivity analysis is intended to provide a guide only and variations in actual performance could exceed the ranges shown.

## 4 FINANCIAL INFORMATION

Table 4.9: Sensitivity analysis on Pro Forma forecast NPAT for FY17 and FY18

PRO FORMA NPAT				
A\$'000S	NOTES	SENSITIVITY	FY17	FY18
MPower Venue				
Unsuccessful Stadium tender (Gross Margin)	1	Contract lost	-	(0.2)
Clubs under contract	2	+/- 10%	0.4/(0.4)	0.9/(0.9)
MPower Media				
Delay in Customer ramp up by 3 months	3	- 3 months	(0.4)	(0.1)
Clubs under contract	4	+/- 10%	0.1/(0.1)	0.4/(0.4)
MPower BI				
Delay in Customer ramp up by 3 months	5	- 3 months	(0.2)	(0.1)
Clubs under contract	6	+/- 15%	0.2/(0.2)	0.1/(0.1)
Mpower Golf				
Uncontracted revenue	7	+/- 10%	0.1/(0.1)	0.3/(0.3)
Corporate				
Convertible note	8		(0.9)	-
Foreign currency rates	9	+/- 10%	0.2/(0.2)	0.3/(0.3)

Notes:

**MPower Venue:**

1. Unsuccessful tender for the forecast material stadium project. This downside sensitivity has been based on the forecast hardware revenue of \$1.0m at an expected gross margin of 20% and is presented to illustrate the downside risk if MSL does not win the contract.
2. A 10% increase or decrease in the number of clubs under contract.

**MPower Media:**

3. Delay in contracting new the Buying Club customers by 3 months.
4. A 10% increase or decrease in the number of clubs under contract.

**MPower BI:**

5. Delay in signing new MPower BI customers by 3 months.
6. A 10% increase or decrease in the number of clubs under contract.

**MPower Golf:**

7. A 10% increase or decrease in uncontracted advertising revenue.

**Corporate:**

8. Subject to timing of the Offer, additional costs in respect of the convertible note may arise, see Section 4.8.1.2
9. Variation in foreign currency rates of 10% compared to the forecast.

### 4.10 DIVIDEND POLICY

Payment of dividends by the Company depends upon the availability of distributable earnings, and the Company's franking credit position, operating results, available cash flows, financial condition, taxation position, future capital requirements, general business and financial conditions, and other factors the Board considers relevant. The Directors give no assurances about the payment of dividends, the extent of payout ratios or the future level of franking dividends.

- › It is the current intention of the Board to target a dividend payout ratio of not less than 40% of the Company's statutory NPAT.

The Board's current intention is not to pay a dividend in relation to the period ended 30 June 2017. The first dividend following quotation of shares in the Company on ASX is expected to be declared for the year ending 30 June 2018.



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RISK FACTORS





## 5 RISK FACTORS

This Section 5 describes some of the risks associated with the Company's business, and the industry in which it operates as well as some general risks associated with owning Shares. This section does not list every risk which may be associated with the Company's business, the industries in which it operates, or of an investment in Shares.

MSL is subject to a variety of risk factors. Some of these are specific to its business activities, while others are of a more general nature. Individually, or in combination, these risk factors may affect the future operating and financial performance of MSL, its investment returns and the value of an investment in the Shares.

The risks set out below are considered by the Directors to be relevant to potential investors based on the likelihood of the risk occurring and the potential impact on the Company or the value of the Shares, as known and understood by the Directors as at the date of the Prospectus. Those likelihoods and impacts may change over time, and there is no assurance that these risks will remain relevant or not be supplanted by other risks which may emerge or increase in importance over time.

The risks listed below should be considered in conjunction with all other information presented in this Prospectus. Many of the risks described below are outside the control of the Company, the Directors and management. There is no guarantee that the Company will achieve its stated objectives or that any forward-looking statements or forecasts will eventuate.

Before applying for Shares, you should be satisfied that you have a sufficient understanding of the risks identified in this Section 5 and their potential impact on the value of your investment in Shares, so that you can fully consider whether or not the Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances, and tax circumstances.

We recommend you seek professional advice from your stockbroker, solicitor, accountant or other qualified professional adviser before deciding whether to invest in Shares.

### 5.1 RISKS SPECIFIC TO THE COMPANY'S OPERATIONS

#### 5.1.1 MSL OPERATES IN A COMPETITIVE INDUSTRY

The technology industry is intensely competitive, and subject to rapid and significant change. If MSL is significantly slower than its competitors to adapt to technological change, it could lead to a reduction in the use of the MPower platform. Details on the competitive landscape faced by MSL are set out in section 2.

Competitors may be able to adopt certain aspects of MSL's business model without great financial expense (as barriers to entry in the software business are generally low), reducing MSL's ability to differentiate its services. They may also succeed in developing alternate products which are more innovative, easier to use or most cost effective than those that have been or may be developed by MSL. This may place pricing pressure on MSL's product offering and may impact of MSL's ability to retain existing clients, as well as MSL's ability to attract new clients. If MSL cannot compete successfully, MSL's business, operating results and financial position could be adversely impacted.

As the market within which the Company operates is a global market, competition may arise from a number of sources, both in Australia and abroad. This may include companies which may have greater capital resources and closer customer relationships than MSL. Competition may also arise from companies which possess developed processes, systems and technology, or clients who seek to develop their own equivalent platform.

Any failure to match technological change or significant competition may adversely impact MSL's ability to attract clients or achieve its business objectives.



### 5.1.2 FAILURE TO RETAIN EXISTING CLIENTS AND ATTRACT NEW CLIENTS

The growth of MSL depends in part on increasing the number of its clients. The Company's ability to maintain levels of customer numbers, or to increase the number of clients further, in applicable business sectors and geographical areas is likely to be subject to limitations.

There is a risk that one or more clients may terminate their contracts early or that, upon expiration of their existing contracts, they may choose not to renew arrangements with MSL or that the subsequent terms may be less favourable to MSL.

Failure to maintain customer relationships or renew agreements could result in MSL's revenues declining and operating results being materially and adversely affected.

### 5.1.3 TECHNOLOGICAL DEVELOPMENTS

If MSL fails to adapt to technological changes, this could have an adverse affect on MSL's business, operating results and financial position.

The ability to improve MSL's existing products and develop new products is subject to risks inherent in the development process. MSL's products may be shown to be ineffective, not capable for adaptation to its customer's business, or unable to compete with superior or cheaper products or services marketed by third parties.

There is no assurance that MSL will be successful in maintaining its market share or that it will be able to develop and introduce competitive technological advances in a timely and cost effective way.

### 5.1.4 EXPANSION OF MSL'S INTERNATIONAL FOOTPRINT MAY NOT ACHIEVE INTENDED GOALS

MSL has achieved revenue in jurisdictions including Australia, the United Kingdom Europe and North America. However there is no guarantee that MSL will be able to retain or continue to grow its revenues in those jurisdictions. When MSL introduces new product features, or expands into existing or new territories, there are risks that these initiatives may result in unforeseen costs, failure to achieve expected revenue or to achieve the intended outcomes.

Further, MSL's ability to operate profitably in the future will depend in part on whether it is able to grow its own direct sales force and/or develop an international distribution network. Other factors that may impact on MSL's operations are its ability to manage its costs, its ability to execute its development and growth strategies, economic conditions in the markets in which it operates, competitive factors and regulatory changes.

### 5.1.5 RELIANCE ON THIRD PARTY IT SUPPLIERS

MSL utilises a number of wholesale infrastructure providers to deliver services into MSL. This includes Amazon and Microsoft Azure.

MSL is dependent on ongoing mutually beneficial relationships with such key suppliers. Termination or failure to renew agreements with such suppliers could impact on the provision of services by the MSL group, which would be likely to have a material adverse effect on MSL's operations and financial position.

In addition, any change to applicable rates and charges by key suppliers could impact on MSL's gross margin and profitability.

### 5.1.6 DISRUPTION OR FAILURE OF TECHNOLOGY SYSTEMS

While MSL believes it is using proven technologies and has established systems to efficiently carry out its operations, the viability of its endeavours can be affected by force majeure circumstances, incompatibility of software with customer systems, market access constraints, cost overruns, the performance of associated parties or unforeseen claims and events. Such failures may result in business interruption or contractual claims from clients.

MSL's clients are located in a number of countries. Disruption to internet or other third party provider services in countries where MSL's clients are based (such as a result of technical outages or catastrophic destruction of critical infrastructure following natural disasters) could significantly impact on the use of MSL's platform and business continuity. This could have a material adverse effect on MSL's ability to generate revenue while such disruption remains in place.

## 5 RISK FACTORS

### 5.1.7 SECURITY BREACH AND DATA PRIVACY

MSL may be adversely affected by malicious third party applications that interfere with, or exploit, security flaws in the Company's software and infrastructure. Viruses, worms and other malicious software programs could, among other things, jeopardise the security of information stored in a customer's or the Company's computer systems. If MSL's efforts to combat these malicious applications are unsuccessful, or if its software or infrastructure has actual or perceived vulnerabilities, MSL's business reputation and brand name may be harmed, which may result in a material adverse effect on MSL's operations and financial position.

MSL provides its services through cloud based and other online platforms. Hacking or exploitation of any vulnerability on those platforms could lead to loss, theft or corruption of data. This could render MSL's services unavailable for a period of time while data is restored. It could also lead to unauthorised disclosure of users' data with associated reputational damage, claims by users, regulatory scrutiny and fines. Although MSL employs strategies and protections to try to minimise security breaches and to protect data, these strategies and protections might not be entirely successful. In that event, disruption to MSL's services or clients could adversely impact on MSL's revenue and profitability. The loss of client data could have severe impacts to client service, reputation and the ability for clients to use the products.

### 5.1.8 CYBER SECURITY

MSL is heavily reliant on the security of its technologies. Breaches of security could impact user satisfaction and confidence in MSL's software and could impact the Company's financial performance.

Breaches of security, such as cyber attacks by hackers, could also render MSL's products unavailable through a disrupted denial of service or other disruptive attacks. Unavailability of the Company's software could lead to a loss of revenues for the Company. Further, it could hinder the Company's ability to retain existing clients and attract new clients, particularly if MSL's products were perceived to be less secure or reliable than its competitors, which would have a material adverse impact on the Company's prospects.

### 5.1.9 ABILITY TO ATTRACT AND RETAIN KEY PERSONNEL

MSL depends on the talent and experience of its personnel as its primary asset. There may be a negative impact on MSL if any of its key personnel leave. It may be difficult to replace them, or to do so in a timely manner or at comparable expense. Additionally, any key personnel of the Company who leave to work for a competitor may adversely impact the Company.

In summary, MSL's ability to attract and retain personnel will have a direct correlation upon its ability to deliver its project commitments and achieve forecast revenues. Additionally, increases in recruitment, wages and contractor costs may adversely impact upon the financial performance of the Company.

### 5.1.10 INSURANCE

MSL will maintain adequate insurance coverage in line with industry practice, however no assurance can be given that such insurance will be available in the future on a commercially reasonable basis, or will provide adequate cover against claims made. There may also be some losses for which MSL is unable to obtain sufficient cover. If MSL incurs uninsured losses or liabilities, its assets, profits and prospects may be materially adversely affected.

### 5.1.11 FAILURE TO PROTECT INTELLECTUAL PROPERTY RIGHTS

Some of MSL's success depends on its ability to protect its proprietary technology. It may be possible for a third party to copy or otherwise obtain and to use MSL's software and products without authorisation, or develop similar software independently.

MSL undertakes a range of legal and physical protection measures in relation to its clients, consultants and employees. There can be no assurance that any such protective measures taken by MSL have been, or will be, adequate to protect MSL's proprietary technology.

#### 5.1.12 BREACH OF THIRD PARTY INTELLECTUAL PROPERTY RIGHTS

Other parties may develop and patent substantially similar or substitute products, processes, or technologies to those used by MSL, and other parties may allege that MSL's products incorporate intellectual property rights derived from third parties without their permission.

Whilst MSL is not the subject of any claim that its products infringe the intellectual property rights of a third party, allegations of this kind may be received in the future and, if successful, injunctions may be granted against MSL which could materially affect the operation of MSL and MSL's ability to earn revenue, and cause disruption to MSL's services.

The defence and prosecution of intellectual property rights lawsuits, proceedings, and related legal and administrative proceedings are costly and time-consuming, and their outcome is uncertain.

#### 5.1.13 FOREIGN EXCHANGE

MSL operates internationally and in a number of currencies (including GBP and DKK). As MSL reports in AUD, fluctuations in prevailing exchange rates may affect MSL's profitability and financial position.

For example, MSL receives a number of payments in GBP. If the AUD falls relative to the GBP, those costs increase in AUD terms, potentially reducing MSL's profitability. Currently, most of the Company's revenues are in AUD.

The mix of currencies in which MSL pays its costs and earns its revenues may change over time. If changes in this mix occur, there may be a greater impact on profitability in AUD terms.

MSL's financial statements are prepared and presented in AUD, and any appreciation in the AUD against other currencies in which MSL transacts may adversely impact its financial performance and position.

#### 5.1.14 COUNTRY-SPECIFIC RISK FACTORS IN FOREIGN OPERATIONS

Businesses that operate across multiple jurisdictions face additional complexities from the unique business requirements in each jurisdiction.

MSL will be exposed to a range of multijurisdictional risks in any new territory within which it may choose to establish operations from time to time, such as risks relating to labour practices, difficulty in enforcing contracts, changes to or uncertainty in the relevant legal and regulatory regime (including in relation to taxation and foreign investment and practices of government and regulatory authorities) and other issues in foreign jurisdictions in which the Company may operate.

#### 5.1.15 FUTURE ACQUISITIONS

The Company's growth strategy may be impacted if it is unable to find suitable mergers and acquisitions. The Company's due diligence processes may not be successful and a merger or acquisition may not perform to the level expected.

#### 5.1.16 CHANGES TO LAWS OR REGULATIONS

MSL will be subject to local laws and regulations in each jurisdiction in which it provides its services. Future laws or regulations may be introduced concerning various aspects of the MSL's business, all of which may impact its operations. Changes in or extensions of laws and regulations affecting MSL's business could restrict or complicate MSL's business and significantly increase its compliance costs.

#### 5.1.17 CAPITAL STRUCTURE RISK

Following completion of the Offer, the Directors and management team will retain a significant holding in MSL and will therefore have a significant influence over the Company, including in relation to resolutions requiring the approval of Shareholders. This collective interest may also have an impact on the liquidity particularly having regard to escrow arrangements referred to below), as well as acting as a potential deterrent to corporate transactions.

#### 5.1.18 MSL ON A STATUTORY BASIS IS LOSS MAKING AND EXPECTED TO CONTINUE TO BE LOSS MAKING IN THE FORECAST PERIOD

While revenue has grown from FY15, the focus on revenue growth, including through acquisition which has resulted in significant amortisation charges, has seen an increase in the cost base, resulting in the business historically generating Statutory NPAT losses and an expectation that Statutory NPAT losses will continue in the forecast period.

## 5 RISK FACTORS

### 5.1.19 RESEARCH AND DEVELOPMENT TAX INCENTIVES

The Australian Tax Office (ATO) issued Taxpayer Alert 2017/5 on 20 February 2017 which states that the ATO and AusIndustry are reviewing R&D Tax Incentive on software development projects. Subsequently, AusIndustry has requested information from MSL in respect of R&D tax incentive claims for FY16 which MSL responded to.

It is not currently possible to ascertain the outcome of the review by AusIndustry; however, they have requested information regarding two research and development projects undertaken by the Company over a number of years.

While the Company and their tax advisors, BDO, intend to defend any R&D tax incentive claims made, if the result of the AusIndustry review is that the Company was not eligible to claim the R&D tax incentive for the two projects, AusIndustry may look at the activities over the 4 year period that remain open to review (FY13 to FY16). The amount of R&D tax incentive received by the Company for these projects that could be re-claimed by the ATO is \$1.4m. Interest and penalties may also apply and have not been quantified.

## 5.2. GENERAL RISKS OF AN INVESTMENT IN THE COMPANY

### 5.2.1 INVESTMENT RISK

The Shares to be issued pursuant to this Prospectus should be considered speculative. They carry no guarantee as to the payment of dividends, return of capital or the market value of the Shares. The prices at which an investor may be able to trade the Shares may be above or below the Offer Price. Prospective investors must make their own assessment of the likely risks and determine whether an investment in the Company is appropriate to their own circumstances.

### 5.2.2 TRADING IN SHARES MAY NOT BE LIQUID

The Company makes no guarantee that there will be an active market in the Shares listed on the ASX. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price that Shareholders paid.

### 5.2.3 GLOBAL ECONOMIC CONDITIONS MAY AFFECT MSL

MSL is dependent on global economic conditions and the global economic outlook, and on the economic conditions and outlook in its key markets and the enterprise mobility software market generally. Economic conditions may be affected by levels of business spending, inflation, interest rates, consumer confidence, access to debt and capital markets and government fiscal, monetary and regulatory policies. A prolonged downturn in general economic conditions may have a material adverse impact on the Company's trading and financial performance.

### 5.2.4. CHANGES IN LAWS, REGULATIONS AND ACCOUNTING STANDARDS MAY OCCUR

MSL is subject to local laws and regulations in each of the jurisdictions in which it operates (including taxation, copyright and privacy legislation). From time to time, changes of the laws and regulations may require MSL to obtain additional approvals and/or licences that may significantly increase compliance costs and restrict MSL's activities.

Any changes to taxation laws, regulations or policies in jurisdictions in which MSL operates may also adversely affect Shareholder returns. Any changes to the Australian Accounting Standards (AAS), as determined by the Australian Accounting Standards Board (AASB), may affect the future measurement and recognition of key income statement and balance sheet items. Such changes could materially and adversely affect the financial performance and position reported in MSL's financial statements.

Future laws or regulations may be introduced concerning various aspects of the internet as it relates to MSL's business, including online content, copyright, foreign ownership of internet and media companies, privacy, and liability for third party activities, all of which may adversely impact MSL's operations.

Changes in or extensions of laws and regulations affecting either the enterprise mobility software market or the delivery of software and services through the cloud in the countries in which MSL operates and the rules of industry organisations could restrict or complicate MSL's activities and increase its compliance costs.

### 5.2.5 TAXATION RISKS

Changes to the rate of taxes imposed on MSL (including in overseas jurisdictions in which MSL may operate in the future) or tax legislation generally may affect MSL and its Shareholders. In addition, an interpretation of Australian taxation laws by the Australian Taxation Office that differs to MSL's interpretation may lead to an increase in MSL's taxation liabilities and a reduction in Shareholder returns.

Personal tax liabilities are the responsibility of each individual investor. MSL is not responsible either for taxation or penalties incurred by investors.

### 5.2.6. LITIGATION

There is a risk that the Company may in future be the subject of or required to commence litigation. There is, however, no litigation currently underway or threatened. The Company is currently in a potentially material dispute with Telstra in relation to claims by the Company against Telstra for business interruption losses. No proceedings have been commenced in relation to this dispute.

### 5.2.7 NO GUARANTEE OF DIVIDEND

The ability for MSL to pay dividends in the future is dependent on many factors. The Board cannot give any assurance regarding the payment of dividends in the future.

## 5.3 CAUTIONARY STATEMENT

Statements contained in this Prospectus may be forward-looking statements.

