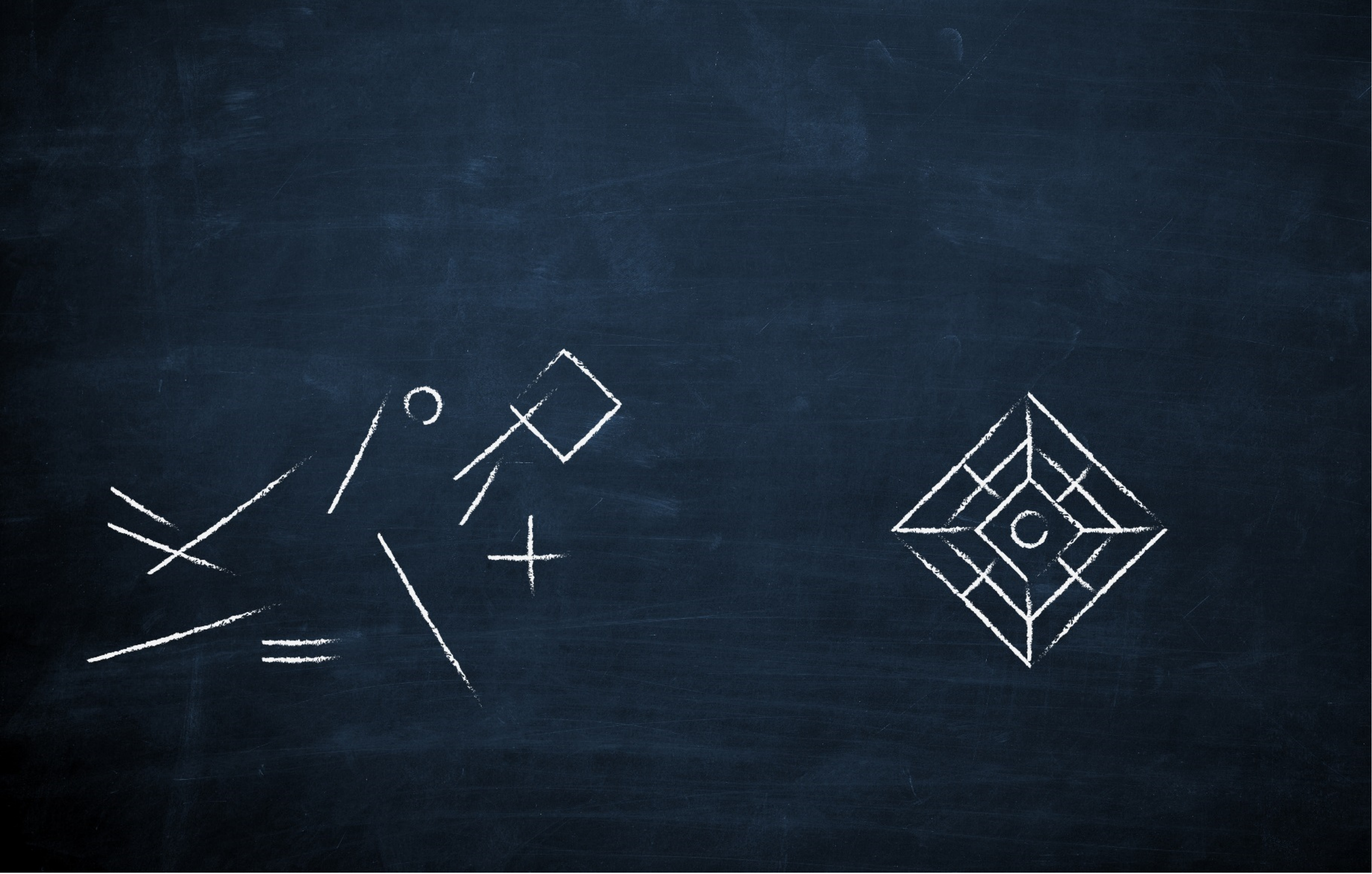
INCENTIAPAY LIMITED

NOVATION OF CONVERTIBLE LOAN

INDEPENDENT EXPERT'S REPORT AND FINANCIAL SERVICES GUIDE

10 OCTOBER 2024



10 October 2024

Kunal Kapoor
Chief Financial Officer
IncentiaPay Limited
The Wave, Suite 202
Level 2/89-91 Surf Parade,
Broadbeach QLD 4218