Forward-looking statements can be identified by the use of forward-looking terminology such as, but not limited to, 'may', 'will', 'expect', 'anticipate', 'estimate', 'would be', 'believe', or 'continue' or the negative or other variations of comparable terminology. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. The Directors' expectations, beliefs and projections are expressed in good faith and are believed to have a reasonable basis, including without limitation, based on the examination of historical operating trends, data contained in the Company's records and other data available from third parties. There can be no assurance, however, that their expectations, beliefs or projections will give the results projected in the forward looking statements. Investors should not place undue reliance on these forward looking statements.

Additional factors that could cause actual results to differ materially from those indicated in the forward looking statements are discussed earlier in this section.



KEY PEOPLE, INTERESTS AND BENEFITS







## 6 KEY PEOPLE, INTERESTS AND BENEFITS

### 6.1 BOARD OF DIRECTORS



**Kenneth John Down**  
Chairman, Non-Executive

John Down was appointed as non-executive Chairman in October 2008. His extensive private and public sector experience, has contributed to forming the corporate vision for, and the building of the company that MSL has become today.

In 1997 he founded Viking Industries Ltd., a multi-faceted marine industrial business which was subsequently sold as a mid-cap publicly listed company to private equity in 2008. He was appointed to the position of Co-ordinator General and Director-General, in the Office of Major Projects, by the Premier of Queensland in 1993, and held this position until 1996. In 1970, John co-founded the GRM Group of Companies, a multifaceted agribusiness with operations in over 50 countries, which was also sold to private equity in 1992.

He has significant Board experience in both public and private companies. He is currently the Chairman of Asia Pacific Aircraft Storage Pty Ltd; Chairman of Nutrafruit Pty Ltd and is on the Council of Brisbane Boys College. His former Board appointments include AUSTRADE (Deputy Chairman), Export Finance Insurance Corporation; QCT Resources Ltd; Annaconda Nickel Ltd; Santos Ltd – UK & USA; and Herron Pharmaceutical Advisory Board.

John holds a Bachelor of Economics from the University of Queensland and a Master of Economics from the University of New England.



**Craig G Kinross**  
Managing Director & Chief Executive Officer

Craig was appointed from within MSL to the role of Managing Director and Chief Executive Officer in July 2012, and has facilitated important strategic partnerships, acquisitions and capital raisings to profitably grow earnings by over 400% during this time. Previously he served as the company's Chief Operating Officer from 2010 to 2012, where he was instrumental in the restructure of MSL.

He brings almost 20 years software industry experience holding various senior operations and finance management roles in successful international companies. His career also includes over 10 years' experience with global software company Mincom, which operated in over 40 countries. He was a key member of the deal team securing the sale of the business to a US private equity business for over \$300 million, and post the acquisition was the internal company lead of a substantial organisation restructure during the Global Financial Crisis reducing headcount and costs by over 30%, while still maintaining a platform for revenue growth.

He has also held corporate finance roles with Invensys Plc and Credit Suisse Financial Products in London, and prior to moving to London Craig started his career at KPMG Brisbane as an accountant in their Business Advisory Group. He holds a Bachelor of Commerce degree from the University of Queensland and is a Member of The Institute of Chartered Accountants, Australia and New Zealand.



**Ian M Daly**

Director, Non-Executive

Ian joined the Board in December 2009 bringing over 48 years of first hand corporate experience to MSL.

He commenced his career with John Rawlinson & Partners in 1967 as a Senior Chartered Quantity Surveyor, and over 31 years grew with the firm to become Qld Managing Director and Chairman of The Rawlinsons Group, recognized as one of Australia's leading quantity surveying and project management consultancies operating from 21 local and overseas offices.

He joined the Brisbane Marine Industry Park in 1999 then its successor Viking Industries Ltd in 2001 serving as an Executive Director to both organisations. Ian currently serves as a Director of Zuuse Pty Ltd a software company servicing the infrastructure, building and asset management sectors.

Ian is a Fellow of The Royal Institution Of Chartered Surveyors and a Fellow of the Australian Institute of Quantity Surveyors.



**David Trude**

Director, Non-Executive

David joined the Board in 2017 bringing over 40 years' experience as a senior corporate executive within the banking and securities industries.

He was formerly Managing Director, Australian Chief Executive Officer/Country Manager of Credit Suisse, Australia for 10 years from 2001.

He has served as Chairman of Baillieu Holst Limited since 2010 having been a Board member since 2007, is Chairman of Waterford Retirement Village, Hansen Technologies Limited and East West Line Parks Limited, a member of the board of Chi-X Australia Pty Ltd and non-executive Director of Acorn Capital Investment Fund Limited, an ASX listed entity.

David holds a Bachelor of Commerce Degree from the University of Queensland, is a Senior Associate of the Financial Services Institute of Australasia, a member of the Australian Institute of Company Directors and Master Member of the Stockbrokers and Financial Advisers Association.

## 6 KEY PEOPLE, INTERESTS AND BENEFITS



**Kaylene Gaffney**  
Director, Non-Executive

Kaylene joined the MSL board in 2017 having enjoyed a 26-year career in senior financial roles.

She has previously served as non-executive Director and Chair of the Audit and Risk Committee for Wotif.com. Her senior financial role experience is in the retail, aviation, telecommunications and information technology sectors.

Kaylene holds a Masters Degree in International Business from the Queensland University of Technology, and is a member of The Australian Institute of Company Directors and is a Fellow of The Institute of Chartered Accountants Australia and New Zealand.



**Dr. Richard W Holzgrefe**  
Director, Non-Executive

Rick was appointed as a non-executive Director in December 2007. He brings corporate experience across multiple industry sectors to the company.

He joined MSL from VLRQ Pty Ltd where he served as a Director from 1998 to 2004. He was a Director of Kenlynn Property Syndicates Pty Ltd from 1997 to 2000, and co-founded The BOH Dental Group, in 1976. He left in 1997 to pursue interests in the Property and Retirement Living sectors.

He currently serves as Chairman of Urana Road Developments Pty Ltd and is a Director of Holmac Holdings Pty Ltd.

Richard holds a Bachelor of Dental Science degree from the University of Queensland.

## 6.2 SENIOR MANAGEMENT

### **Craig G Kinross**

Managing Director & Chief Executive Officer

(Refer to Section 6.1)

### **Paul Shipley**

Chief Financial Officer

Paul is the Chief Financial Officer for MSL Solutions and as a member of the executive management team is responsible for managing the international finance function. Paul came to MSL in March 2016 and brought with him a diverse range of experience and knowledge gathered over a career spanning more than 20 years' in the Finance space.

Paul has extensive experience in senior finance and management roles in public companies overseeing the commercial, financial and management accounting functions. Additionally, Paul has a wealth of experience in international public software companies, having previously carried various senior finance roles at Mincom (now ABB Ventyx) over a six-year period during a strong growth phase culminating in the sale of the company to a US private equity firm.

Paul's career has also included roles at ASX listed global Mining and Exploration company Linc Energy where he was responsible for international finance and reporting functions. While at Linc Energy he was instrumental in bringing Linc Energy to the SGX and heavily involved in several large acquisitions and asset sales before leaving in April 2015. Prior to this Paul was the Financial Accountant at not-for-profit organisation AgForce Queensland where he was responsible for the finance function.

Paul is CPA qualified and holds a Bachelor of Commerce, Accounting as well as an Advanced Diploma of Business, Accounting.

### **Ashis Govind**

Chief Technology Officer (CTO)

Ashis joined MSL in 2009 as Manager of R&D, and has been responsible for leading MSL's technology transformation to a software as a service provider. He is now responsible for Information Technology and Communications across MSL.

He has over 20 years' experience within IT in product development and infrastructure management, having worked in senior development, technology and consulting roles with Logica Vignette, Innovus, and Food Stuffs in Australia and NZ.

Ashis holds a Bachelor of Science from Victoria University of Wellington and a Master of Business Administration from Griffith University.

### **James Aleman**

Chief Revenue Officer

James joined MSL Solutions as the Chief Revenue Officer in February 2017 bringing over 19 years IT industry sales and management experience. He is responsible for all aspects of delivering revenue numbers globally, as well as go to market strategies to ensure profitable growth across the company. He has a deep knowledge of proven sales processes and methodologies and has a wealth of experience in strategic planning and international customer health programs.

Previously James worked for the Swedish-Swiss multinational ABB which is a pioneering technology leader and listed on the SIX, OMX and NYSE. James was part of the APAC Senior Leadership Team for Enterprise Software where he most recently served as Vice President of Sales for ANZ. Whilst in this role he had a proven track record of accelerated revenue growth and increased customer satisfaction, selling solutions from a broad portfolio of merged software companies. James previously held the role of Senior Director Mining, APAC gaining extensive international experience, successfully selling into new markets across Asia.

James commenced his career with Sapphire Systems in the UK which was a Deloitte Technology Fast 500 company which rapidly grew during his time there. James held several roles in the organisation leading the technical services and pre-sales team.

He holds a BSc (Hons) in Information Systems from The University of Leeds, UK.

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## 6 KEY PEOPLE, INTERESTS AND BENEFITS

### **Greg Davies**

General Manager, Corporate Development,  
Mergers & Acquisitions

Greg was appointed to the role of GM Corporate Development in July 2015, and he is responsible for M&A, Strategic Partnerships, Business Development and Corporate Strategy. Greg has been instrumental in managing and completing the acquisition and transition of InfoGenesis, GCS, Verteda and GolfBox into MSL Solutions.

.Greg joined MSL Solutions in 2010 and initially was responsible for restructuring and managing the customer support, and technical operations teams. In February 2014, MSL acquired GolfLink, and Greg led the integration team and then went on to run the GolfLink business until June 2015.

Greg has over 35 years' experience in the IT industry, and has held senior management and executive roles with international responsibility for software development, customer support and consulting services with both Mincom Limited and Paxus Financial Systems. During his time at Mincom he also held the role of EVP – Human Resources where he had global responsibility for HR and Payroll for over 1,000 staff in APAC, EMEA and the Americas.

He holds a Bachelor of Applied Science from the Queensland University of Technology.

### **Andrew Ritter**

Company Secretary

Andrew Ritter has over 17 years of international finance experience, with recent roles as CFO and Company Secretary of two ASX listed IT & Telco organisations (GBST and IntraPower Limited). Andrew is a Chartered Accountant, holds a Bachelor of Commerce degree, a Graduate Diploma of Applied Corporate Governance and is a Fellow of the Governance Institute of Australia and the International Institute of Chartered Secretaries and Administrators.

## 6.3 INTERESTS AND BENEFITS

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- › Director or proposed Director;
- › person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- › promoter of MSL; or
- › underwriter to the Offer,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- › the formation or promotion of MSL;
- › property acquired or proposed to be acquired by MSL in connection with its formation or promotion, or in connection with the Offer; or
- › the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of MSL or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

### 6.3.1 INTERESTS OF ADVISERS

The Company has engaged the following professional advisers:

- › Baillieu Holst Limited has acted as Underwriter and Lead Manager to the Offer. The Company has paid, or agreed to pay, the Underwriter the fees described in Section 9.8 for these services. Mr David Trude is an independent non-executive director of MSL and is also chairman of Baillieu Holst Limited;
- › McCullough Robertson has acted as legal adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately \$135,000 (excluding disbursements and GST) for these services to the Prospectus Date. Further amounts may be paid to McCullough Robertson in accordance with its time-based charge-out rates;
- › PriceWaterhouseCoopers Securities Ltd has acted as the Investigating Accountant and has prepared the Independent Limited Assurance

Report for inclusion in the Prospectus.

PriceWaterhouseCoopers has also performed due diligence enquiries in relation to the Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information. The Company has paid, or agreed to pay, approximately \$280,000 - \$330,000 (excluding GST) for these services to the Prospectus Date. Further amounts may be paid to PWC in accordance with their normal time-based charge-out rates;

- › BDO Audit Pty Ltd has acted as auditor to the Company. BDO Audit will be paid an estimated fee of \$45,000 (excluding GST) for the audit of the financial report for the year ended 31 December 2016 and audit of acquisition accounting in relation to the acquisitions of Verteda and Golfbox. Further amounts may be paid to BDO Audit in accordance with their normal time-based charges; and
- › Frost & Sullivan has prepared the Independent Market Report on the enterprise software market. The Company has paid, or agreed to pay, approximately \$18,500 (excluding GST) for this report.

### 6.3.2 DIRECTORS' INTERESTS AND REMUNERATION

#### 6.3.2.1 Chief Executive Officer

MSL has entered into an employment contract with Craig Kinross to govern his employment with MSL. Mr Kinross is employed in the position of chief executive officer and managing director of MSL. Refer to Section 6.3.3.1 for further details.

#### 6.3.2.2 Non-Executive Director remuneration

Each of the Non-Executive Directors has entered into an appointment letter with the Company, confirming the terms of their appointment, their roles and responsibilities and the Company's expectations of them as Directors.

Under the Constitution, the Directors decide the total amount paid to all Directors as remuneration for their services as a Director. However, under the Listing Rules, the total amount paid to all Non-Executive Directors for their services must not exceed, in aggregate in any financial year, the amount fixed by the Company in general meeting. This amount has been fixed at \$250,000.

For the initial year of listing, the annual base Non-Executive Director fees currently agreed to be paid by the Company are \$48,000 (including superannuation) per annum to the Chairman and \$48,000 per annum to each other Non-Executive



## 6 KEY PEOPLE, INTERESTS AND BENEFITS

Director (which includes, in each case, remuneration for any role as a member or Chairman of the Audit and Risk Management Committee, Remuneration or Nomination Committee). All Directors' fees include superannuation payments to the extent applicable and must not include a commission on, or a percentage of, profits or operating revenue.

Directors may also be reimbursed for all reasonable travelling and other expenses incurred by the Directors in attending to the Company's affairs including attending and returning from Board meetings or any meetings of committees of Directors and in attending and returning from any general meetings of the Company.

Directors may be paid such additional or special remuneration if they, at the request of the Board, perform any extra services or make special exertions.

There are no retirement benefit schemes for Non-Executive Directors, other than statutory superannuation contributions.

### 6.3.2.3 Deeds of indemnity, insurance and access for Directors

The Company has entered into a deed of indemnity, insurance and access with each Director, which confirms the Director's right of access to Board papers and requires the Company to

indemnify the Director, on a full indemnity basis and to the full extent permitted by law, against all losses or liabilities (including all reasonable legal costs) incurred by the Director as an officer of the Company or of a related body corporate. Under the deeds of indemnity, insurance and access, the Company must maintain a directors' and officers' insurance policy insuring the Directors and officers against liability as a Director and officer of MSL and its related bodies corporate until seven years after a Director in office ceases to hold office as a Director or as a director or officer of a related body corporate (or the date any relevant proceedings commenced during the seven year period have been finally resolved).

### 6.3.2.4. Directors' Shareholdings and Option Holdings

Directors are not required under the Constitution to hold any Shares or Options. On the Prospectus Date and on Completion of the Offer, the Directors will hold the following Shares and Options (either directly or through beneficial interests or entities associated with the Director).

The Directors (and their related parties and associates) are entitled to apply for additional Shares under the Offer.

**Table 6.3.2.4: Directors' Shareholdings and Option holdings**

Director	HOLDING ON PROSPECTUS DATE			HOLDING ON COMPLETION OF OFFER <sup>1</sup>		
	Shares	%	Options	Shares	%	Options
Richard Holzgrefe (via Holzgrefe Holdings Pty Ltd and Wandmount Pty Ltd)	12,061,917	12.88%	785,714	12,561,917	5.04%	785,714
Ian Daly (via Lovat Pty Ltd and Ian and Sheena Daly)	8,821,429	9.42%	785,714	8,821,429	3.54%	785,714
John Down (via Jambet Downs Pty Ltd and Kenneth John Down)	7,385,347	7.88%	785,714	7,385,347	2.96%	785,714
Craig Kinross	998,271	1.07%	6,785,714 <sup>2</sup>	10,498,271	4.21%	0
Kaylene Gaffney	0	0	0	0	0	0
David Trude (via Dastru Superannuation) Pty Ltd	0	0	0	250,000	0.10%	0
<b>Total</b>	<b>29,266,964</b>	<b>31.24%</b>	<b>9,142,856</b>	<b>39,516,964</b>	<b>15.85%</b>	<b>2,357,142</b>

1. Includes shares issued upon conversion of any Converting Notes held by the Director and Shares to be issued to Craig Kinross immediately prior to allotment under the Offer in accordance with incentive arrangements referred to in Section 6.3.3. The Directors (and their related parties and associates) also reserve the right to apply for additional Shares under the Offer which may increase their relevant percentage holdings.

2. These Options will be surrendered by Craig Kinross on Completion of the Offer in return for the issue of Shares for nil cash consideration and a cash payment as further described in Section 6.3.3.



### 6.3.3 SENIOR MANAGEMENT REMUNERATION

#### 6.3.3.1 CEO

Craig Kinross is employed by MSL as Managing Director and Chief Executive Officer. Craig has an executive employment agreement with MSL and receives an annual salary of \$300,000 excluding superannuation. He is also entitled to receive an incentive payment of \$50,000 if the Company achieves its EBITDA forecast in respect of FY18 and an additional \$50,000 bonus if the Company exceeds its forecast EBITDA for FY18 by at least \$100,000.

Craig is also entitled under his executive employment agreement and incentive arrangements to an incentive payment as a result of the IPO under which he will be allotted 9,000,000 Shares for nil cash consideration immediately prior to allotment under the Offer and will also receive a cash payment of \$800,000 payable by the Company from existing cash at hand.

Craig's employment contract may be terminated by either Craig or MSL providing three months written notice. However, where Craig engages in serious misconduct, wilfully disobeys a lawful and reasonable direction, becomes bankrupt, is charged with an offence that in the Board's reasonable opinion affects his suitability for his position, demonstrates gross neglect of duty or incompetence, or engages in conduct that cause or may cause imminent and serious risk to health or safety of any person or to the reputation, viability or profitability of MSL, his employment may be immediately terminated.

Where Craig is absent for more than three months within a 12 month period by reason of illness or injury and is not on paid sick leave, MSL can terminate his contract on one month's notice. Finally, MSL can terminate Craig's employment on one month's notice if another entity becomes the successor, transferee or assignee of the whole or a part of MSL's business and Craig is offered employment by the other entity on substantially similar terms.

#### 6.3.3.2 Other key management

The Company has entered into executive service agreements with key executives, which contain standard terms and conditions for agreements of this nature, including confidentiality, restraint on competition and retention of intellectual property provisions. The agreements are expressed to cover periods specific to individual appointments, but may generally be terminated by notice by either party, or earlier in the event of certain breaches of the terms and conditions.

As a result of the IPO, Peter Jefferis, as the General Manager - Micropower, will be issued 1,047,409 Shares in the Company for nil cash consideration immediately prior to allotment of Shares under the Offer.

As a result of the IPO, Greg Davies, as the General Manager Corporate Development Mergers and Acquisitions, will be issued 523,704 Shares in the Company for nil cash consideration immediately prior to allotment of Shares under the Offer. Greg will also receive a one-off cash bonus of \$40,000 upon completion of the Offer.

As a result of the IPO, Paul Shipley, CFO, will also receive a one-off cash bonus of \$10,000 upon completion of the Offer.

Section 706 of the Corporations Act provides that an offer of securities for issue needs disclosure to investors unless the investor is an individual exempt from disclosure. The above named executives may not fall under these exemptions and therefore the issue of the Shares in MSL under their incentive arrangements requires disclosure. The Prospectus seeks to satisfy that requirement by containing an offer of securities to the above named executives. The Shares to be issued in MSL to the above named executive shall be issued pursuant to and in accordance with this Prospectus.