Dear Kunal,

Independent Expert's Report for IncentiaPay Limited

1. Introduction

IncentiaPay is a company listed on the Australian Securities Exchange ("**ASX**") with a market capitalisation of approximately $3.73 million. The company operates a loyalty and rewards platform in Australia and New Zealand offering membership subscriptions for payment discounts and special offers to retail customers and corporate clients. Through its technology-enabled platform and digital marketing programs, IncentiaPay helps merchant partners attract and engage consumers.

Suzerain Investment Holdings Limited ("**Suzerain**") is a British Virgin Islands based investment company and the largest shareholder of IncentiaPay with a 74.8% shareholding (including shareholdings held by its associates).

In May 2022, IncentiaPay obtained shareholder approval to enter into a convertible loan deed with New Gold Coast Holdings Limited ("**New Gold Coast**"), a related party of Suzerain, to extend an existing loan facility limit from $5 million to $22.5 million, repayable by 31 December 2024 ("**Convertible Loan**"). The Convertible Loan was the subject of our previous Independent Expert's Report ("**Previous IER**") dated 13 April 2022. In December 2023, IncentiaPay signed an amendment deed to defer principal and interest payment on the Convertible Loan until 31 December 2025. IncentiaPay and New Gold Coast have agreed to novate the Convertible Loan to Suzerain, subject to shareholder approval ("**Proposed Transaction**")

Further details of the Proposed Transaction are set out in Section 1 of our detailed report.

2. Purpose of the report

There are a number of different regulatory requirements for an independent expert's report. As summarised below.

Listing Rule 10.1

ASX Listing Rule 10.1 requires a listed entity to obtain shareholders' approval before it sells a substantial asset to a related party. As the Convertible Loan will be secured by all current and future assets of IncentiaPay, granting security involves the potential disposal of a substantial asset. As Suzerain currently holds a 74.8% interest in IncentiaPay, the Proposed Transaction is with a related party. Approval for granting the security is therefore required from IncentiaPay shareholders that are not associated with Suzerain ("**Non-Associated Shareholders**").

ASX Listing Rule 10.5.10 requires that the Notice of Meeting sent to shareholders in respect of such a transaction must include a report on the Proposed Transaction from an independent expert. The independent expert's report must state whether the transaction is fair and reasonable to Non-Associated Shareholders.

Section 611

Under the Proposed Transaction, if Suzerain exercises its option to convert its debt into shares, the shareholding of Suzerain (including shares held by associates) will increase above the existing 74.8% shareholding. Approval for the Proposed Transaction is therefore being sought at a general meeting of IncentiaPay's shareholders in accordance with Item 7 ("**Item 7**") of Section 611 of the Corporations Act 2001 ("**s611**").

Chapter 2E of the Corporations Act 2001

Chapter 2E of the Corporations Act 2001 ("**Chapter 2E**") requires a public company to obtain shareholders' approval before giving financial benefits to related parties. The Australian Securities and Investments Commission ("**ASIC**") recommends an independent expert's report to be obtained as part of the materials accompanying the notice of meeting.

Purpose

The directors of IncentiaPay have therefore requested Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**") to prepare an independent expert's report assessing whether the Proposed Transaction is fair and reasonable to Non-Associated Shareholders.

This report has been prepared for the exclusive purpose of assisting Non-Associated Shareholders in their consideration of the Proposed Transaction.

Further information regarding our scope and purpose is set out in Section 2 of our detailed report.

3. Basis of evaluation

When an independent expert's report is prepared to cover a number of different regulatory requirements with different measures of fairness, our preferred approach is to adopt the most onerous of the possible tests. For the Proposed Transaction, we consider the s611 test to be more onerous than the Listing Rule 10.1 test. This arises because a control premium is taken into account under the s611 test but not under the Listing Rule 10.1 test.