The offer set out in this Section 6.3.3.2 is only to Peter Jefferis and Greg Davies.

### 6.4 RELATED PARTY ARRANGEMENTS

Other than the usual contractual arrangements (i.e. the executive employment contract with Craig Kinross, appointment letters with the other Directors and deeds of access, insurance and indemnity), there are currently no material arrangements between MSL and its Directors, or other related parties.

### 6.5 CORPORATE GOVERNANCE

This Section 6.5 explains how the Board will manage MSL's business. The Board is responsible for the overall corporate governance of the MSL. Details of the MSL's key policies and practices and the charters for the Board and each of its committees will be available from the Prospectus Date at [www.mpowermsl.com](http://www.mpowermsl.com).

The Board monitors the operational and financial position and performance of MSL and oversees its business strategy including approving the strategic goals of MSL. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of MSL.

In conducting business with these objectives, the Board is concerned to ensure that MSL is properly managed to protect and enhance Shareholder interests, and that MSL, its Directors, officers and employees operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing MSL, including

## 6 KEY PEOPLE, INTERESTS AND BENEFITS

adopting relevant internal controls, risk management processes and corporate governance policies and practices, which it believes are appropriate for MSL's business and which are designed to promote the responsible management and conduct of MSL.

The main policies and practices adopted by MSL, which will take effect from Listing, are summarised below. In addition, many governance elements are contained in the Constitution.

### 6.5.1 ASX CORPORATE GOVERNANCE COUNCIL'S CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

MSL is seeking a listing on the ASX. The ASX Corporate Governance Council has developed and released its ASX Corporate Governance Principles and Recommendations 3rd edition (ASX Recommendations) for entities listed on the ASX in order to promote investor confidence and to assist companies to meet stakeholder expectations. The ASX Recommendations are not prescriptions, but guidelines. However, MSL's corporate governance charter has been drafted in light of the Guidelines.

In Accordance with the ASX Listing Rules, MSL will be required to provide a statement in its annual report or on its website disclosing the extent to which it has followed the ASX Recommendations during each reporting period. Where MSL does not follow an ASX Recommendation, it must identify the recommendation that has not been followed and give reasons for not following it.

The Board has assessed MSL's current practice against the Guidelines and outlines its assessment below:

PRINCIPLES AND RECOMMENDATIONS		COMPLIANCE	COMPLY
<b>Principle 1 – Lay solid foundations for management and oversight</b>			
1.1	Establish the functions expressly reserved to the Board and those delegated to management, and disclose those functions.	<p>The Board is responsible for overall corporate governance of the Company.</p> <p>The role of the Board and delegation to management have been formalised in the corporate governance charter which outlines the main corporate governance practices in place for the Company. The Board and each Director are committed to the charter. The conduct of the Board is also governed by the Company's constitution, and where there is inconsistency with that document, the constitution prevails to the extent of the inconsistency.</p> <p>The charter will be reviewed and amended from time to time as appropriate taking into consideration practical experience gained in operating as a listed company.</p>	Complies
1.2	Undertake appropriate checks before appointing a person as a director, and provide shareholders with all material information relevant to a decision on whether or not to elect or re elect a director.	<p>The Company has completed police checks, insolvency and banned director searches in relation to the existing Directors.</p> <p>The Company will conduct appropriate checks for future appointments.</p>	Complies

PRINCIPLES AND RECOMMENDATIONS		COMPLIANCE	COMPLY
1.3	Have a written agreement with each director and senior executive setting out the terms of their appointment.	The Company has entered into written agreements with each Director and senior executive.	Complies
1.4	The Company Secretary should be accountable directly to the Board on all matters to do with the proper functioning of the Board.	This is consistent with the charter and corporate structure of the Company. The Company Secretary has a direct relationship with the Board in relation to these matters and operates independently of the executive.	Complies
1.5	Establish a diversity policy and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them, for reporting against in each reporting period.	The diversity policy for the Company has only recently been established and accordingly, the Company has not reported on measurable objectives in any annual report to date.	Does not comply, however, in accordance with the policy the Company intends to disclose the measurable objectives for achieving gender diversity in each annual report and the Company's progress in achieving diversity objectives.
1.6	Have a process for periodically evaluating the performance of the Board, its committees and individual directors, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period.	The corporate governance charter provides for regular performance reviews to be conducted.	Does not comply, however, in accordance with the charter the Company intends to evaluate performance of the Board and disclose for each reporting period whether an evaluation has been undertaken.
1.7	Have a process for periodically evaluating the performance of the Company's senior executives, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period.	<p>The Board's broad function is to formulate strategy and set financial targets for the Company, monitor the implementation and execution of strategy and performance against financial targets, appoint and oversee the performance of executive management, and generally take an effective leadership role in relation to the Company.</p> <p>The Chairman, with assistance from the nomination committee, annually assesses the performance of Directors and senior executives, and the Chairman's performance is assessed by the other Directors.</p>	Complies

## 6 KEY PEOPLE, INTERESTS AND BENEFITS

PRINCIPLES AND RECOMMENDATIONS		COMPLIANCE	COMPLY
<b>Principle 2 – Structure the Board to add value</b>			
2.1	The Company should have a nomination committee, which has at least three members, a majority of independent directors and is chaired by an independent director.  The functions and operations of the nomination committee should be disclosed.	A nomination committee has been established with its own charter and consists of all of the Directors with John Down as the committee chairman.	Complies
2.2	Have and disclose a Board skills matrix, setting out what the Board is looking to achieve in its membership.	The Company has established charter rules for the nomination committee as a guide for Board deliberations. Together, the Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the Company and its business.	Does not presently comply, however the Board intends to formalise a skills matrix.
2.3	Disclose the names of the directors that the Board considers to be independent directors, and an explanation of why the Board is of that opinion if a factor that impacts on independence applies to a director, and disclose the length of service of each director.	<p>Kenneth John Down (appointed 28 October 2008) - John is Chairman of the Company and is an independent director.</p> <p>Ian Daly (appointed 18 December 2009) - Ian is an independent director.</p> <p>Kaylene Gaffney (appointed 1 March 2017) - Kaylene is an independent director.</p> <p>David Trude (appointed 9 March 2017) - David is an independent director.</p> <p>The Board is of the opinion that Kenneth John Down and Ian Daly will be independent Directors following completion of the Offer because they will not be substantial shareholders in the Company.</p> <p>The Board notes the following Directors are deemed not independent for the purposes of the Guidelines:</p> <p>Craig Kinross (appointed 30 November 2012) - Craig is an executive director of the Company.</p> <p>Richard Holzgrefe (appointed 18 December 2007) - Richard is a substantial shareholder of the Company.</p>	Complies
2.4	A majority of the Board should be independent directors.	The Company currently has a six member Board, of whom four (John Down, Ian Daly, Kaylene Gaffney and David Trude) are considered independent non executive Directors.	Complies
2.5	The chairman of the Board should be an independent director and should not be the CEO.	<p>The Chairman, John Down, is an independent non-executive Director.</p> <p>The Company's managing director and chief executive officer, Craig Kinross, is not the same individual as the Chairman.</p>	Complies

PRINCIPLES AND RECOMMENDATIONS		COMPLIANCE	COMPLY
2.6	There should be a program for inducting new directors and providing appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.	This is consistent with the corporate governance charter and processes implemented by MSL.	Complies
<b>Principle 3 - Act ethically and responsibly</b>			
3.1	Have a code of conduct for the Board, senior executives and employees, and disclose that code or a summary of that code.	The Company has adopted a code of conduct, which sets out a framework to enable Directors to achieve the highest possible standards in the discharge of their duties and to give a clear understanding of best practice in corporate governance.	Complies
<b>Principle 4 - Safeguard integrity in corporate reporting</b>			
4.1	The Company should have an audit committee, which consists of only non executive directors, a majority of independent directors, is chaired by an independent chairman who is not chairman of the Board, and has at least three members.  The functions and operations of the audit committee should be disclosed.	The Company has established an audit and risk management committee to assist and report to the Board.  The audit and risk management committee consists of Kaylene Gaffney (committee chairman), Ian Daly and Richard Holzgrefe.	Complies
4.2	The Board should, before approving financial statements for a financial period, receive a declaration from the CEO and CFO that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company, formed on the basis of a sound system of risk management and internal controls, operating effectively.	This is consistent with the approach to be adopted by the audit committee and Board.	Complies

## 6 KEY PEOPLE, INTERESTS AND BENEFITS

PRINCIPLES AND RECOMMENDATIONS			COMPLIANCE	COMPLY
4.3	The Company's auditor should attend the AGM and be available to answer questions from security holders relevant to the audit.	MSL's auditor will be requested to attend the AGM and shareholders will be entitled to ask questions in accordance with the Corporations Act and these Guidelines.		Complies
<b>Principle 5 – Make timely and balanced disclosure</b>				
5.1	Have a written policy for complying with continuous disclosure obligations under the Listing Rules, and disclose that policy or a summary of it.	MSL has a written continuous disclosure policy which is designed to ensure that all material matters are appropriately disclosed in a balanced and timely manner and in accordance with the requirements of the ASX Listing Rules.		Complies
<b>Principle 6 – Respect the rights of security holders</b>				
6.1	Provide information about the Company and its governance to investors via its website.	The corporate governance charter and other applicable policies are available on the Company's website.		Complies
6.2	Design and implement an investor relations program to facilitate effective two-way communication with investors.	The Company aims to ensure that all Shareholders are well informed of all major developments affecting the Company and that the full participation by Shareholders at the Company's AGM is facilitated.		Does not presently comply, however the Company is consulting with its advisers to implement an effective program.
6.3	Disclose the policies and processes in place to facilitate and encourage participation at meetings of security holders.	The Company intends to facilitate effective participation in the AGM, as well as the ability to submit written questions ahead of the AGM. The Company intends to adopt appropriate technologies to facilitate the effective communication and conduct of general meetings.		The Company has not disclosed a formal policy or process, but has however engaged a recognised and reputable share registry service provider to further these objectives.
6.4	Give security holders the option to receive communications from, and send communications to, the Company and its share registry electronically.	The Company has instructed its share registry to facilitate this option for investors, as well as future shareholders at appropriate times.		Complies

PRINCIPLES AND RECOMMENDATIONS		COMPLIANCE	COMPLY
<b>Principle 7 – Recognise and manage risk</b>			
7.1	<p>The Board should have a risk committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members.</p> <p>The functions and operations of the risk committee should be disclosed.</p>	<p>The Company has a combined audit and risk management committee. See above for independent status of the committee members.</p> <p>The functions and operations of the committee are established under the charter.</p>	Does not comply to the extent that the Company does not have a separate risk committee, however the Board has formed the view that the audit and risk management committee is appropriately structured and independent from the Chairman and executive to effectively fulfil its role.
7.2	The Board or a committee of the Board should review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, and disclose, in relation to each reporting period, whether such a review has taken place.	The charter establishes the role of the committee. The committee will establish the risk management framework.	Does not comply to the extent that the committee is newly formed and has not conducted an annual review.
7.3	Disclose if the Company has an internal audit function, how the function is structured and what role it performs, or if it does not have an internal audit function, that fact and the processes the Company employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Due to the Company's limited number of employees and relative nature and scale of its operations, the costs of an independent internal audit function would be disproportionate. The Company has an external auditor and the audit and risk management committee will monitor and evaluate material or systemic issues.	Does not comply due to the nature and scale of operations, however the Board believes it and the audit and risk management committee have adequate oversight of the existing operations.
7.4	Disclose whether the Company has any material exposure to economic, environmental and social sustainability risks and, if so, how it manages those risks.	The Board does not believe the Company has any material exposure to those risks.	Complies



## 6 KEY PEOPLE, INTERESTS AND BENEFITS

PRINCIPLES AND RECOMMENDATIONS		COMPLIANCE	COMPLY
<b>Principle 8 – Remunerate fairly and responsibly</b>			
8.1	<p>The Board should have a remuneration committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members.</p> <p>The functions and operations of the remuneration committee should be disclosed.</p>	<p>The Board has established a remuneration committee to assist the Board to discharge its responsibilities in relation to remuneration and issues relevant to remuneration policies and practices, including those for senior management and non-executive Directors.</p> <p>The remuneration committee consists of David Trude (committee chairman), Richard Holzgrefe and John Down.</p> <p>The composition and role of the remuneration committee is set out in the remuneration committee charter.</p>	Complies
8.2	<p>The policies and practices regarding the remuneration of non-executive directors, and the remuneration of executive directors and other senior executives, should be separately disclosed.</p>	<p>The Company intends to adopt remuneration policies which comply with the Guidelines including separately disclosing the remuneration of non executive Directors, and the remuneration of executive Directors and other senior executives.</p> <p>No Director or senior executive is involved directly in deciding their own remuneration.</p>	Does not presently comply, however the Company intends to disclose these policies and practices in its future annual reports.
8.3	<p>The policies and practices regarding the remuneration of non-executive directors, and the remuneration of executive directors and other senior executives, should be separately disclosed.</p> <p>If the Company has an equity-based remuneration scheme, it should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme, and disclose that policy or a summary of it.</p>	<p>The Company operates an equity based remuneration scheme. In accordance with the Company's Securities Trading Policy participants are not permitted to enter into transactions which limit economic risk without written clearance.</p>	Complies

### 6.5.2 BOARD OF DIRECTORS

The Board of Directors is comprised of the Chief Executive Officer and four independent Non-Executive Directors (including the Chairman) and a non-executive director who is also a substantial shareholder in the Company. Biographies of the Directors are provided in Section 6.1.

Each Director has confirmed to MSL that he or she anticipates being available to perform their duties as a Non-Executive or Executive Director as the case may be, without constraint from other commitments.

The Board considers an independent Director to be a Non-Executive Director who is not a member of MSL's management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgement. The Board has determined that John Down and Ian Daly will be independent Directors upon completion of the Offer as they will no longer be substantial shareholders in the Company and neither Director has served on the Board for a period of greater than 10 years.

The Board will consider the materiality of any given relationship on a case-by-case basis and has adopted guidelines to assist in this regard. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time.

The Board charter sets out guidelines of materiality for the purpose of determining independence of Directors in accordance with the ASX Recommendations and has adopted a definition of independence that is based on that set out in the ASX Recommendations.

The Board considers quantitative and qualitative principles of materiality for the purpose of determining independence on a case-by-case basis. The Board will consider whether there are any factors or considerations that may mean that the Director's interest, business or relationship could, or could be reasonably perceived to, materially interfere with the Director's ability to act in the best interests of MSL.

The Board considers that each of the non-executive directors is free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the exercise of the Director's unfettered and independent judgement and is able to fulfil the

role of independent Director for the purpose of the ASX Recommendations. Craig Kinross is currently considered by the Board not to be independent as he is currently the Chief Executive Officer of the Company. Richard Holzgrefe is currently considered by the Board not to be independent as he will be a substantial shareholder in the Company following completion of the Offer.

The Directors believe that they are able to objectively analyse the issues before them in the best interests of all Shareholders and in accordance with their duties as Directors.

### 6.5.3 RESPONSIBILITY OF THE BOARD

The Board is responsible for the Company's proper corporate governance. To carry out this obligation, the Board must act:

- › honestly, conscientiously and fairly;
- › in accordance with the law;
- › in the interests of the Shareholders (with a view to building sustainable value for them); and
- › in the interests of employees and other stakeholders.

The Board's broad function is to:

- › chart strategy and set financial targets for the Company;
- › monitor the implementation and execution of strategy and performance against financial targets; and
- › appoint and oversee the performance of executive management and generally to take and fulfil an effective leadership role in relation to the Company.

Power and authority in certain areas is specifically reserved to the Board – consistent with its function described above. These areas include:

- › providing leadership and setting the strategic objectives of the Company;
- › composition of the Board itself including the appointment and removal of the Chairman or deputy chairman (if applicable);
- › oversight of the Company including its control and accountability system;
- › appointment and removal of senior management (including the CEO or equivalent) and the Company Secretary;
- › reviewing, ratifying and monitoring the risk management framework and setting the risk appetite within which the Board expects

## 6 KEY PEOPLE, INTERESTS AND BENEFITS

management to operate;

- › approving and formulating company strategy and policy;
- › approving and monitoring operating budgets and major capital expenditure;
- › overseeing the integrity of the Company's accounting and corporate reporting systems, including the external audit;
- › monitoring industry developments relevant to the Company and its business;
- › developing suitable key indicators of financial performance for the Company and its business;
- › overseeing corporate strategy and performance objectives developed by management;
- › overseeing the Company's compliance with its continuous disclosure obligations;
- › approving the Company's remuneration framework;
- › monitoring the overall corporate governance of the Company (including its strategic direction and goals for management, and the achievement of these goals); and
- › oversight of the Company's various committees.

### 6.5.4 BOARD CHARTER

The Board has adopted a charter which formally recognises its responsibilities, functions, power and authority and composition. This charter sets out other things which are important for effective corporate governance including:

- › a detailed definition of 'independence';
- › a framework for the identification of candidates for appointment to the Board and their selection (including undertaking appropriate background checks);
- › a framework for individual performance review and evaluation;
- › proper training to be made available to Directors both at the time of their appointment and on an on-going basis;
- › basic procedures for meetings of the Board and its committees including frequency, agenda, minutes and private discussion of management issues among non-executive Directors;
- › ethical standards and values (in a detailed code of ethics and values);
- › dealings in securities (in a detailed code for securities transactions designed to ensure fair and transparent trading by Directors and senior management and their associates); and

- › communications with Shareholders and the market.

The purpose of the charter is to 'institutionalise' good corporate governance and to build a culture of best practice both in MSL's internal practices and its dealings with others. The management function is conducted by, or under the supervision of the Chief Executive Officer as directed by the Board (and by officers to whom the management function is properly delegated by the Chief Executive Officer). Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time they consider it appropriate.

The Board collectively, and individual Directors, may seek independent professional advice at MSL's expense, subject to the approval of the Chairman or the Board as a whole.

### 6.5.5 BOARD COMMITTEES

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established the Audit and Risk Committee, and the Remuneration and Nomination Committee. Other committees may be established by the Board as and when required.

### 6.5.6 AUDIT AND RISK COMMITTEE

Under its charter, this committee should consist of at least three members of the Board, only Non-Executive Directors, a majority of independent Directors and an independent chair who is not Chairman of the Board. Initially members of this Committee will comprise Kaylene Gaffney (chairman), Richard Holzgrefe and Ian Daly.

The Audit and Risk Committee will assist the Board in carrying out its accounting, auditing and financial reporting responsibilities including:

- › overseeing MSL's relationship with the external auditor and the external audit function generally;
- › overseeing the preparation of the financial statements and reports;
- › overseeing MSL's financial controls and systems;
- › managing the process of identification and management of financial risk; and
- › Non-committee members, including members of management and the external auditor, may attend meetings of the committee by invitation of the committee chair.

### 6.5.7 NOMINATION COMMITTEE

Under its charter, this committee should consist of all Directors. The Nomination Committee assist the Board and make recommendations to it about the appointment of new Directors (both executive and non-executive) and of the CEO and CFO and, to the extent delegated to it by the Board, other Senior Executives. Its current members are all Directors.

The functions of the Nomination Committee are as follows:

- › development of criteria (including skills, qualifications and experience) for Board candidates;
- › identification and consideration of possible candidates, and recommendation to the Board;
- › establishment of procedures, and recommendations to the Chairman, for the proper oversight of the Board and management; and
- › ensuring the performance of each Director, and of senior management, is reviewed and assessed each year using procedures adopted by the Board.

### 6.5.8 REMUNERATION COMMITTEE

The purpose of this committee is to assist the Board and report to it on remuneration and related policies and practices (including remuneration of senior management and non-executive Directors). Its current members are:

- › David Trude (chairman);
- › Richard Holzgrefe; and
- › John Down.

The functions of the Remuneration Committee are as follows:

- › review and evaluation of market practices and trends on remuneration matters;
- › recommendations to the Board about the Group's remuneration policies and procedures;
- › oversight of the performance of senior management and non-executive Directors; and
- › recommendations to the Board about remuneration of senior management and non executive Directors.

### 6.5.9 CORPORATE GOVERNANCE POLICIES

#### 6.5.9.1 Continuous disclosure policy

Once listed, MSL will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. MSL is aware of its obligation to keep the market fully informed of any information it becomes aware of concerning MSL which may have a material effect on the price or value of the Shares, subject to certain exceptions.

The Board has adopted a continuous disclosure policy (Disclosure Policy), which sets out procedures to be adopted by the Board to ensure MSL complies with its continuous disclosure obligations to keep the market fully informed of information which may have a material effect on the price or value of the Company's securities and to correct any material mistake or information in the market.

The Board is responsible for determining whether information is such that it would have a material effect on the price or value of MSL's securities. The Disclosure Policy provides a framework for the Board and officers of MSL to internally identify and report information which may need to be disclosed and sets out practical implementation processes in order to ensure any identified information is adequately communicated to ASX and Shareholders. The Disclosure Policy also sets out the exceptions to the disclosure requirements.

Any non-compliance with the Disclosure Policy will be regarded as an act of serious misconduct. The Disclosure Policy is available on MSL's website at [www.mpowermsl.com](http://www.mpowermsl.com)

## 6 KEY PEOPLE, INTERESTS AND BENEFITS

### 6.5.9.2 Securities Trading Policy

The Board has adopted a policy for trading in securities (Trading Policy), which explains and provides guidance to Directors, identified employees including senior management, and other employees of MSL, where they are contemplating dealing in MSL's securities or the securities of entities with whom MSL may have dealings. The Trading Policy is designed to ensure that any trading in MSL's securities is in accordance with the law and minimises the possibility of misperceptions arising in relation to Directors' and employees' dealings in MSL's securities or securities of other entities.

The Trading Policy is directed at dealing in MSL's securities by the Directors and employees, dealings through entities or trusts controlled by a relevant person, or in which they have an interest, and encouraging family or friends to so deal. It also extends to addressing dealings in the securities of other entities that may be transacting with, or be counterparties of, MSL.

Any non-compliance with the Trading Policy will be regarded as an act of serious misconduct. The Trading Policy is available on MSL's website at [www.mpowermsl.com](http://www.mpowermsl.com).

### 6.5.9.3 Code of Conduct

The Board is committed to a high level of integrity and ethical standards in all business practices. Accordingly, the Board has adopted a formal Code of Conduct that outlines how MSL expects its representatives to behave and conduct business in the workplace and includes legal compliance and guidelines on appropriate ethical standards. All employees of MSL (including temporary employees, contractors and Company Directors) must comply with the Code of Conduct.

The Code is designed to:

- › provide a benchmark for professional behaviour throughout MSL;
- › support MSL's business reputation and corporate image within the community; and
- › make Directors and other employees aware of the consequences if they breach the policy.

### 6.5.9.4 Communication with Shareholders

MSL aims to communicate all important information relating to MSL to its Shareholders. Additionally, the Company recognises that potential investors and other interested stakeholders may wish to obtain information about the Company from time to time.

To achieve this, the Company communicates information regularly to Shareholders and other stakeholders through a range of forums and publications, including MSL's website, at the annual general meeting, through the Annual Report and ASX announcements.

### 6.5.9.5 Diversity Policy

MSL is committed to complying with the diversity recommendations published by ASX and promoting diversity among employees, consultants and senior management, and has adopted a policy in relation to diversity (Diversity Policy).

MSL defines diversity to include, but not be limited to, gender, age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation and gender identity.

The Diversity Policy adopted by the Board outlines MSL's commitment to fostering a corporate culture that embraces diversity and provides a process for the Board to determine measurable objectives and procedures to implement and report against to achieve its diversity goals.

MSL's Nominations Committee is responsible for implementing the Diversity Policy, setting the Company's measurable objectives and benchmarks for achieving diversity and reporting to the Board on compliance with the Diversity Policy.

As part of its role, MSL's Remuneration Committee is responsible for formulating and implementing a Company remuneration policy. Under the Diversity Policy, a facet of this role will include reporting to the Board annually on the proportion of men and women in MSL's workforce and their relative levels of remuneration.

The Board will assess and report annually to Shareholders on MSL's progress towards achieving its diversity goals.

The Diversity Policy is available on MSL's website at [www.mpowermsl.com](http://www.mpowermsl.com).





DETAILS OF THE OFFER





## 7 DETAILS OF THE OFFER

### 7.1 INTRODUCTION

#### 7.1.1 THE OFFER

This Prospectus relates to an initial public offering of 60 million Shares for issue by the Company at an Offer Price of \$0.25 per Share, to raise \$15 million.

The Shares offered under this Prospectus will represent approximately 24.07% of the Shares on issue on Completion of the Offer, being 60 million Shares.

#### 7.1.2 STRUCTURE OF THE OFFER

The Offer comprises:

- › the Broker Firm Offer, which is only to Australian resident investors who are not Institutional Investors and who have received a firm allocation from their Broker; and
- › the Institutional Offer, which consists of an invitation to bid for Shares made to Institutional Investors in Australia and certain other eligible jurisdictions.

No general public offer of Shares will be made under the Offer. The allocation of Shares between the Broker Firm Offer and the Institutional Offer will be determined by the Lead Manager and the Company, having regard to the allocation policy outlined in Sections 7.4.5 and 7.5.2.

The Offer is fully underwritten by the Lead Manager. A summary of the Underwriting Agreement, including the events which would entitle the Lead Manager to terminate the Underwriting Agreement, is set out in Section 9.8.

#### 7.1.3 PURPOSE OF THE OFFER

The Offer is being conducted to:

- › raise funds for deferred payments for acquisitions;
- › raise funds to strengthen MSL's balance sheet and provide working capital;
- › fund further strategic initiatives and acquisitions;
- › cover IPO and capital raising costs;
- › explore further potential international expansion; and
- › provide MSL with the benefits of an increased profile that comes from being a listed entity.

#### 7.1.4 SOURCES AND USES OF FUNDS

SOURCE OF FUNDS	\$M	%	USE OF FUNDS	\$M	%
Cash proceeds under the Offer	15	100.0	Deferred payments and earn-outs for Verteda (UK) acquisition over next 12 months	\$2,000,000	13.3%
			Deferred payments and earn-outs for Golfbox acquisition over next 12 months	\$3,800,000	25.33%
			Deferred payments and earn-out from prior acquisitions	\$1,000,000	6.67%
			Acquisition related to "Buying Club" loyalty / media members engagement solutions (Pallister Games assets)	\$1,600,000	10.67%
			Other strategic initiatives and acquisitions	\$3,100,000	20.67%
			Costs of the offer (exc. GST)	\$1,500,000	10%
			Working capital and general corporate purposes	\$2,000,000	13.3%
Total		100.0		\$15,000,000	100.0

## 7.2 TERMS AND CONDITIONS OF THE OFFER

TOPIC	SUMMARY
What is the type of security being offered?	Shares (being fully paid ordinary shares in the Company).
What are the rights and liabilities attached to the Shares?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.11.
What is the consideration payable for each security?	The Offer Price is \$0.25 per Share.
What is the Offer Period?	The key dates, including details of the Offer Period, are set out in the Key Dates on page 3 of this Prospectus. No Shares will be issued on the basis of this Prospectus later than the Expiry Date.
What are the cash proceeds to be raised under the Offer?	\$15 million will be raised from investors under the Institutional Offer and the Broker Firm Offer.
How is the Offer structured?	<p>The Offer comprises:</p> <ul style="list-style-type: none"> <li>› the Broker Firm Offer which is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia; and</li> <li>› the Institutional Offer, which consists of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares.</li> </ul>
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer and the Institutional Offer will be determined by the Lead Manager and the Company. The Lead Manager, in consultation with the Company, has absolute discretion regarding the basis of allocation of Shares among Institutional Investors.</p> <p>For Broker Firm Offer participants, Brokers will decide as to how they allocate Shares that they are allocated to their retail clients.</p>
Will the Shares be quoted?	The Company will apply for admission to the official list of the ASX and quotation of Shares on the ASX under the code 'MPW'. Completion of the Offer is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.
Is the Offer underwritten?	Yes, the Offer is fully underwritten by the Lead Manager. Details are provided in Sections 7.6 and 9.8
Are there any escrow arrangements?	Yes. Details are provided in Section 9.7.1.
Has any ASIC relief or ASX waiver been sought or obtained?	Yes. Details are provided in Section 9.7.2.

## 7 DETAILS OF THE OFFER

TOPIC	SUMMARY
<b>How can I apply?</b>	<p>Broker Firm Applicants, who have received an invitation to participate in the Offer from a Broker, may apply for Shares by completing a valid Application Form attached to or accompanying this Prospectus and submitting that form in accordance with the instructions received from their Broker.</p> <p>To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.</p>
<b>Is there any brokerage, commission or stamp duty payable by Applicants?</b>	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.
<b>What are the tax implications of investing in the Shares?</b>	<p>Given that the taxation consequences of an investment will depend upon the investor's particular circumstances, it is the obligation of each investor to make their own enquiries concerning the taxation consequences of an investment in MSL.</p> <p>If you are in doubt as to the course you should follow, you should consult your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser.</p> <p>An overview of the tax treatment for Australian resident investors is included in Section 7.8.</p>
<b>When will I receive confirmation that my Application has been successful?</b>	It is expected that initial holding statements will be despatched by standard post on or about 1 May 2017.
<b>Can the Offer be withdrawn?</b>	<p>The Company reserves the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants.</p> <p>If the Offer does not proceed, Application Monies will be refunded via cheque sent to the address noted on your Application Form.</p> <p>No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.</p>
<b>Where can I find more information about this Prospectus or the Offer?</b>	<p>If you have any questions about this Prospectus or how to apply for Shares, please call the MSL IPO Information Line 1800 679 701 (within Australia) or +61 7 3512 3510 (outside Australia) from 9am to 5pm (AEST), Monday to Friday (excluding public holidays).</p> <p>If you are unclear or uncertain as to whether MSL is a suitable investment for you, you should seek professional guidance from your lawyer, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest in Shares.</p>

## 7.3 CAPITAL STRUCTURE

### 7.3.1 SHARES

The Company expects its key Shareholders will have the Shareholdings set out in the table below on the Prospectus Date and on Completion of the Offer.

SHAREHOLDER	SHARES ON PROSPECTUS DATE	SHAREHOLDING ON PROSPECTUS DATE (%)	SHARES ON COMPLETION OF THE OFFER	SHAREHOLDING ON COMPLETION OF THE OFFER (%)
Director Shareholders	29,266,694	31.24%	38,266,964 <sup>2</sup>	15.36%
Other Existing Shareholders (excluding Director Shareholders) <sup>1</sup>	64,410,888	68.76%	65,982,001 <sup>2</sup>	26.47%
Converting Note holders <sup>2</sup>	0	0.0	85,000,000	34.10%
New Shareholders under the Offer	0	0.0	60,000,000	24.07%
<b>Total</b>	<b>93,677,853</b>	<b>100.0</b>	<b>249,248,965</b>	<b>100.0</b>

Notes:

1. Pursuant to the terms of the Converting Note Deed, prior to Completion of the Offer the Converting Note holders will be issued with 85,000,000 Shares at a conversion price of \$0.20 per Share. See Section 9.5.1 for more information on the Converting Notes.
2. Excludes Shares issued on conversion of Converting Notes but includes Shares to be issued to Craig Kinross, Peter Jefferis and Greg Davies immediately prior to allotment under the Offer in accordance with incentive arrangements referred to in Section 6.3.3. The Directors (and their related parties and associates) also reserve the right to apply for additional Shares under the Offer which may increase their relevant percentage holdings.

## 7.4 BROKER FIRM OFFER

### 7.4.1 WHO CAN APPLY IN THE BROKER FIRM OFFER

The Broker Firm Offer is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia. Investors who have been offered a firm allocation by a Broker will be treated as an Applicant under the Broker Firm Offer in respect of that allocation.

Investors should contact their Broker to determine whether they may be allocated Shares under the Broker Firm Offer. The Broker Firm Offer is not a general public offer and is not open to persons in the United States.

### 7.4.2 HOW TO APPLY FOR SHARES UNDER THE BROKER FIRM OFFER

Applications for Shares may only be made on an Application Form attached to or accompanying this Prospectus or any replacement or supplementary prospectus. Broker Firm Applicants must complete and lodge their Application Form with the Broker from whom they received their firm allocation. Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

By making an Application, you declare that you were given access to this Prospectus or any replacement Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.



## 7 DETAILS OF THE OFFER

Broker Firm Applicants should contact their Broker about the minimum and maximum Application amount. The Company and the Lead Manager reserves the right to aggregate any Applications which they believe may be multiple Applications from the same person. The Company may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion in compliance with applicable laws.

Broker Firm Applicants must lodge their Application Form and Application Monies with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Application Forms to the Share Registry.

The Broker Firm Offer opens at 9am (AEST) on 10 April 2017 and is expected to close at 5pm (AEST) on 26 April 2017. The Company and the Lead Manager may elect to close the Broker Firm Offer early, extend the Broker Firm Offer or any part of it, or accept late Applications either generally or in particular cases. Your Broker may impose an earlier closing date. Broker Firm Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

### 7.4.3 PAYMENT METHODS

Broker Firm Applicants must pay their Application Monies in accordance with instructions from their Broker.

### 7.4.4 APPLICATION MONIES

The Company reserve the right to decline any Application and all Applications in whole or in part, without giving any reason. Broker Firm Applicants whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any Application Monies refunded.

### 7.4.5 ALLOCATION POLICY UNDER THE BROKER FIRM OFFER

The allocation of firm stock to Brokers has been determined by the Lead Manager and the Company.

Shares which have been allocated to Brokers for allocation to their Australian resident retail clients will be issued to the Broker Firm Applicants who have received a valid allocation of Shares from those Brokers. It will be a matter for the Brokers how they allocate Shares among their retail clients, and they (and not the Company or the Lead Manager) will be responsible for ensuring that retail clients who have received an allocation from them, receive the relevant Shares.

## 7.5 INSTITUTIONAL OFFER

### 7.5.1 INVITATIONS TO APPLY

The Institutional Offer consists of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares. The Lead Manager separately advises Institutional Investors of the Application procedures for the Institutional Offer.

### 7.5.2 ALLOCATION POLICY UNDER THE INSTITUTIONAL OFFER

The allocation of Shares between the Institutional Offer and the Broker Firm Offer is determined by the Lead Manager and the Company. The Lead Manager in consultation with the Company, has absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

Participants in the Institutional Offer are advised of their allocation of Shares, if any, by the Lead Manager. The allocation policy is influenced by the following factors:

- › number of Shares bid for by particular Applicants;
- › the timeliness of the bid by particular Applicants;
- › the Company's desire for an informed and active trading market following Listing;
- › the Company's desire to establish a wide spread of institutional Shareholders;
- › overall level of demand under the Broker Firm Offer and Institutional Offer;
- › the size and type of funds under management of particular Applicants;
- › the likelihood that particular Applicants will be long term Shareholders; and
- › any other factors that the Company and the Lead Manager considered appropriate.

## 7.6 UNDERWRITING ARRANGEMENTS

The Offer is fully underwritten by the Lead Manager. The Lead Manager and the Company have entered into an Underwriting Agreement under which the Underwriter has been appointed as arranger, manager and underwriter of the Offer. The Lead Manager agrees, subject to certain conditions and termination events, to underwrite Applications for all Shares under the Offer.

The Underwriting Agreement sets out a number of circumstances under which the Lead Manager may terminate the agreement and the underwriting obligations. A summary of certain terms of the agreement and underwriting arrangements, including the termination provisions, is provided in Section 9.8.

## 7.7 OWNERSHIP RESTRICTIONS

The sale and purchase of Shares in the Company is regulated by Australian laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section 7.7 contains a general description of these laws.

### 7.7.1 CORPORATIONS ACT

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply.

The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company.

### 7.7.2 SELLING RESTRICTIONS

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia. The Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (US Securities Act) or the securities laws of any state or other jurisdiction in the United States and may not be offered, sold, pledged or transferred in the United States except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act laws and any other applicable laws.

This Prospectus may only be distributed in Australia and, outside Australia, to persons to whom the Offer may be lawfully made in accordance with the laws of the applicable jurisdiction, provided that this Prospectus may not be distributed in the United States.

The Offer is not an offer or invitation in any jurisdiction where, or to any person to whom, such an offer or invitation would be unlawful.

Each Applicant will be taken to have represented, warranted and agreed as follows:

- › it understands that the Shares have not been, and will not be, registered under the US Securities Act and may not be offered, sold or resold in the United States, except in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable securities laws;
- › it is not in the United States;
- › it has not and will not send this Prospectus or any other material relating to the Offer to any person in the United States; and
- › it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which the Shares are offered and sold.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.



## 7 DETAILS OF THE OFFER

### 7.8 WHAT ARE THE TAXATION CONSIDERATIONS?

The comments below provide a general summary of Australian tax issues for Australian tax resident Shareholders who acquire Shares under this Prospectus. The categories of Shareholders considered in this summary are limited to individuals, companies (other than life insurance companies), trusts, partnerships and complying superannuation funds that hold their Shares on capital account.

These comments do not apply to Shareholders that hold their Shares on revenue account or as trading stock, or to non-Australian tax resident Shareholders. They also do not apply to Shareholders that are banks, insurance companies or taxpayers that carry on a business of trading in Shares, or Shareholders who are exempt from Australian tax. This summary also does not cover the consequences for Shareholders who are subject to Taxation of Financial Arrangements rules contained in Division 230 of the Income Tax Assessment Act 1997. These Shareholders should seek their own professional advice based on their particular facts.

Tax laws are complex and subject to ongoing change. The comments below are based on the Income Tax Assessment Act 1936, the Income Tax Assessment Act 1997, the A New Tax System (Goods and Services Tax) Act 1999, relevant stamp duty legislation, applicable case law and published Australian Taxation Office and State/Territory Revenue Authority rulings, determinations and statements of administrative practice at the date of this Prospectus. The tax consequences discussed below may alter if there is a change to the tax law after the date of this Prospectus. If there is a change, including a change having retrospective effect, the income tax, stamp duty and GST consequences should be reconsidered by Shareholders in light of the changes. The tax consequences discussed below do not take into account the tax law of countries other than Australia.

This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. This summary does not constitute financial product advice as defined in the Corporations Act. The Company and its advisors disclaim all liability to any Shareholder or other party for all costs, loss, damage and liability that the Shareholder or other party may suffer or incur arising from, relating to or

in any way connected with the contents of this summary or the provision of this summary to the Shareholder or other party or the reliance on this summary by the Shareholder or other party.

Shareholders should seek professional advice on the taxation implications of acquiring, owning and disposing of Shares, taking into account their specific circumstances.

#### 7.8.1 DIVIDENDS ON A SHARE FOR AUSTRALIAN TAX RESIDENT SHAREHOLDERS

Dividends distributed by the Company on a Share will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders should include in their assessable income the dividend actually received, together with any franking credit attached to that dividend.