In accordance with *Regulatory Guide 111: Content of Expert Reports* ("**RG111**") issued by ASIC we have assessed the Proposed Transaction as if it was a takeover offer for IncentiaPay. Accordingly, in order to assess whether the Proposed Transaction is fair and reasonable to Non-Associated Shareholders, we have:

- Assessed it as fair if the value of an IncentiaPay share after the Proposed Transaction (assuming the convertible loan is fully converted) is greater than or equal to the value of an IncentiaPay share before the Proposed Transaction. Our valuation before the Proposed Transaction has been undertaken on a control basis whereas our valuation after the Proposed Transaction has been undertaken on a minority basis.
- Assessed it as reasonable if it is fair, or if despite not being fair, the advantages to Non-Associated Shareholders outweigh the disadvantages.

Further details of the basis of evaluation are provided in Section 2 of this report.

4. The Proposed Transaction is fair

Assessed value of IncentiaPay before the Proposed Transaction

We have assessed the market value of an IncentiaPay share using the discounted cash flow method. Our valuation is summarised in the following table:

Table 1: Assessed value of an IncentiaPay share before the Proposed Transaction

Equity Value (Control Basis) ($'000)	Low	High
Enterprise value	**40,418**	**44,237**
Non-operating liabilities	(175)	(175)
Net debt	(27,268)	(27,268)
Assessed equity value on a control basis	**12,975**	**16,794**
Ordinary shares on issue ('000)	1,231,279	1,231,279
Shares issued under performance rights	23,435	23,435
Unvested employee shares [1]	12,651	12,651
Assessed value per ordinary share on a control basis ($)	**0.0102**	**0.0133**

Source: Leadenhall analysis
Note 1: Since the loan funded share issue priced is lower than our assessed value range, we have assumed all unvested employee shares will vest. The corresponding proceeds have been included in the calculation of net debt.

Our valuation is based on a cash flow model we prepared from projections provided by IncentiaPay management. We reviewed the assumptions adopted in the projections for reasonableness and confirmed they are appropriate for our purpose. We applied a discount rate of 17.5% to 18.5% to the projected cash flows to calculate the enterprise value.

Further details of our valuation of IncentiaPay before the Proposed Transaction are provided in Section 6 of our detailed report.

Assessed value of IncentiaPay after the Proposed Transaction

Our assessment of the value of an IncentiaPay share after the Proposed Transaction was based on the same discounted cash flow analysis, adjusted for the impact of the Proposed Transaction. Our valuation is summarised in the following table:

Table 2: Assessed value of an IncentiaPay share after the Proposed Transaction

Equity Value (Minority Basis) ($'000)	Low	High
Assessed equity value on a control basis before the Proposed Transaction	**12,975**	**16,794**
Reduction in net debt on conversion	22,500	22,500
Assessed equity value on a control basis after the Proposed Transaction	**35,475**	**39,294**
Discount for lack of control (25%)	(8,869)	(9,823)
Assessed equity value on a liquid minority basis	**26,606**	**29,470**
Discount for lack of marketability (5% to 10%)	(2,661)	(1,474)
Assessed equity value on a illiquid minority basis	**23,946**	**27,997**
Ordinary shares on issue ('000)	1,231,279	1,231,279
Shares issued under performance rights	23,435	23,435
Unvested employee shares ('000)	12,651	12,651
Shares issued upon conversion ('000)	1,022,727	1,022,727
Total number of shares	**2,290,092**	**2,290,092**
Assessed value per ordinary share on a liquid minority basis ($)	**0.0105**	**0.0122**