Where the franking credit is included in the Shareholder's assessable income, the Shareholder will generally be entitled to a corresponding tax offset against tax payable by the Shareholder. To be eligible for the franking credit tax offset, a Shareholder must satisfy the "holding period" rule and "related payments" rule. These rules broadly require that a Shareholder hold the Shares 'at risk' for a continuous period of not less than 45 days (excluding the days of acquisition and disposal) and that the benefit of the dividend is not passed on within 45 days. Any day on which a Shareholder has a materially diminished risk or loss of opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the Shareholder held the Shares "at risk". A Shareholder must not be obliged to make a "related payment" in respect of any dividend, unless they hold the Shares "at risk" for the required holding period around the dividend dates. Special rules apply to trusts and beneficiaries. Shareholders should seek professional advice to determine if these requirements, as they apply to them, have been satisfied. The holding period rules will not apply to a Shareholder who is an individual whose tax offset entitlement (for all franked distributions received in the income year) does not exceed A\$5,000.

Legislation has been enacted to deny franking tax offsets to certain “distribution washing” arrangements. Shareholders should consider the impact of these as well as other integrity measures which may apply to the claiming of tax offsets, having regard to their own facts and circumstances.

Where a Shareholder is an individual or a complying superannuation entity, the Shareholder will generally be entitled to a refund of tax to the extent that the franking credit tax offset exceeds the Shareholder’s income tax liability for the income year.

Where a Shareholder is a company, the Shareholder will generally be entitled to a carry forward loss calculated by reference to any excess of the franking credit attached to the Shareholder’s dividends over the Shareholder’s tax liability for the income year. Shareholders that are companies should seek specific advice regarding the tax consequences of dividends received in respect of the Shares they hold and the calculation and availability of carry forward tax losses arising from excess tax offsets.

Franked dividends received by a corporate Shareholder will generally give rise to a franking credit in the Shareholder’s franking account (subject to the Shareholder satisfying the rules outlined above for claiming a tax offset). Special rules apply to Shareholders that are trustees (other than trustees of complying superannuation entities) or partnerships. These Shareholders should seek specific advice regarding the tax consequences of dividends received in respect of Shares held.

To the extent a dividend distributed by the Company is unfranked (which may be the case given MSL’s overseas business), the Shareholders should generally be taxed at their respective rate of income tax with no franking tax offset.

## **7.8.2 DISPOSAL OF SHARES BY AUSTRALIAN TAX RESIDENT SHAREHOLDERS**

The disposal of a Share by a Shareholder will be a capital gains tax (CGT) event. The Shareholder will make a capital gain where the capital proceeds received on the disposal of the Share exceeds the cost base of the Share, and will make a capital loss where the reduced cost base of the Share exceeds the capital proceeds from the disposal of that Share. Capital losses may only be offset against capital gains made by the Shareholder in the same income year or future income years. Capital losses cannot be offset against other forms of assessable income. Broadly, the cost base and reduced cost base of a Share will be equal to the amount paid to acquire the Share (including certain other costs, such as incidental costs of acquisition and disposal).

Generally, all capital gains and losses made by a Shareholder for an income year, plus any net capital losses carried forward from an earlier income year, will need to be aggregated to determine whether the Shareholder has made a net capital gain or net capital loss for the year. A net capital gain is included in a Shareholder’s assessable income whereas a net capital loss is carried forward and may be available to be offset against capital gains of later years (subject to the satisfaction of the loss recoupment rules for companies).

If a Shareholder is an individual, complying superannuation entity or trust, and has held the Share for at least 12 months or more before disposal of the Share, the Shareholder may be entitled to a “CGT discount” for any capital gain made on the disposal of the Share. Where the CGT discount applies, any capital gain arising may be reduced by 50% in the case of individuals and trusts, and by one-third in the case of complying superannuation entities. Shareholders that are companies are not entitled to a CGT discount.

Where the Shareholder is a trustee of a trust that has held the Share for at least 12 months or more before disposal, the CGT discount may flow through to the beneficiaries of that trust if those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains after offsetting current year or prior year capital losses.

### **Tax File Numbers**

Shareholders are not required to quote their Tax File Number (TFN) or, where relevant, Australian Business Number (ABN) to the Company. However, if a valid TFN, a valid ABN or exemption details are not provided, Australian tax may be required to be deducted by the Company from distributions and/or unfranked dividends at the maximum marginal tax rate plus any relevant levy (e.g. Medicare levy). Australian tax should not be required to be deducted by the Company in respect of fully franked dividends.

A Shareholder that holds Shares as part of an enterprise may quote their ABN instead of their TFN.

## 7 DETAILS OF THE OFFER

### **GST implications**

No GST should be payable by Shareholders in respect of the acquisition or disposal of their Shares in the Company, regardless of whether or not the Shareholder is registered for GST.

Shareholders may not be entitled to claim full input tax credits in respect of any GST included in the costs they have incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by Shareholders in this respect, relevant to their particular circumstances.

No GST should be payable by Shareholders on receiving dividends distributed by the Company.

### **Stamp duty**

Shareholders should not be liable for stamp duty in respect of the acquisition of their Shares. Under current stamp duty legislation, no stamp duty would ordinarily be payable by Shareholders on any subsequent transfer of their Shares.

### **7.9 DISCRETION REGARDING THE OFFER**

The Company reserves the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants. If the Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.

The Company and the Lead Manager also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid for.

### **7.10 ASX LISTING, REGISTERS AND HOLDING STATEMENTS**

#### **7.10.1 APPLICATION TO THE ASX FOR LISTING OF MSL AND QUOTATION OF SHARES**

The Company will apply for admission to the official list of the ASX and quotation of the Shares on the ASX within seven days of the Prospectus Date. The Company's ASX code is expected to be MPW.

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit the Company to the official list is not to be taken as an indication of the merits of MSL or the Shares offered for issue.

If the Company does not make such an application within seven days after the date of this Prospectus, or permission is not granted for the official quotation of the Shares on the ASX within three months after the Prospectus Date (or any later date permitted by law), all Application Monies received by the Company will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.

#### **7.10.2 CHESS AND ISSUER SPONSORED HOLDINGS**

The Company will apply to participate in the ASX's Clearing House Electronic Subregister System (CHESS) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHESS subregister or an issuer sponsored subregister.

For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (HIN) for CHESS holders or, where applicable, the Securityholder Reference Number (SRN) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their Shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHES subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. MSL and the Share Registry may charge a fee for these additional issuer sponsored statements.

### 7.10.3 TRADING AND SELLING SHARES ON MARKET

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk. The Company, the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding from your firm allocation through a Broker.

Shares are expected to commence trading on the ASX on or about 5 May 2017.

## 7.11 CONSTITUTION AND RIGHTS ATTACHING TO THE SHARES

### 7.11.1 INTRODUCTION

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the official list of the ASX.

### 7.11.2 VOTING AT A GENERAL MEETING

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held.

### 7.11.3 MEETINGS OF MEMBERS

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, Corporations Act and Listing Rules. The Company must give at least 28 days' written notice of a general meeting.

### 7.11.4 DIVIDENDS

The Board may pay any interim and final dividends that, in its judgement, the financial position of the Company justifies. The Board may also pay any dividend required to be paid under the terms of issue of a Share, and fix a record date for a dividend and the timing and method of payment.

### 7.11.5 TRANSFER OF SHARES

Subject to the Constitution and to any restrictions attached to a Shareholder's Share, Shares may be transferred in accordance with the ASX Settlement Operating Rules, Corporations Regulations and ASX Listing Rules or by a written transfer in any usual form or in any other form approved by the Board and permitted by the relevant laws and ASX requirements. The Board may decline to register a transfer of Shares or apply a holding lock to prevent a transfer in accordance with the Corporations Act or the ASX Listing Rules.

### 7.11.6 ISSUE OF FURTHER SHARES

The Board may, subject to the Constitution, Corporations Act and the ASX Listing Rules issue, allot or grant options for, or otherwise dispose of, Shares in the Company on such terms as the Board decides.

### 7.11.7 WINDING UP

If the Company is wound up, then subject to the Constitution, the Corporations Act and any rights or restrictions attached to any Shares or classes of shares, Shareholders will be entitled to a share in any surplus property of the Company in proportion to the number of Shares held by them.

If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide among the Shareholders the whole or part of the Company's property and decide how the division is to be carried out as between Shareholders or different classes of shareholders.

## 7 DETAILS OF THE OFFER

### 7.11.8 NON-MARKETABLE PARCELS

In accordance with the ASX Listing Rules, the Board may sell Shares that constitute less than a marketable parcel by following the procedures set out in the Constitution. An unmarketable parcel of shares is defined in the ASX Listing Rules and is generally, a holding of shares with a market value of less than \$500.

### 7.11.9 PROPORTIONAL TAKEOVER PROVISIONS

The Constitution contains provisions requiring Shareholder approval in relation to any proportional takeover bid. These provisions will cease to apply unless renewed by Shareholders passing a special resolution by the third anniversary of either the date those rules were adopted or the date those rules were last renewed.

### 7.11.10 VARIATION OF CLASS RIGHTS

The procedure set out in the Constitution must be followed for any variation of rights attached to the Shares. Under that section, and subject to the Corporations Act and the terms of issue of a class of shares, the rights attached to any class of Shares may be varied:

- › with the consent in writing of the holders of 75% of the issued shares included in that class; or
- › by a special resolution passed at a separate meeting of the holders of those shares.

### 7.11.11 DIRECTORS – APPOINTMENT AND REMOVAL

Under the Constitution, the Board is comprised of a minimum of three Directors and a maximum fixed by the Directors from time to time. Directors are elected or re-elected at annual general meetings of the Company.

No Director (excluding the managing director) may hold office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected. The Board may also appoint any eligible person to be a Director either to fill a casual vacancy on the Board or as an addition to the existing Directors, who will then hold office until the conclusion of the next annual general meeting of the Company following their appointment.

### 7.11.12 DIRECTORS – VOTING

Questions arising at a meeting of the Board must be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the chairperson of the meeting has a casting vote in addition to his or her deliberative vote.

### 7.11.13 DIRECTORS – REMUNERATION

Under the Constitution, the Board may decide the remuneration from the Company to which each Director is entitled for his or her services as a Director. However, the total aggregate amount provided to all Directors for their services as Directors must not exceed in any financial year the amount fixed by the Company in general meeting. The remuneration of a Director must not include a commission on, or a percentage of, operating revenue. The current maximum aggregate sum of Non-Executive Director remuneration is set out in Section 6.3.2.2. Any change to that maximum aggregate amount needs to be approved by Shareholders.

Directors may be paid for all travelling and other expenses properly incurred by them in connection with Company's affairs, including attending and returning from general meetings of the Company or meetings of the Board or of committees of the Board. If a Director performs extra services in connection with the affairs of the Company, the Directors may arrange for a special remuneration to be paid.

Directors' remuneration is discussed in Section 6.3.2.

### 7.11.14 POWERS AND DUTIES OF DIRECTORS

The directors are responsible for managing the business of the Company and may exercise to the exclusion of the Company in general meeting all the powers of the Company which are not required by the Corporations Act, the Constitution or the ASX Listing Rules, to be exercised by the Company in general meeting.

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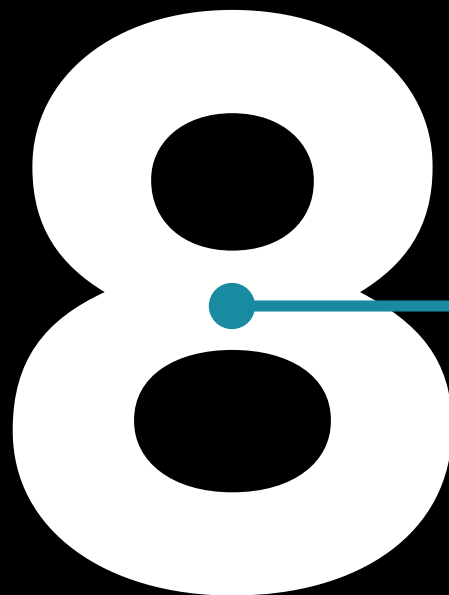
#### 7.11.15 INDEMNITIES

The Company, to the extent permitted by law, indemnifies each Director and executive officer of MSL on a full indemnity basis against all losses, liability, costs, charges and expenses incurred by that person as an officer of the Company or of a related body corporate.

The Company may, to the extent permitted by law, purchase and maintain insurance or pay, or agree to pay, a premium for a contract insuring each Director and executive officer of the Company against any liability incurred by that person as an officer of the Company or of a related body corporate, including for negligence or for reasonable costs and expenses incurred by that person in defending or responding to proceedings (whether civil or criminal and whatever the outcome).

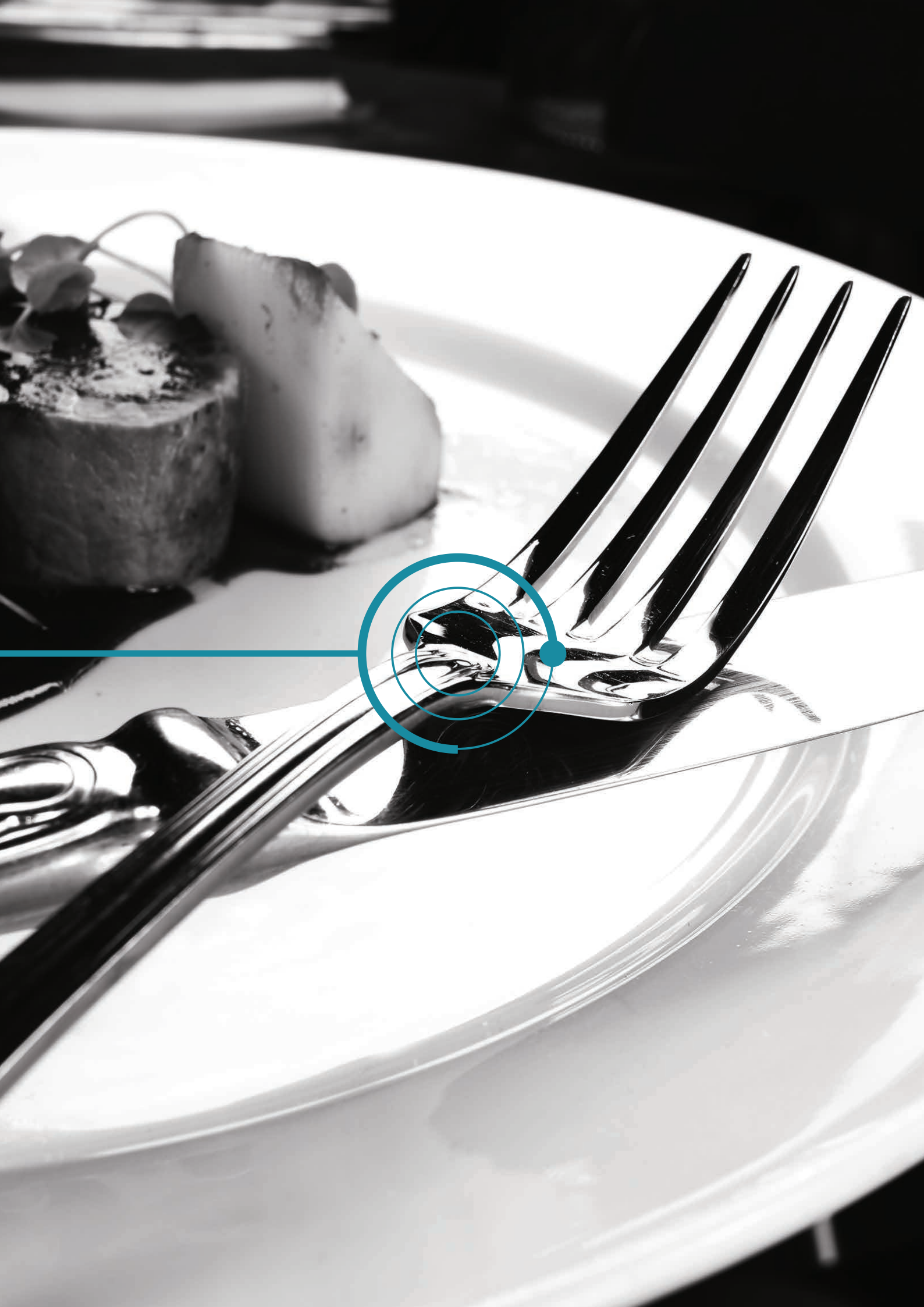
#### 7.11.16 AMENDMENT

The Constitution can only be amended by special resolution passed by at least three-quarters of Shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of the Company.



INDEPENDENT LIMITED ASSURANCE REPORT







The Directors  
MSL Solutions Limited  
PO Box 683  
Paddington  
QLD 4064

31 March 2017

Dear Directors

***Independent Limited Assurance Report on MSL Solutions Limited  
historical and forecast financial information and Financial Services  
Guide***

We have been engaged by MSL Solutions Limited (the **Company**) to report on historical and forecast financial information of the Company for inclusion in the prospectus dated on or about 31 March 2017 (**Prospectus**) in connection with the proposed initial public offering of shares in the Company and listing of the Company on the Australian Securities Exchange (**Offer**).

Expressions and terms defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers holds the appropriate Australian financial services licence under the Corporations Act 2001. This report is both an Independent Limited Assurance Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

***Scope***

You have requested PricewaterhouseCoopers Securities Ltd to review the following financial information of the Company (the responsible party) included in the Prospectus (**Financial Information**):

***Statutory Historical Financial Information***

- Statutory consolidated net profit after tax (**NPAT**) for the years ended 30 June 2015 (**FY15**) and 30 June 2016 (**FY16**) and six months ended 31 December 2015 (**H1 FY16**) and 31 December 2016 (**H1 FY17**) (**Statutory Historical Results**);
- Statutory consolidated balance sheet as at 31 December 2016 (**Statutory Historical Balance Sheet**); and
- Statutory consolidated operating cash flows for FY15, FY16, H1 FY16 and H1 FY17 (**Statutory Historical Cash Flows**).

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies. The Statutory Historical Financial Information has been extracted from the financial reports of the Company for the years ended 30 June 2015 and 30 June 2016 and six months ended 31 December 2016.

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**PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of  
Australian Financial Services Licence No 244572  
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
T: 61 3 8603 1000, F: 61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au).**



The financial reports for the years ended 30 June 2015 and 30 June 2016 were audited by BDO and the financial report for the six months ended 31 December 2016 was reviewed by BDO in accordance with the Australian Auditing Standards. BDO issued an unmodified audit opinion on each of the financial reports for the years ended 30 June 2015 and 30 June 2016 and issued an unmodified review opinion on the financial report for the six months ended 31 December 2016.

The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

#### *Pro Forma Historical Financial Information*

- Pro forma consolidated income statements for FY15, FY16, H1 FY16 and H1 FY17 (**Pro Forma Historical Results**);
- Pro forma consolidated balance sheet as at 31 December 2016 (**Pro Forma Historical Balance Sheet**); and
- Pro forma consolidated operating cash flows for FY15, FY16, H1 FY16 and H1 FY17 (**Pro Forma Historical Cash Flows**).

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of the Company, after adjusting for the effects of pro forma adjustments described in Section 4 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Statutory Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in Section 4 of the Prospectus, as if those events or transactions had occurred as at the date of the Statutory Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance, and/or cash flows.

#### *Statutory Forecast*

- Statutory consolidated forecast income statement for the year ending 30 June 2017 (**FY17**) and the year ending 30 June 2018 (**FY18**) (**Statutory Forecast Results**); and
- Statutory consolidated forecast operating cash flow statement for FY17 and FY18 (**Statutory Forecast Cash Flow**).

The directors' best-estimate assumptions underlying the Statutory Forecast are described in Section 4 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

#### *Pro Forma Forecast*

- Pro forma consolidated forecast income statements for FY17 and FY18 (**Pro Forma Forecast Results**); and
- Pro forma consolidated forecast cash flow statements for FY17 and FY18 (**Pro Forma Forecast Cash Flows**).

The Pro Forma Forecast has been derived from the Company's Statutory Forecast, after adjusting for the effects of the pro forma adjustments described in Section 4 of the Prospectus. The stated basis of



preparation used in the preparation of the Pro Forma Forecast is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Forecast and the events or transactions to which the pro forma adjustments relate, as described in Section 4 of the Prospectus, as if those events or transactions had occurred as at the date of the Statutory Forecast. Due to its nature, the Pro Forma Forecast does not represent the Company's actual prospective financial performance, or cash flows for the years ending 30 June 2017 and 30 June 2018.

### ***Directors' responsibility***

The directors of the Company are responsible for the preparation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information, including its basis of preparation and the selection and determination of pro forma adjustments made to the Statutory Historical Financial Information included in the Pro Forma Historical Financial Information.

The directors of the Company are also responsible for the preparation of the Statutory Forecast, including its basis of preparation and the best-estimate assumptions underlying the Statutory Forecast. They are also responsible for the preparation of the Pro Forma Forecast, including its basis of preparation and the selection and determination of the pro forma adjustments made to the Statutory Forecast and included in the Pro Forma Forecast. This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of Statutory Historical Financial Information, Financial Information, Pro Forma Historical Financial Information, Statutory Forecast and Pro Forma Forecast that are free from material misstatement.

### ***Our responsibility***

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information, the Pro Forma Historical Financial Information, the Statutory Forecast and Pro Forma Forecast, the best-estimate assumptions underlying the Forecast Financial Information and Pro Forma Forecast, and the reasonableness of the Statutory Forecast and Pro Forma Forecast themselves, based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the Financial Information.

### ***Conclusions***

#### ***Statutory Historical Financial Information***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information of the Company, as described in Section 4 of the Prospectus, and comprising:

- the Statutory Historical Results;



- the Statutory Historical Balance Sheet; and
- the Statutory Historical Cash Flows

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4 of the Prospectus being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

#### *Pro Forma Historical Financial Information*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information of the Company as described in Section 4 of the Prospectus, and comprising:

- the Pro Forma Historical Results;
- the Pro Forma Historical Balance Sheet; and
- the Pro Forma Historical Cash Flows

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4 of the Prospectus being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Statutory Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in Section 4 of the Prospectus, as if those events or transactions had occurred as at the date of the Statutory Historical Financial Information.

#### *Statutory Forecast*

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Statutory Forecast Results and Statutory Forecast Cash Flow of the Company for the year ending 30 June 2017 and year ending 30 June 2018 do not provide reasonable grounds for the Statutory Forecast; and
- in all material respects, the Statutory Forecast:
  - is not properly prepared on the basis of the directors' best-estimate assumptions as described in Section 4 of the Prospectus; and
  - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies; and
- the Statutory Forecast itself is unreasonable.

#### *Pro Forma Forecast*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:





- the directors' best-estimate assumptions used in the preparation of the Pro Forma Forecast Results and Pro Forma Forecast Cash Flows of the Company for the years ending 30 June 2017 and 30 June 2018 do not provide reasonable grounds for the Pro Forma Forecast; and
- in all material respects, the Pro Forma Forecast:
  - is not properly prepared on the basis of the directors' best-estimate assumptions, as described in Section 4 of the Prospectus; and
  - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies, applied to the Statutory Forecast and the pro forma adjustments as if those adjustments had occurred as at the date of the Statutory Forecast; and
- the Pro Forma Forecast itself is unreasonable.

### *Statutory Forecast and Pro Forma Forecast*

The Statutory Forecast and Pro Forma Forecast have been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the years ending 30 June 2017 and 30 June 2018. There is a considerable degree of subjective judgment involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Statutory Forecast and Pro Forma Forecast since anticipated events or transactions frequently do not occur as expected and the variation may be material.

The directors' best-estimate assumptions on which the Statutory Forecast and Pro Forma Forecast are based relate to future events and transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the directors' best-estimate assumptions on which the Statutory Forecast and Pro Forma Forecast are based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the Statutory Forecast and Pro Forma Forecast. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in Section 5 and Section 4.9 of the Prospectus. The sensitivity analysis described in Section 4.9 of the Prospectus demonstrates the impact on the Pro Forma Forecast of changes in key best-estimate assumptions. We express no opinion as to whether the Statutory Forecast or Pro Forma Forecast will be achieved.

The Statutory Forecast and Pro Forma Forecast have been prepared by the directors for the purpose of inclusion in the Prospectus in connection with the proposed initial public offering of shares in the Company and listing of the Company on the Australian Securities Exchange. We disclaim any assumption of responsibility for any reliance on this report, or on the Statutory Forecast or Pro Forma Forecast to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of the Company, that



all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

#### ***Notice to investors outside Australia***

Under the terms of our engagement this report has been prepared solely to comply with Australian Auditing Standards applicable to review engagements.

This report does not constitute an offer to sell, or a solicitation of an offer to buy, any securities. We do not hold any financial services licence or other licence outside Australia. We are not recommending or making any representation as to suitability of any investment to any person.

#### ***Restriction on Use***

Without modifying our conclusions, we draw attention to Section 4.2 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Financial Information may not be suitable for use for another purpose.

#### ***Consent***

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the Prospectus in the form and context in which it is included.

#### ***Liability***

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Prospectus. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the Prospectus.

#### ***Independence or Disclosure of Interest***

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this transaction other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

#### ***Financial Services Guide***

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Robert Silverwood', written over a light blue horizontal line.

Robert Silverwood  
Authorised Representative of  
PricewaterhouseCoopers Securities Ltd





### *Appendix A - Financial Services Guide*

#### PRICEWATERHOUSECOOPERS SECURITIES LTD

#### FINANCIAL SERVICES GUIDE

**This Financial Services Guide is dated 31 March 2017**

**1. About us**

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("**PwCS**") has been engaged by MSL Solutions Limited (the **Company**) to provide a report in the form of an **Independent Limited Assurance Report** in connection with the proposed initial public offering of shares in the Company and listing of the Company on the Australian Securities Exchange (Offer) for inclusion in the **Prospectus**.

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

**2. This Financial Services Guide**

This Financial Services Guide ("**FSG**") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwCS generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

**3. Financial services we are licensed to provide**

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



**4. General financial product advice**

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

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

**5. Fees, commissions and other benefits we may receive**

PwCS charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwCS to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees charged are \$330,000 (excluding GST).

Directors or employees of PwCS, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

**6. Associations with issuers of financial products**

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

**7. Complaints**

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service ("FOS"), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

**8. Contact Details**

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

Robert Silverwood  
PwC 2 Riverside Quay, Southbank VIC 3006



ADDITIONAL INFORMATION



## 9 ADDITIONAL INFORMATION

### 9.1 REGISTRATION

The Company was registered in Queensland on 19 July 2006 as an Australian public company.

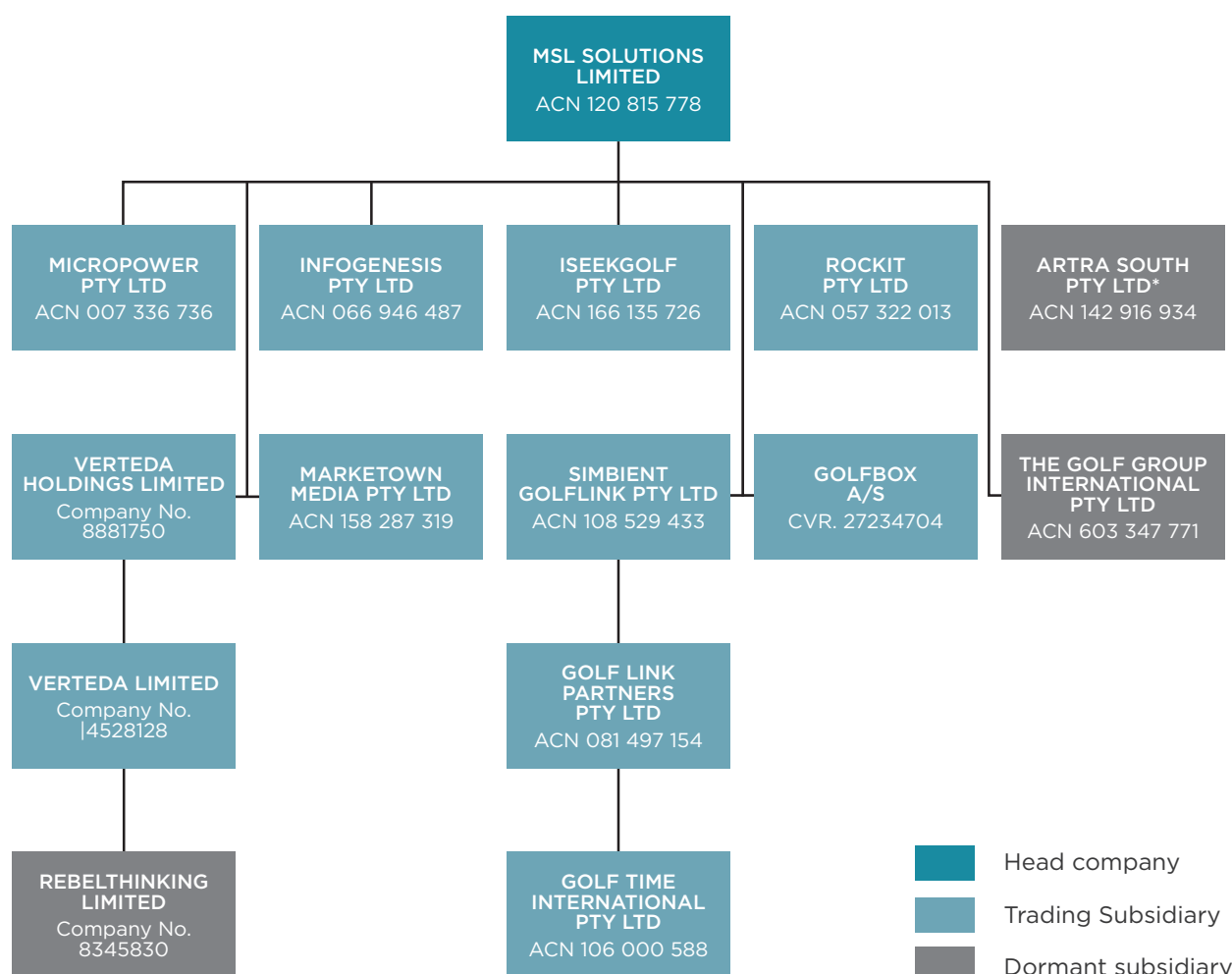
### 9.2 COMPANY TAX STATUS

The Company will be taxed as an Australian resident public company for the purpose of Australian income tax law.

### 9.3 CORPORATE STRUCTURE

The following diagram represents the corporate structure of the Group at the Prospectus Date. Other than Artra South Pty Ltd, each entity in the Group is 100% owned, directly or indirectly, by the Company.

With the exception of Artra South, The Golf Group International Pty Ltd and RebelThinking Limited (which are all dormant, non-trading entities), all companies are engaged in the business of the Group. The Company intends to take steps to de-register the dormant entities in the next 12 months (subject to regulatory requirements and contractual commitments).



## 9.4 ZUUSE SHAREHOLDING

As at the Prospectus Date the Company is the registered holder of 39,104,222 ordinary shares in Zuuse Pty Ltd. This holding equates to 30.2% of the issued shares of Zuuse Pty Ltd. Zuuse is a former wholly-owned subsidiary of the Company which was deconsolidated in June 2014. The Company is currently engaged in an active sell-down process to divest of its remaining shareholding in Zuuse.

## 9.5 CONVERTING NOTES

In November 2016, the Company entered into a Converting Note Deed under which it issued Converting Notes to certain Institutional Investors for total proceeds of \$17,000,000 (Converting Notes). The purpose of issuing the Converting Notes was for acquiring Verteda and GolfBox and providing general working capital.

On Completion of the Offer, the Converting Notes convert into 85,000,000 Shares at an effective conversion price of \$0.20, equivalent to a 20% discount to the Offer Price.

Section 706 of the Corporations Act provides that an offer of securities for issue needs disclosure to investors unless the investor is an individual exempt from disclosure. Some of the Converting Note holders are sophisticated and professional investors to whom the issue of Shares in MSL do not require a disclosure document in reliance on the exemptions in Section 708 of the Corporations Act. However, some other Converting Note holders may not fall under these exemptions and therefore the issue of the Shares in MSL upon conversion of the Converting Notes requires disclosure. The Prospectus seeks to satisfy that requirement by containing an offer of securities to those relevant Converting Note holders. The Shares to be issued in MSL to Converting Note holders shall be issued pursuant to and in accordance with this Prospectus.

The offer set out in this Section 9.5 is only made to a person that is a holder of Converting Notes.

## 9.6 OPTIONS

Upon Completion of the Offer the Company will have on issue a total of 4,678,572 options under the EIP and MOP. Details of the Options are set out in the table below:

TRANCHE	NUMBER OF OPTIONS	ISSUE DATE	VESTING START DATE	EXERCISE PRICE	EXPIRY DATE	VESTING CONDITIONS
A (MOP)	2,357,142	18 December 2015	Issue Date	\$0.217	30 November 2020	Nil
B (EIP)	1,250,000	21 October 2016	Issue Date	\$0.308	21 October 2020	Nil
C (EIP)	1,071,430	30 May 2016	Issue Date	\$0.308	30 May 2021	Nil

### Vesting and lapsing of Options

The options may be exercised at any time after the Issue Date but prior to the respective Expiry Date.

### Other terms of Options

The other terms of the Options are summarised in section 9.9.

### Options issued to Directors

Further details on the Options issued to Directors are set out in section 6.3.2.4.

## 9 ADDITIONAL INFORMATION

### 9.7 RESTRICTED SECURITIES AND ESCROW ARRANGEMENTS

#### 9.7.1 VOLUNTARY ESCROW

The following parties have agreed to enter into voluntary escrow arrangements in relation to some or all of their Shares under which they will be restricted from dealing with those Shares for a particular escrow period following completion of the Offer:

SHAREHOLDER	SHARES	ON COMPLETION OF THE OFFER (%)	ESCROW PERIOD
Richard Holzgrefe (via Holzgrefe Holdings Pty Ltd and Wandmount Pty Ltd)	12,561,918	5.04%	Until release of FY18 results
Ian Daly (via Lovat Pty Ltd and Ian Michael Daly and Sheena Daly)	8,821,429	3.54%	Until release of FY18 results
John Down (via Jambet Downs Pty Ltd and Kenneth John Down)	7,385,347	2.96%	Until release of FY18 results
Craig Glen Kinross	10,498,271	4.21%	Until release of FY18 results
David Trude	250,000	.10%	Until release of FY18 results
<b>Total</b>	<b>39,516,965</b>	<b>15.85%</b>	

Each of these Shareholders will enter into an escrow deed in respect of their escrowed Shares, which will prevent them from disposing of their escrowed Shares during the escrow period, subject to any exceptions.

The restriction on dealing is broadly defined and includes, among other things, selling, transferring or otherwise disposing of any interest in the Shares, encumbering or granting a security interest over the Shares, doing, or omitting to do, any act where the act or omission would have the effect of transferring effective ownership or control of any the Shares or agreeing to do any of those things.

Any of the escrowed Shareholders may be released early from these escrow obligations to enable:

- › the escrowed Shareholder to accept an offer under a takeover bid in relation to its Shares if holders of at least half of the Shares the subject of the bid that are not escrowed have accepted the takeover bid; and
- › the Shares held by the escrowed Shareholder to be transferred or cancelled as part of a merger by a scheme of arrangement under Part 5.1 of the Corporations Act.

#### 9.7.2 FREE FLOAT

The expected free float of the Company on Completion of the Offer is as follows:

- › Shares on issue on Completion of the Offer - 249,248,965 (100%)

- › Shares that are subject to voluntary escrow 39,516,964 (15.85%)
- › Share that are held by security holders who are not non-affiliated security holders\* (excluding Shares subject to voluntary escrow) - 7,598,901 (3.05%)
- › **Free float\*\* - 208,383,100 (81.10%)**

#### 9.7.3 REGULATORY RELIEF

ASX has confirmed to the Company that on the basis of information provided by the Company that upon application for admission to the official list of ASX Limited by MSL Solutions Limited, ASX is likely to form the view that the restrictions in clauses 1, 2, 3, 4, 7, 8 and 9 of Appendix 9B do not apply to the Company as it has a track record of revenue and profitability acceptable to ASX.

### 9.8 UNDERWRITING AGREEMENT

The Company and the Lead Manager have entered into an underwriting agreement dated 31 March 2017 (Underwriting Agreement) pursuant to which the Lead Manager has agreed to manage and underwrite the Offer on an exclusive basis.

#### 9.8.1 COMMISSION, FEES AND EXPENSES

On the settlement date of the Offer, the Company must pay the Lead Manager a management fee equal to 3.5% of the proceeds of the Offer and an underwriting fee equal to 0.5% of the proceeds of the Offer (plus GST).

\* As defined in the listing rules of ASX

\*\*Assumes that security holders who are not non-affiliated holders do not apply for any Shares under the Offer.



The Company has also agreed to reimburse the Lead Manager for reasonable costs and expenses of an incidental to the Offer.

The Lead Manager must pay any fees due to any co-managers, co-lead managers and brokers appointed by the Lead Manager under the Underwriting Agreement.