Source: Leadenhall analysis

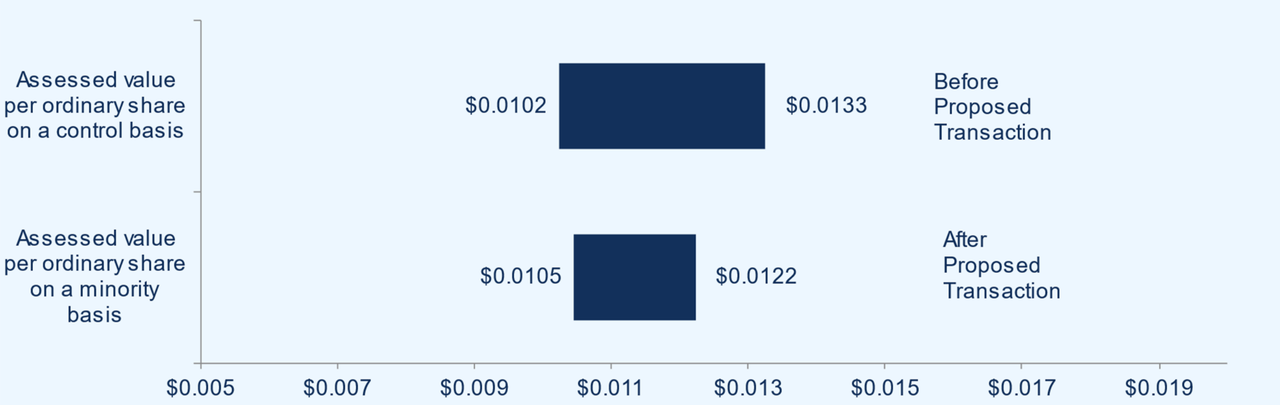
The key differences relate to the shares to be issued and corresponding reduction in net debt assuming conversion of the Convertible Loan, and a discount for lack of control ("**DLOC**") to reflect that market trading in IncentiaPay shares after the Proposed Transaction would be on a non-controlling basis. We have also included a discount for lack of marketability ("**DLOM**") to reflect that IncentiaPay shares are thinly traded with a limited free float.

Further details of our valuation of IncentiaPay after the Proposed Transaction are provided in Section 7 of our detailed report.

Conclusion on fairness

We have assessed whether the Proposed Transaction is fair by comparing our assessed market value of a IncentiaPay share (on a control basis) before the Proposed Transaction and our assessed market value of a IncentiaPay share (on a minority basis) after the Proposed Transaction. This comparison is set out in the table below.

Figure 1: Assessment of fairness



Source: Leadenhall analysis

Since the value of an IncentiaPay share after the Proposed Transaction (on a minority basis) is within the assessed value range of an IncentiaPay share before the Proposed Transaction (on a control basis), the Proposed Transaction is fair.

5. The Proposed Transaction is reasonable

We have defined the Proposed Transaction as reasonable if it is fair, or if despite not being fair, the advantages to the Non-Associated Shareholders outweigh the disadvantages. We have therefore considered the following advantages and disadvantages of the Proposed Transaction to Non-Associated Shareholders.

Advantages

The main advantages of the Proposed Transaction are:

- **Maintaining a positive relationship with the major shareholder:** Approving the Proposed Transaction will help maintain a positive relationship with Suzerain, IncentiaPay 's major shareholder and financier.
- **No impact on business operations:** The novation of the Convertible Loan will not affect IncentiaPay's business operations.
- **Conversion price above 30-day volume weighted average price ("VWAP"):** The loan conversion price exceeds the recent market price for IncentiaPay shares, offering value accretion to Non-Associated Shareholders.

Disadvantages

The main disadvantage of the Proposed Transaction is:

- **Dilution of interests:** Upon conversion, Non-Associated Shareholders will face further dilution, potentially giving Suzerain over 75% control and the ability to pass special resolutions, which may not always align with minority shareholders' interests.

Conclusion on reasonableness

As the Proposed Transaction is fair, it is also reasonable. Further details of our consideration of the reasonableness of the Proposed Transaction are set out in Section 8.2 of our detailed report.

6. Opinion

In our opinion, the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders. This opinion should be read in conjunction with our detailed report which sets out our scope, analysis and findings in more detail.

Yours faithfully

K Lawrence

Katy Lawrence
Director

Richard Norris
Director

Note: All amounts stated in this report are in Australian dollars unless otherwise stated.
Tables in this report may not add due to rounding.

LEADENHALL CORPORATE ADVISORY PTY LTD

ABN 11 114 534 619

Australian Financial Services Licence No: 293586

FINANCIAL SERVICES GUIDE

Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**" or "**we**" or "**us**" or "**our**" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In providing this report, we are required to issue this Financial Services Guide ("**FSG**") to retail clients. This FSG is designed to help you to make a decision as to how you might use this general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

Financial Services We are Licensed to Provide

We hold Australian Financial Services Licence 293586 which authorises us to provide financial product advice in relation to securities (such as shares and debentures), managed investment schemes and derivatives.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product. Our report will include a description of the circumstances of our engagement and the party who has engaged us. You will not have engaged us directly but will be provided with a copy of the report because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial service licensee authorised to provide the financial product advice contained in that report.

General Financial Product Advice

The advice produced in our report is general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that We May Receive

We charge fees for providing reports. These fees will be agreed with the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis. Leadenhall is entitled to receive a fixed fee of $32,500 (excl. GST) for preparing this report. This fee is not contingent upon the outcome of the Proposed Transaction.

Except for the fees referred to above, neither Leadenhall, nor any of its directors, consultants, employees or related entities, receive any pecuniary or other benefit, directly or indirectly, for or in connection with the provision of this report.

Remuneration or Other Benefits Received by our Employees, Directors and Consultants

All our employees receive a salary. Our employees are eligible for bonuses which are not based on the outcomes of any specific engagement or directly linked to the provision of this report. Our directors and consultants receive remuneration based on time spent on matters.

Independence

At the date of this report, Leadenhall and its related entities do not have, and have not had within the previous two years, any business or professional relationship with IncentiaPay or its related entities. In addition, Leadenhall and its related entities do not have any financial or other interest in IncentiaPay or its related entities that could reasonably affect its ability to provide an unbiased opinion in relation to the Proposed Transaction. We therefore consider ourselves to be independent for the purpose of this engagement, in accordance with Regulatory Guide 112: Independence of Experts.

Referrals

We do not pay commissions or provide any other benefits to any person for referring clients to us in connection with the reports that we are licensed to provide.

Complaints Resolution

As the holder of an Australian Financial Services Licence, we are required to have a system in place for handling complaints from persons to whom we have provided reports. All complaints must be in writing, to the following address:

Leadenhall Corporate Advisory Pty Ltd
GPO Box 1572
Adelaide SA 5001

Email: office@leadenhall.com.au

We will try to resolve your complaint quickly and fairly and will endeavour to settle the matter within 14 days from the time the matter is brought to our attention.

If you do not get a satisfactory outcome, you may lodge a complaint with the Australian Financial Complaints Authority (AFCA). AFCA provides fair and independent financial services complaint resolution services that are free to consumers and can be contacted as follows:

Website: www.afca.org.au

By post: Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3001

Compensation Arrangements

Leadenhall holds professional indemnity insurance in relation to the services we provide. The insurance cover satisfies the compensation requirements of the Corporations Act 2001.

10 October 2024

CONTENTS

1 THE PROPOSED TRANSACTION

1.1 Background

IncentiaPay is an ASX-listed company with a market capitalisation of approximately $3.23 million. The company operates a loyalty and rewards platform in Australia and New Zealand offering membership subscriptions for payment discounts and special offers to retail customers and corporate clients. Through its technology-enabled platform and digital marketing programs, IncentiaPay helps merchant partners attract and engage consumers.

Suzerain is a British Virgin Islands based investment company and the largest shareholder of IncentiaPay with a 74.8% shareholding (including shareholdings held by its associates). New Gold Coast and Suzerain are associates pursuant to the Corporations Act 2001. In May 2022, IncentiaPay entered a Convertible Loan deed with New Gold Coast to increase an existing facility limit from $5 million to $22.5 million, repayable by 31 December 2024 ("**Convertible Loan**"). The Convertible Loan was the subject of the Previous IER dated 13 April 2022. In December 2023, IncentiaPay signed an amendment deed to defer the principal and interest payment until 31 December 2025. As at 30 June 2024, the undrawn portion of the facility was $0.14 million.

IncentiaPay and New Gold Coast have agreed to novate the Convertible Loan to Suzerain, subject to shareholder approval.

1.2 Terms of the Convertible Loan

There are no changes to the terms of the Convertible Loan under the Proposed Transaction. Key terms of the Convertible Loan are summarised in the table below.