### 9.8.2 TERMINATION EVENTS

The Lead Manager may, at any time from the date of the Underwriting Agreement and on or before the settlement date of the Offer (Settlement Date) or at any other time as specified below, terminate the Underwriting Agreement (without any cost or liability to the Lead Manager by notice to the Company), if any of the following events occur:

- › **Disclosures in Offer Documents:** a statement in the Offer Documents is misleading or deceptive or likely to mislead or deceive, or there is an omission from the Offer Documents of material required by sections 710, 711, 715A or 716 of the Corporations Act;
- › **New circumstances:** there occurs a new circumstance that arises after the Prospectus is lodged, that would have been required to be included in the Prospectus if it had arisen before lodgement (as applicable), that is materially adverse from the point of view of an investor;
- › **Supplementary Prospectus:** the Company:
  - issues or, in the reasonable opinion of the Lead Manager is required to issue, a Supplementary Prospectus because of the operation of section 719(1); or
  - lodges a Supplementary Prospectus with ASIC in a form and substance that has not been approved by the Lead Manager in circumstances required by the Underwriting Agreement;
- › **Market fall:** at any time the S&P/ASX All Ordinaries Index falls to a level that is 90% or less of the level as at the close of trading on the Business Day before the date of the Underwriting Agreement and closes at or below that 90% level on 3 consecutive Business Days prior to the Settlement Date or on the Business Day prior to the Settlement Date;
- › **Restriction Agreements:** any of the Restriction Agreements are withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with;
- › **Listing and quotation:** approval is refused or not granted, or approval is granted subject to conditions other than customary conditions, to:
  - the Company's admission to the official list of ASX on or before the Shortfall Notification Date; or
  - the quotation of the Shares on ASX or for the Shares to be traded through CHESS on or before the Quotation Date,
  - or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- › **Notifications:** any of the following notifications are made in respect of the Offer:
  - ASIC issues an order (including an interim order) under section 739 and any such inquiry or hearing is not withdrawn within 3 Business Days or if it is made within 3 Business Days of the Settlement Date it has not been withdrawn by the day before the Settlement Date;
  - ASIC holds a hearing under section 739(2);
  - an application is made by ASIC for an order under Part 9.5 in relation to the Offer or an Offer Document or ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer or an Offer Document, and any such application inquiry or hearing is not withdrawn within 3 Business Days or if it is made within 3 Business Days of the Settlement Date it has not been withdrawn by the day before the Settlement Date;
  - any person who has previously consented to the inclusion of its name in the Prospectus (other than the Lead Manager) withdraws that consent; or
  - any person gives a notice under section 730 in relation to the Prospectus (other than the Lead Manager, co-lead manager or co-manager);
- › **Withdrawal:** the Company withdraws the Prospectus or the Offer;
- › **Timetable:** an event specified in the Timetable up to and including the Settlement Date is delayed by more than 2 Business Days (other than any delay caused solely by the Lead Manager or any delay agreed between the Company and the Lead Manager or a delay as a result of an extension of the exposure period by ASIC);
- › **Unable to issue Offer Shares:** the Company is prevented from allotting and issuing the Offer Shares by applicable laws, an order of a court of competent jurisdiction or a Governmental Authority, within the time required by the Listing Rules;

## 9 ADDITIONAL INFORMATION

- › **Regulatory approvals:** if a regulatory body withdraws, revokes or amends any regulatory approvals required for the Company to perform its obligations under the Underwriting Agreement, such that the Company is rendered unable to perform its obligations under the Underwriting Agreement; or
- › **Change in management:** a change in the Chief Executive Officer or Chief Financial Officer of the Company occurs, or there is a change in the board of directors of the Company.

### 9.8.3 TERMINATION EVENTS SUBJECT TO MATERIALITY

The Lead Manager may, at any time from the date of the Underwriting Agreement and on or before the Settlement Date, terminate the Underwriting Agreement (without any cost or liability to the Lead Manager by written notice to the Company), if any of the following events occur and the Lead Manager has reasonable grounds to believe and, acting reasonably, does believe, that the event has or is likely to have a material adverse effect on the success or outcome of the Offer or the ability of the Lead Manager to settle the Offer, or will, or likely to, give rise to a liability of the Lead Manager under, or a contravention by the Lead Manager of, any applicable law:

- › **Compliance with law:** any of the Offer Documents or any aspect of the Offer does not comply with the Corporations Act, the Listing Rules, or any other applicable law or regulation;
- › **Disclosures in Public Information:** a statement in any of the Public Information is or becomes misleading or deceptive or is likely to mislead or deceive;
- › **Disclosures in the Due Diligence Report:** the Due Diligence Report is, or becomes, false, misleading or deceptive, including by way of omission;
- › **Adverse change:** an event occurs which is, or is likely to give rise to:
  - an adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Group from those disclosed in the Prospectus lodged with ASIC on the Lodgement Date; or
  - an adverse change in the nature of the business conducted by the Group as disclosed in the Prospectus lodged with ASIC on the Lodgement Date;
- › **Forecasts:** there are not, or there ceases to be, reasonable grounds in the reasonable opinion of the Lead Manager for any statement or estimate in the Offer Documents which relate to a future matter or any statement or estimate in the Offer Documents which relate to a future matter is, in the reasonable opinion of the Lead Manager, unlikely to be met in the projected timeframe (including in each case financial forecasts);
- › **Certificate:** the Company does not provide a Closing Certificate as and when required by the Underwriting Agreement or a statement in any Closing Certificate is false, misleading, inaccurate or untrue or incorrect;
- › **Insolvency events:** any member of the Group becomes Insolvent, or there is an act or omission which is likely to result in a member of the Group becoming Insolvent;
- › **Hostilities:** in respect of any one or more of Australia, New Zealand, the United States, the United Kingdom, Hong Kong, the Peoples' Republic of China, Singapore or any member state of the European Union:
  - hostilities not presently existing commence;
  - a major escalation in existing hostilities occurs (whether war is declared or not);
  - a declaration is made of a national emergency or war;
  - a major terrorist act is perpetrated;
- › **Material Contracts:** if any of the obligations of the relevant parties under any of the Material Contracts are not capable of being performed in accordance with their terms (in the reasonable opinion of the Lead Manager) or if all or any part of any of the Material Contracts:
  - is terminated, withdrawn, rescinded, avoided or repudiated;
  - is altered, amended or varied without the consent of the Lead Manager (acting reasonably);
  - is breached, or there is a failure by a party to comply;
  - ceases to have effect, otherwise than in accordance with its terms; or
  - is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, withdrawn, rescinded, avoided or withdrawn or of limited force and affect, or its performance is or becomes illegal;

- › **Change of law:** there is introduced, or there is a public announcement of a proposal to introduce, a new law or regulation or government policy in Australia (excluding a policy of the Reserve Bank of Australia) New Zealand, the United States, the United Kingdom, Hong Kong, the Peoples' Republic of China, Singapore or any member state of the European Union (other than a law or policy which has been announced before the date of the Underwriting Agreement);
- › **Breach of laws:** there is a contravention by the Company or any entity in the Group of the Corporations Act, the Competition and Consumer Act 2010 (Cth), the ASIC Act, its constitution, or the Listing Rules;
- › **Representations and warranties:** a representation or warranty contained in the Underwriting Agreement on the part of the Company is breached, becomes not true or correct or is not performed;
- › **Breach:** the Company defaults on 1 or more of its undertakings or obligations under the Underwriting Agreement;
- › **Legal proceedings:** any of the following occurs:
  - a director of the Company is charged with an indictable offence;
  - any director of the Company is disqualified from managing a corporation under Part 2D.6;
  - the commencement of legal proceedings against the Company or any of its directors in their capacity as a director; or
  - any regulatory body commences any Inquiry against any member of the Group or the Company;
- › **Disruption in financial markets:** any of the following occurs:
  - a general moratorium on commercial banking activities in Australia, the United Kingdom, the United States or Hong Kong or any member state of the European Union is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries; or
  - trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended for at least 1 day on which that exchange is open for trading;

- › **Fraud:** any of the Company or any of its directors or officers (as those terms are defined in the Corporations Act) engage, or have been alleged by a Governmental Authority to have engaged since the date of the Underwriting Agreement, in any fraudulent conduct or activity whether or not in connection with the Offer

## 9.8.4 REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

The Underwriting Agreement contains representations, warranties and undertakings provided by the Company to the Lead Manager. The representations and warranties relate to matters such as its powers and capacities, its conduct (including in respect of its compliance with applicable laws and the ASX Listing Rules, business and status, ongoing due diligence and disclosure), the Offer Documents, the information provided (including the financial information), insolvency, the conduct of the Offer, litigation and insurance.

The Company's undertakings include that it will not, during the 90 day period after Completion of the Offer, alter its capital structure, amend its constitution or dispose of its business or property in whole or substantial part, without the prior written consent of the Lead Manager (such consent not to be unreasonably withheld or delayed).

## 9.8.5 INDEMNITY

The Company agrees to keep the Lead Manager and certain of the Lead Manager's affiliated parties indemnified from losses suffered in connection with the Offer, subject to customary exclusions (including fraud, wilful misconduct, recklessness or gross negligence).

## 9.9 OPTION PLANS

### 9.9.1 EQUITY INCENTIVE PLAN

MSL's Equity Incentive Plan (EIP) inspires employees to achieve the long-term objectives of MSL, and rewards those under the EIP where objectives are met. Under the EIP, eligible employees selected by the Board may be offered and granted options to acquire Shares.

#### Eligibility

Eligibility for the EIP is determined by the Board at their discretion. Only Directors, employees and contractors of the Company may be designated as eligible participants for the EIP.

## 9 ADDITIONAL INFORMATION

### Grant of Options

MSL may offer options to an eligible participant at any time by way of an offer. An offer must contain details as to the total number of options available to be accepted by the participant, the date of the offer, the time period during which the offer can be accepted, the price for the options, the period during which the participant can exercise the options, the issue price, any vesting conditions, and any extra terms attaching to the options or legal requirements under the Corporations Act or Listing Rules.

### Options currently on issue under EIP

On Completion of the Offer MSL will have 3,428,572 options issued to employees under the EIP. Refer to Section 9.6 for further information.

### Nominees

An eligible participant that receives an offer for options may nominate a nominee to hold options on their behalf. The Board has the absolute discretion to decide if a nominee may be granted options, and in the event that a nominee is not able to receive options the eligible participant is deemed to have accepted the options offer themselves. Where a nominee is an entity, an eligible participant must inform MSL if they lose control of the entity, or cease to have an entitlement to any distributions of the entity.

### Exercising of Options

An eligible participant may exercise an option at any time in the exercise period by delivering notice to MSL in the form required by the EIP, and by paying the option price. The Board in its discretion can specify the manner required for the exercise of an option by written notice to the eligible participant.

### Adjustment of options

Where the capital in MSL is reconstructed (by way of consolidation, sub-division, reduction or return) the number of options or the exercise price of the options (or both) will be adjusted to the extent required by the Listing Rules.

### Dividends

An eligible participant cannot receive any dividends on option shares until the Shares are issued pursuant to the EIP.

### Voting Rights

Where the eligible participant exercises an option, they will receive fully paid ordinary shares in MSL. These shares will give the eligible participant the right to vote.

### Dealing with Options

Options may only be transferred with the written consent of the Board, except where the transfer is to a legal representative following the death of an eligible participant.

Eligible participants may only grant security interests over, assign, dispose of or deal with options or any interest in the options with the prior consent of the Board.

### Accelerated Vesting Event

An accelerated vesting event occurs where an eligible participant's employment is terminated, the eligible participant resigns, the eligible participant is made redundant, or the eligible participant ceases to control their nominee. An accelerated vesting event brings forward the expiry date for exercising an option to 10 business days after the accelerated vesting event occurs. An accelerated vesting event may cause the exercise price of each option to increase.

### Issue of Shares upon exercise of option

After the valid exercise of an option by way of providing a valid notice and the exercise price, shares are issued to an eligible participant at the next board meeting or within 20 business days of the option being exercised, whichever occurs first.

### Quotation

If the Company's shares are officially quoted by ASX, MSL will apply to the ASX for official quotation of Shares issued upon the exercise of an option within the time frame prescribed by the Listing Rules and in any event within 10 business days of the issue of those Shares.

### Ranking of Shares

Any shares issued upon the exercise of an option will rank equally with all existing shares of the same class from the date of allotment.

### Amendment of EIP

The EIP may be amended by way of an ordinary resolution of the members of MSL in a general meeting. The EIP may also be amended by a resolution of the board if an amendment is required for the EIP to comply with the Corporations Act of the Listing Rules. Where the company is listed on the ASX, amendments to the plan must be in accordance with any requirements imposed by the Listing Rules.

Any amendment made to the EIP cannot increase the number of shares an eligible employee is entitled to, nor can it reduce the exercise price

of an option, or change the exercise period for an option, unless such changes are permitted by the Corporations Act or the Listing Rules (if listed).

#### **Other Terms**

The EIP also contains provisions in regard to the administration and termination of the EIP. These terms are customary and usual terms within the context of Australian law.

#### **Costs**

Generally, MSL bears any costs incurred in the administration of the EIP, excluding any duty or tax in connection with the grant of an option, the allotment of shares under an option or any other dealing with an option.

### **9.9.2 MSL OPTION PLAN**

The MSL Options Plan (MOP) is an alternative option plan. Only Directors have been issued options under the MOP.

#### **Eligibility**

Eligibility for the MOP is determined by the Board at their discretion. Only employees, directors and consultants of MSL may be designated as eligible participants.

#### **Grant of Options**

MSL may offer options to an eligible participant at any time by way of an offer. MSL has the absolute discretion to set the terms in any offer, but an offer must always contain details as to the number of options available to a participant, the date of the offer, the time period for when the offer can be accepted, the exercise date and price for the options, any vesting conditions, any disposal conditions, and any extra terms attaching to the options or legal requirements under the Corporations Act or Listing Rules.

#### **Options currently on issue under MOP**

On Completion of the Offer MSL will have 2,357,142 options issued to Directors under the MOP. Refer to Section 9.6 for further information.

#### **Nominees**

An eligible participant that receives an offer for options may nominate a nominee to hold options on their behalf. The Board has the absolute discretion to decide if a nominee may be granted options, and in the event that a nominee is not able to receive options the eligible participant is deemed to have accepted the options offer themselves. Where a nominee is an entity, an eligible participant must inform MSL if they

lose control of the entity, or cease to have an entitlement to any distributions of the entity.

#### **Exercising of Options**

An eligible participant may exercise an option at any time in the exercise period by delivering notice to MSL in the form required by the MOP, and by paying the option price. The Board in its discretion can specify the manner required for the exercise of an option by written notice to the eligible participant.

#### **Adjustment of options**

Where the capital in MSL is reconstructed (by way of consolidation, sub-division, reduction or return) the number of options or the exercise price of the options (or both) will be adjusted to the extent required by the Listing Rules.

#### **Dividends**

An eligible participant cannot receive any dividends on option shares until the shares are issued pursuant to the MOP.

#### **Voting Rights**

Where the eligible participant exercises an option, they will receive fully paid ordinary shares in MSL. These shares will give the eligible participant the right to vote.

#### **Dealing with Options**

Options may only be transferred with the written consent of the Board, except where the transfer is to a legal representative following the death of an eligible participant.

Eligible participants may only grant security interests over, assign, dispose of or deal with options or any interest in the options with the prior consent of the Board.

#### **Interest in Shares**

An eligible participant has no interest in shares the subject of an option until those options are exercised and the shares are allotted.

#### **Change of Control Event**

In the event that:

a person acquired voting power in more than 50% of the ordinary shares in MSL;

- › an order of the court made for the purposes of s 411(4)(b) Corporations Act, in connection with a members' scheme of arrangement to effect a change in control of MSL, is lodged with ASIC under s 411(10) Corporations Act;
- › the Company disposes of the whole or a substantial part of its assets or undertaking; or

## 9 ADDITIONAL INFORMATION

- › an event referred to above is, in the opinion of the board, likely to occur in the near future and the Board decides to nominate a date on which one of these events is taken to have occurred,

All options immediately vest and may be exercised by the participant by delivering a notice to exercise along with payment of the exercise price. If a change of control event occurs, the company can buy-back the options for an agreed amount or for its fair value, arrange for options to acquire shares in the relevant bidder to be granted to the Participants on substantially the same term (with appropriate and reasonable adjustments), allow the options to continue or otherwise proceed with a combination of these alternatives.

### **Vesting Conditions**

Vesting conditions may be specified in the option. No such vesting conditions have been provided for in the current issued options.

### **Issue of Shares upon exercise of option**

After the valid exercise of an option by way of providing a valid notice and the exercise price, shares are issued to an eligible participant at the next board meeting or within 20 business days of the option being exercised, whichever occurs first.

### **Quotation**

The Company will not apply for quotation of the options issued under the MOP. If the Company's shares are officially quoted by ASX, MSL will apply to the ASX for official quotation of Shares issued upon the exercise of an option within the time frame prescribed by the Listing Rules and in any event within 10 business days of the issue of those Shares.

### **Ranking of Shares**

Any shares issued upon the exercise of an option will rank equally with all existing shares of the same class from the date of allotment.

### **Disposal Restriction**

An offer may contain a restriction on the disposal of shares. None of the current options contain any such restrictions.

### **Amendment of MOP**

The Board may make amendments to the MOP provides that the amendment does not:

- › have the effect of materially adversely affecting or prejudicing the rights of any participant, except for amendments required to comply with MSL Constitution, the Corporations Act or the Listing Rules (if listed), to correct a manifest error or to address potential adverse tax implications; or
- › effect a change to the number of shares a participant is entitled to, unless permitted by the Corporations act or the Listing Rules.

### **Other Terms**

The MOP also contains provisions in regard to the administration and termination of the EIP. These terms are customary and usual terms within the context of Australian law.

### **Costs**

Generally, MSL bears any costs incurred in the administration of the EIP, excluding any duty or tax in connection with the grant of an option, the allotment of shares under an option or any other dealing with an option.



## 9.10 OTHER MATERIAL AGREEMENTS

### 9.10.1 ACQUISITION AGREEMENTS WITH DEFERRED OR CONTINGENT PAYMENT OBLIGATIONS

The Company has a number of deferred and contingent payment obligations under agreements in respect of entities or assets acquired in the last 18 months. These deferred and contingent payment obligations are summarised below.

DOCUMENT	DUE DATE	PAYMENT
<b>Share sale agreement for the acquisition of GolfBox A/S</b>  <b>completed 14 November 2016</b>	14 November 2017	Deferred cash payment of DKK 5,100,000
	14 November 2017	Deferred cash payment of DKK 2,550,000
	14 November 2018	Deferred cash payment of DKK 2,550,000
	Earn-out payment for the 2016/2017 and 2017/2018 financial years payable within 10 Business Days earn-out payment being determined	Determined based on the Company's EBIT in the 2016/2017 and 2017/2018 financial years. The aggregate minimum amount payable across the two years is DKK 5,100,000 and the maximum amount payable is DKK 15,300,000.
<b>Share sale agreement for the acquisition of Verteda Holdings Limited</b>  <b>completed 31 October 2016</b>	30 April 2017	£200,000
	31 October 2017	£200,000
	Holdback EBITDA Payments payable within 20 Business Days of the EBITDA Statement being finalised.	Determined based on EBITDA as follows: <ul style="list-style-type: none"> <li>› where EBITDA is less than £945,000, no payment is made;</li> <li>› where EBITDA is greater than £945,000 but less than £1,050,000, a pro rata payment of £1,250,000 is payable;</li> <li>› where EBITDA is greater than £1,250,000 but less than £1,450,000, £1,250,000 is payable; and</li> <li>› where EBITDA is greater than £1,450,000, £1,250,000 plus an amount equal to 50% of the amount by which EBITDA exceeds £1,450,000, up to a maximum of £500,000 payable.</li> </ul>
<b>Share sale agreement for the acquisition of Infogenesis Pty Ltd</b>  <b>(completed 5 January 2016)</b>	Payable on the last day of each calendar month until 31 December 2017	\$6,250



## 9 ADDITIONAL INFORMATION

DOCUMENT	DUE DATE	PAYMENT
	Within 30 days of the IPO	\$530,000
<b>Share sale agreement for the acquisition of Rockit Pty Ltd (1 April 2016)</b>	30 April 2017	\$25,000
	31 August 2017	\$25,000
	31 December 2017	\$25,000
	30 April 2018	\$25,000
	31 August 2018	\$25,000
	31 December 2018	\$25,000
	For each 12 month period ending 31 December 2017 and 31 December 2018, within 30 days of the end of the relevant period	An earn-out payment of \$25,000 in respect of each period based on retaining 80% of customers of Rockit Pty Ltd as at the completion date of the transaction and subject to a key employee continuing to work in the business.

### 9.10.2. ASSET SALE AGREEMENT BETWEEN MSL SOLUTIONS LIMITED AND RAY PALLISTER PTY LTD

MSL entered into an asset sale agreement on or about 22 March 2017 under which MSL has agreed to purchase all assets from Ray Pallister Pty Ltd necessary to operate and provide the software product known as 'Pallister Games' and the 'Online Merchant Shop'. The agreement is conditional on completion of due diligence satisfactory to MSL, final board approval and the issue of shares to investors under this prospectus. The date for completion of the acquisition is three business days after satisfaction of all conditions precedent.