Table 3: Summary of key terms of the Convertible Loan

Key terms of Convertible Loan deed between IncentiaPay and Suzerain	
Total loan amount	$22.5 million (undrawn amount as at 30 June 2024: $141,268)
Administration fee	$27,500 payable monthly in arrears during the term of the loan
Repayment date	31 December 2025
Loan security	First ranking over all present and future properties of IncentiaPay
Interest rate[1]	12.5% p.a.
Conversion period	The period between the date of the deed and ending on 31 December 2025
Conversion price	The greater of $0.022 or the 30-day VWAP prior to conversion plus a 20% premium
Conversion shares	The conversion shares will rank equally in all respects with all other shares
Loan repayment	IncentiaPay may repay the loan (in whole or part) at any time before the repayment date

Note 1: In December 2023, IncentiaPay signed an amendment deed to defer the principal and interest payment until 31 December 2025

2 SCOPE

2.1 Purpose of the report

Listing Rule 10.1

ASX Listing Rule 10.1 requires a listed entity to obtain shareholders' approval before it sells a substantial asset to a related party. An asset is substantial if its value, or the consideration being paid for it, is 5% or more of the equity in the listed entity, as set out in its latest accounts lodged with the ASX. As the Convertible Loan will be secured by all of the assets of IncentiaPay, the Proposed Transaction involves the potential disposal of a substantial asset. As Suzerain is currently a 74.8% shareholder of IncentiaPay, the Proposed Transaction is with a related party.

ASX Listing Rule 10.5.10 requires that the Notice of Meeting sent to shareholders in respect of such a transaction must include a report on the Proposed Transaction from an independent expert. The independent expert's report must state whether the transaction is fair and reasonable to Non-Associated Shareholders.

Section 611

An acquisition of securities that enables a shareholder to increase its relevant interests in a listed company from below 20% to above 20%, or increase a greater than 20% holding, is prohibited under Section 606 of the Corporations Act 2001 ("**s606**"), except in certain circumstances.

One of the exceptions to s606 is where the acquisition is approved at a general meeting of the target company in accordance with item 7 ("**Item 7**") of Section 611 of the Corporations Act 2001 ("**s611**"). Under the Proposed Transaction, Suzerain and its associates will increase their existing 74.8% shareholding if Suzerain exercises its option to convert its debt into shares. Approval for the Proposed Transaction is therefore being sought at a general meeting of IncentiaPay's shareholders in accordance with Item 7.

Item 7 requires shareholders to be provided with all of the information known to the company and to the potential acquirer that is material to the shareholders' decision. *Regulatory Guide 74: Acquisitions Approved by Members* ("**RG74**") issued by the Australian Securities and Investment Commission ("**ASIC**") provides additional guidance on the information to be provided to shareholders. RG74 states that the directors of the target company should provide shareholders with an independent expert's report or a detailed directors' report in relation to transactions to be approved under Item 7. *Regulatory Guide 111: Content of Expert Reports* ("**RG111**") issued by ASIC requires an independent expert assessing a transaction that has a similar effect to a takeover bid to assess whether the transaction is fair and reasonable.

Chapter 2E of the Corporations Act 2001

New Gold Coast is a related party to Suzerain Investment, as defined by Section 228(1) of the Corporations Act, due to their shared common controller under Section 50AA. Both entities receive debt funding from the same investment fund, which is managed by Skybound Capital (MAU) Limited.

Chapter 2E requires a public company to obtain shareholders' approval before giving financial benefits to related parties. The Proposed Transaction entails the provision of a financial benefit to Suzerain in relation to the following:

- Providing the assets of IncentiaPay as security for the Convertible Loan
- Suzerain exercising its option to convert its debt into shares

There are no specific requirements for an independent expert's report to be prepared in these circumstances. However, ASIC recommends an independent expert's report to be obtained as part of the materials accompanying the notice of meeting under Sections 218 to 221 of the Corporations Act 2001.

2.2 Basis of evaluation

Introduction

RG111 requires a separate assessment of whether a related party transaction under Listing Rule 10 is 'fair' and whether it is 'reasonable'. We have therefore considered the concepts of 'fairness' and 'reasonableness' separately. The basis of assessment selected and the reasons for that basis are discussed below.

Consistent with RG111.63 we have provided only one analysis of whether the Proposed Transaction is fair and reasonable. The basis of assessment selected and the reasons for that basis are discussed below.