The purchase price for the acquisition is a completion payment of \$1.6m and an earn-out payment of up to \$750,000 in respect of each of FY18, FY19 and FY20. Earn-out payments may be paid by the Company (at its discretion) in either cash or by the issues of Shares in the Company determined using the 10 day volume weighted average price of Shares during the period ending on the final day of the relevant financial year. The vendor and its key person are each restrained from competing, both directly and indirectly, with the business of Ray Pallister Pty Ltd in Australia for a period of three years from completion.

The vendor has provided customary warranties and indemnities including warranties relating to

title to the assets, intellectual property, trading arrangements, information relating to the accounts, records and accuracy of information.

### 9.10.3 DISTRIBUTION AGREEMENT BETWEEN VERTEDA LIMITED AND AGILYSYS NV, LLC

Verteda Limited entered into a distribution agreement with Agilysys NV, LLC on 31 March 2014 under which Verteda Limited has rights to promote and sell licenses of Agilysys' software products in defined markets and to defined clients. The agreement has an initial term of 5 years, with the agreement stated to continue indefinitely after the initial term for further periods of two years each until terminated by either party giving not less than 12 months' notice.

### 9.10.4. RESELLER AGREEMENT BETWEEN INFOGENESIS PTY LIMITED AND AGILYSYS HK LIMITED

InfoGenesis Pty Limited entered into a reseller agreement on 17 October 2013 with Agilysys HK Limited providing for Agilysys to sell software and equipment to InfoGenesis and for InfoGenesis to on-sell the Agilysys software and equipment to its clients in Australia and New Zealand. Agilysys HK Limited will charge InfoGenesis fees dependent upon the service and software provided. The initial term of the agreement is to 31 December 2020, following which either party may terminate the

agreement by written notice to the other of at least 12 months in advance. Standard termination for default provisions apply.

#### 9.10.5 AMENDED AND RESTATED TECHNOLOGY SERVICES AGREEMENT BETWEEN GOLF LINK PARTNERS PTY LTD AND GOLF AUSTRALIA LTD

Golf Link Partners Pty Ltd entered to an amended and restated technology services agreement with Golf Australia Limited on 19 November 2016 providing for the supply of services to Golf Australia relating to the development, implementation, management and operations of Golf Link (Golf Australia's national golf handicapping system). Golf Link Partners earns a monthly fee of \$3.25 - \$3.50 based on the number of members and casual players using Golf Link. Golf Australia has also committed to a minimum spend of \$100,000 per financial year on additional development services. The agreement expires on 31 March 2025. Standard termination for default provisions apply.

#### 9.10.6 SPONSORSHIP AGREEMENT BETWEEN GOLF LINK PARTNERS PTY LIMITED AND HYUNDAI MOTOR COMPANY AUSTRALIA PTY LIMITED

Golf Link Partners Pty Limited entered into a sponsorship agreement with Hyundai Motor Company Australia Pty Limited where Hyundai Motor Company Australia Pty Limited agreed to sponsor The Golf Link Cup. Hyundai Motor Company Australia Pty Limited agreed to pay a material amount in sponsorship fees over the term of the agreement. The agreement commenced on 1 January 2016 and continues until 31 December 2018. It may be extended by mutual agreement between the parties. Hyundai Motor Company Australia Pty Limited has rights to immediately terminate the agreement in standard circumstances where Golf Link Partners is in default of its obligations.

### 9.11. CONSENTS AND DISCLAIMERS OF RESPONSIBILITY

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- › Baillieu Holst Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Lead Manager and Underwriter to the Offer in the form and context in which it is named. To the extent

permitted by law, Baillieu Holst Ltd takes no responsibility for any part of this Prospectus other than any reference to its name.

- › McCullough Robertson has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal advisor to the Company (except in relation to taxation and stamp duty) in the form and context in which it is named. McCullough Robertson takes no responsibility for any part of this Prospectus other than any reference to its name.
- › PriceWaterhouseCoopers Securities Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to the Company in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of its Independent Limited Assurance Report in the form and context in which it is included. PriceWaterhouseCoopers takes no responsibility for any part of this Prospectus other than any reference to its name and the Independent Limited Assurance Report.
- › BDO Audit Pty Ltd has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to be named in the Prospectus as auditor of the Company.
- › Frost & Sullivan has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Independent Market Expert to the Company in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of its Independent Market Report in the form and context in which it is included. Frost & Sullivan takes no responsibility for any part of this Prospectus other than any reference to its name and the Independent Market Report.
- › Computershare Investor Services Pty Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named. Computershare Investor Services Pty Limited has not authorised or caused the issue of and expressly disclaims and takes no responsibility for any part of this Prospectus.

## 9 ADDITIONAL INFORMATION

### 9.12 SUBSTANTIAL HOLDERS

It is expected that the following Shareholders will have a substantial holding in the Company following completion of the Offer:

SHAREHOLDER	SHARES	PERCENTAGE INTEREST
Ellerston Capital Limited	15,000,000	6.02%
Regal Funds Management Pty Limited	15,000,000	6.02%
Eight Investment Partners Pty Ltd	12,500,000	5.02%
Richard Holzgrefe (via Holzgrefe Holdings Pty Ltd and Wandomount Pty Ltd)	12,561,917	5.04%

The above assumes no additional participation by the Shareholders and Converting Note holders in the Offer and does not take into account any increase in voting power that may arise if Options held by the Shareholders are exercised.

Final holdings of all substantial holders will be notified to the ASX on the Company's Listing.

### 9.13. CONTROL IMPLICATIONS OF THE OFFER

The Directors do not expect any Shareholder to control the Company on Completion of the Offer (as defined in Section 50AA of the Corporations Act).

### 9.14 EXPENSES OF THE OFFER

If the Offer proceeds, the total estimated costs in connection with the Offer payable by the Company (including advisory, legal, accounting, tax, listing and administrative fees, the Underwriter's management fees, Prospectus design and printing, advertising, marketing, Share Registry and other expenses) are currently estimated to be \$1.5 million.

### 9.15 LITIGATION AND CLAIMS

So far as the Directors are aware, as at the Prospectus Date, there are no legal proceedings to which the Company is a party that it believes are likely to have a material adverse impact on the future financial results of the Company and the Directors are not aware of any such legal proceedings that are pending or threatened.

### 9.16 WORKING CAPITAL STATEMENT

The Directors believe that, on completion of the Offer, the Company will have sufficient working capital to carry out its objectives as stated in this Prospectus.

### 9.17 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the law applicable in Victoria, Australia and each Applicant and bidder submits to the exclusive jurisdiction of the courts of Victoria, Australia.

### 9.18 AUTHORISATION

The issue of this Prospectus has been authorised by each Director. Each Director has consented to lodgement of the Prospectus and issue of the Prospectus and has not withdrawn that consent.

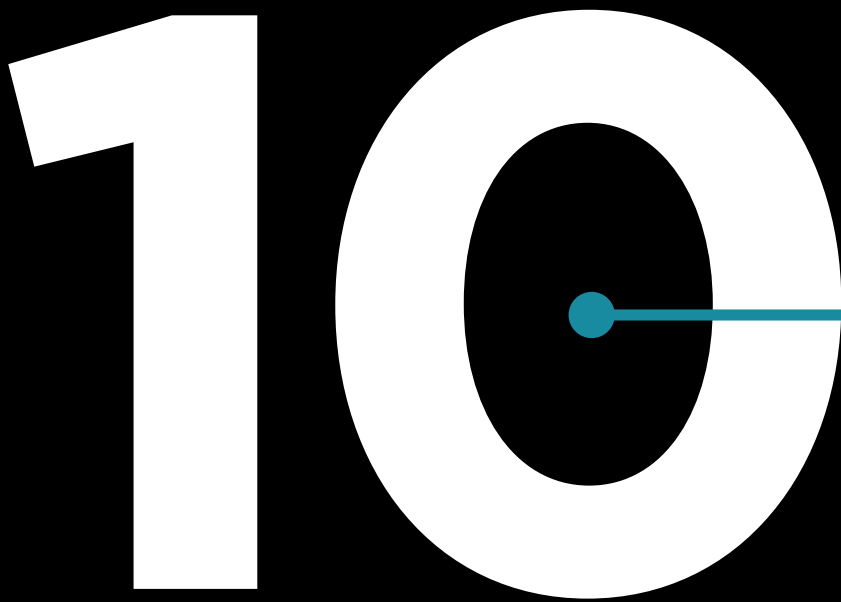
Dated 31 March 2017



**Kenneth John Down**  
Chairman



# 10



GLOSSARY



## 10 GLOSSARY

TERM	MEANING
<b>AAS</b>	Australian Accounting Standards.
<b>AASB</b>	Australian Accounting Standards Board.
<b>AEST</b>	Australian Eastern Standard Time.
<b>APAC</b>	Asia-Pacific.
<b>Applicant</b>	A person who submits an Application.
<b>Application</b>	An application for Shares under the Offer described in this Prospectus.
<b>Application Form</b>	Each of the paper and electronic application forms attached to, or accompanying, this Prospectus upon which an Application may be made.
<b>Application Monies</b>	The amount accompanying an Application Form submitted by an Applicant.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited (ACN 008 624 691), or where the context requires, the Australian Securities Exchange, which it operates.
<b>ASX Recommendations</b>	The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (third edition).
<b>Board</b>	The board of Directors.
<b>BI Solution</b>	The business intelligence and analytics solution offered by the Company.
<b>Broker</b>	Any ASX participating organisation selected by the Lead Manager and the Company to act as a broker to the Offer.
<b>Broker Firm Applicant</b>	A person who submits an Application under the Broker Firm Offer.
<b>Broker Firm Offer</b>	The invitation to Australian resident retail clients of Brokers to acquire Shares offered under this Prospectus provided that such clients are not in the United States.
<b>CAGR</b>	Compound annual growth rate.
<b>Chairman</b>	The chairman of the Company.
<b>CHESS</b>	Clearing House Electronic Subregister System, operated in accordance with the Corporations Act.
<b>Closing Date</b>	The date on which the Broker Firm Offer is expected to close, being 5.00pm (AEST) on 26 April 2017, or such other date and time determined by the Board.
<b>Company</b>	MSL Solutions Limited (ACN 120 815 778).
<b>Completion of the Offer</b>	Completion of the issue of Shares under this Prospectus.
<b>Constitution</b>	The constitution of the Company.



TERM	MEANING
<b>Converting Noteholders</b>	The holders of the Convertible Notes.
<b>Converting Notes</b>	The pre-IPO Converting notes described in Section 9.5.
<b>Converting Note Deed</b>	The deed governing the issue of the Converting Notes.
<b>Corporations Act</b>	Corporations Act 2001 (Cth).
<b>CY or Calendar Year</b>	A year ended or ending 31 December.
<b>Directors</b>	The directors of the Company.
<b>Director Shareholder</b>	A holder of Shares who is a Director or is an entity associated with a Director.
<b>DKK</b>	Danish Krone.
<b>Dollars or \$ or A\$ or AUD</b>	The lawful currency of the Commonwealth of Australia.
<b>EBIT</b>	Earnings before interest and taxation.
<b>EBITDA</b>	Earnings before interest, depreciation, amortisation and taxation
<b>EIP</b>	Equity Incentive Plan.
<b>EMEA</b>	Europe, the Middle East and Africa.
<b>Equity Incentive Plan or EIP</b>	The Equity Incentive Plan described in Section 9.10.1.
<b>Existing Shareholder</b>	A person holding Existing Shares as at the Prospectus Date.
<b>Existing Shares</b>	The Shares held by the Existing Shareholders as at, or immediately prior to the Completion of the Offer.
<b>Expiry Date</b>	The date that is 13 months after the Prospectus Date.
<b>Exposure Period</b>	The period commencing on the date of lodgement of this Prospectus with ASIC and ending seven days after lodgement, subject to any extension of the period by ASIC.
<b>F&amp;B</b>	Food and beverage.
<b>Financial Information</b>	As defined in Section 4.1.
<b>FY of Financial Year</b>	A financial year ended or ending 30 June.
<b>Forecast Financial Information</b>	As defined in Section 4.1.

## 10 GLOSSARY

TERM	MEANING
<b>GBP</b>	Great British Pounds Sterling.
<b>Golfbox</b>	means Golfbox A/S, a company registered in Denmark
<b>Group</b>	Means the Company and its subsidiaries.
<b>Historical Financial Information</b>	As defined in Section 4.1.
<b>IFRS</b>	International Financial Reporting Standards.
<b>Independent Market Report</b>	The report prepared by Frost & Sullivan, as set out in Section 2.
<b>Institutional Investor</b>	A person to whom offers and issues of Shares may lawfully be made without the need for disclosure under Chapter 6D.2 of the Corporations Act or without any other lodgement, registration, disclosure or approval with or by a government agency (other than one with which the Company, in its absolute discretion, is willing to comply) under any applicable law.
<b>Institutional Offer</b>	The invitation under this Prospectus to certain Institutional Investors to apply for Shares.
<b>Investigating Accountant</b>	PriceWaterhouseCoopers Securities Ltd (ACN 003 311 617).
<b>Lead Manager</b>	Baillieu Holst Ltd (ACN 006 519 393).
<b>Listing</b>	Admission of the Company to the official list of the ASX.
<b>Listing Rules or ASX Listing Rules</b>	The official listing rules of the ASX.
<b>MBO</b>	Member-based organisation.
<b>Monthly Recurring Revenue or MRR</b>	A measure of the monthly revenue that a SaaS company is earning on a repeatable basis during a single month.
<b>MPower platform</b>	MSL's open architecture MPower platform.
<b>MSL</b>	The Company and the Subsidiaries and, where the context requires, means any one or more of them.
<b>MOP</b>	The MSL Option Plan.
<b>NPAT</b>	Net profit after tax.
<b>NPATA</b>	Net profit after tax but before amortisation.
<b>Offer</b>	The offer under this Prospectus of Shares for issue by the Company.
<b>Offer Period</b>	The period commencing on the Opening Date and ending on the Closing Date.
<b>Offer Price</b>	\$0.25 per Share.

TERM	MEANING
<b>Opening Date</b>	The date the Broker Firm Offer opens being 9.00am (AEST) on 10 April 2017, or such other date determined by the Board.
<b>Option</b>	An option to acquire a Share in consideration for payment of the applicable exercise price, as described in Section 9.9.
<b>Pallister Assets</b>	Means the assets constituting the Pallister Games platform to be acquired from Ray Pallister Pty Ltd under a binding agreement entered into immediately prior to this offer.
<b>POS</b>	Point of sale.
<b>Prospectus</b>	This prospectus issued by the Company for the purposes of Chapter 6D of the Corporations Act, under which Shares are offered for subscription.
<b>Prospectus Date</b>	The date of this Prospectus, being 31 March 2017.
<b>R&amp;D</b>	Research and development.
<b>SaaS</b>	Software as a service.
<b>Share</b>	A fully paid ordinary share in the capital of the Company.
<b>Shareholder</b>	A holder of Shares from time to time.
<b>Share Registry</b>	Computershare Investor Services Pty Limited (ACN 078 279 277).
<b>SME</b>	Small and medium-sized enterprises.
<b>Subsidiaries</b>	Means all subsidiaries of MSL within the meaning given to that term in the Corporations Act.
<b>UK</b>	The United Kingdom.
<b>Underwriter</b>	Baillieu Holst Ltd (ACN 006 519 393).
<b>Underwriting Agreement</b>	The underwriting agreement dated [insert] 2017 between the Company and the Lead Manager.
<b>United States or US</b>	United States of America.
<b>US Person</b>	A person resident in the United States.
<b>US Securities Act</b>	US Securities Act of 1933, as amended.
<b>USD</b>	The lawful currency of the US.
<b>Verteda</b>	means Verteda Holdings Limited, a company registered in the UK with registered company number 8881750.



CORPORATE DIRECTORY



## 11 CORPORATE DIRECTORY

### COMPANY'S REGISTERED ADDRESS

#### MSL SOLUTIONS LIMITED

ACN 120 815 778  
Level 10, 300 Ann Street  
Brisbane QLD 4000

### DIRECTORS

#### MR KENNETH JOHN DOWN

Independent Non-Executive Chairman

#### MR CRAIG G KINROSS

Managing Director - CEO

#### DR RICHARD W HOLZGREFE

Non-Executive Director

#### MR IAN M DALY

Independent Non-Executive Director

#### MS KAYLENE GAFFNEY

Independent Non-Executive Director

#### MR DAVID TRUDE

Independent Non-Executive Director

### LEAD MANAGER AND UNDERWRITER

#### BAILLIEU HOLST LTD

AFSL NO. 245421  
ACN 006 519 393  
Level 26  
360 Collins Street  
Melbourne VIC 3000

### AUSTRALIAN LEGAL ADVISOR

#### MCCULLOUGH ROBERTSON

ABN 42 721 345 951  
Level 11, Central Plaza Two  
66 Eagle Street  
Brisbane QLD 4000

### INVESTIGATING ACCOUNTANT

#### PRICEWATERHOUSECOOPERS SECURITIES LIMITED

ACN 003 311 617  
2 Riverside Quay,  
Southbank VIC 3006

### AUDITOR

#### BDO AUDIT PTY LTD

ABN 33 134 022 870  
Level 10, 12 Creek Street  
Brisbane QLD 4000

### SHARE REGISTRY

#### COMPUTERSHARE INVESTOR SERVICES PTY LIMITED

ACN 078 279 277  
117 Victoria St  
West End, QLD 4101

### MSL IPO INFORMATION LINE

1800 679 701 (within Australia)  
+61 7 3512 3510 (outside Australia)  
from 9am to 5pm (AEST), Monday to Friday  
(excluding public holidays)

### OFFER WEBSITE

[HTTP://WWW.MPOWERMSL.COM](http://www.mpowermsl.com)





## How to complete this form

### **A** Shares applied for

Enter the number of Shares you wish to apply for. The Offer Price of the Shares is payable in full on Application. Please note that the offer will be open from 10 April 2017 and close on the 26 April 2017.

### **B** Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the issue price of \$0.25 per Share.

### **C** Applicant Name(s)

Enter the full name you wish to appear on the register of Shares and statement of shareholding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

### **D** Postal Address

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

### **E** Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this application.

### **F** CHES

The Company participates in CHES. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares allotted to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

### **G** Payment

Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.

If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

Before completing the Application Form the Applicant(s) should read this Prospectus to which this Application relates. By lodging the Application Form, the Applicant agrees that this Application for Shares in the Company is upon and subject to the terms of the Prospectus and the Constitution of the Company, agrees to take any number of Shares that may be issued to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

### Lodgement of Broker Firm Offer Application Form

You must return your application so it is received by your Broker prior to the deadline set out in their offer to you.

### Privacy Statement

Personal information is collected on this form by CIS for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the Company may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided on the front of this form or emailing [privacy@computershare.com.au](mailto:privacy@computershare.com.au). We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf or to third parties upon direction by the Company where related to their administration of your securityholding, or where you have otherwise agreed we may disclose it. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at [privacy@computershare.com.au](mailto:privacy@computershare.com.au) or see our Privacy Policy at <http://www.computershare.com/au>.

### Correct forms of registrable title(s)

**Note** that ONLY legal entities are allowed to hold Shares. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual: Use given names in full, not initials	Mr John Alfred Smith	JA Smith
Company: use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings: use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

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