Fairness

Listing Rule 10.1

According to RG111.57 'a proposed related party transaction is fair if '*the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity*'. This comparison should be made '*assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.*'

Section 611

Should the Proposed Transaction be approved, Suzerain and its associates will be able to increase their controlling stake in IncentiaPay. Therefore, we have assessed the Proposed Transaction as a control transaction in accordance with RG111.8.

RG111.25 requires a transaction that is approved under s611 that is comparable to a takeover bid to be evaluated as if it was a takeover bid. RG111.11 defines a takeover offer as being fair if the value of the consideration is equal to, or greater than, the value of the securities subject to the offer.

Selected approach

When an independent expert's report is prepared to cover a number of different regulatory requirements with different measures of fairness, our preferred approach is to adopt the most onerous of the possible tests.

For the Proposed Transaction, we consider the s611 test to be more onerous than the Listing Rule 10.1 test. This arises because a control premium is taken into account under the s611 test but not under the Listing Rule 10.1 test. As a result, we have assessed the Proposed Transaction as fair if the value of an IncentiaPay share after the Proposed Transaction is greater than or equal to the value of an IncentiaPay share before the Proposed Transaction.

The value of an IncentiaPay share before the Proposed Transaction has been determined on a control basis (i.e. including a control premium). This is consistent with the requirement of RG111.11 that the comparison for a takeover must be made assuming a 100% interest in the target company.

As Non-Associated Shareholders would retain their IncentiaPay shares if the Proposed Transaction proceeds, the effective consideration is the continued ownership of an IncentiaPay share. After the Proposed Transaction, the value of an IncentiaPay share has been assessed on a minority interest basis (i.e. excluding a control premium) as Non-Associated Shareholders would continue to own a minority stake in IncentiaPay should the Proposed Transaction occur.

Basis of Value

We have assessed the values of an IncentiaPay share (both before and after the Proposed Transaction) at market value, which is defined by the International Glossary of Business Valuation Terms as:

> *The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*

While there is no explicit definition of value in RG111, this definition of market value is consistent with basis of value described at RG111.11 and common market practice.

Special value is defined as the amount a specific purchaser is willing to pay in excess of market value. A specific purchaser may be willing to pay a premium over market value as a result of potential economies of scale, reduction in competition or other synergies they may enjoy arising from the acquisition of the asset. However, to the extent a pool of hypothetical purchasers could all achieve the same level of synergies the value of those synergies may be included in market value. Special value is typically not considered in forming an opinion on the market value of an asset. Our valuation of IncentiaPay (both before and after the Proposed Transaction) does not include any special value.

Reasonableness

In accordance with RG111, we have defined the Proposed Transaction as being reasonable if it is fair, or if, despite not being fair, Leadenhall believes that there are sufficient reasons for Non-Associated Shareholders to vote for the proposal. We have therefore considered whether the advantages to Non-Associated Shareholders of the Proposed Transaction outweigh the disadvantages. To assess the reasonableness of the Proposed Transaction we have considered the following significant factors recommended by RG111.13:

- Suzerain and its associates pre-existing voting power in IncentiaPay
- The absence of other large holdings in IncentiaPay shares
- The liquidity of the market in IncentiaPay's shares
- Any special value of IncentiaPay to Suzerain and its associates
- The likely market price of IncentiaPay's shares if the Proposed Transaction is rejected
- The value of IncentiaPay to an alternative bidder and the likelihood of an alternative offer

We have also considered other significant advantages and disadvantages to Non-Associated Shareholders of the Proposed Transaction.

2.3 Individual circumstances

We have evaluated the Proposed Transaction for Non-Associated Shareholders as a whole. We have not considered its effect on the particular circumstances of individual investors. Due to their personal circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, individuals may reach a different conclusion to ours on whether the Proposed Transaction is fair and reasonable. If in doubt investors should consult an independent financial adviser about the impact of the Proposed Transaction on their specific financial circumstances.

3 AUSTRALIAN DIGITAL ADVERTISING INDUSTRY

IncentiaPay operates within the digital marketing industry, primarily through its digital membership program which leverages targeted promotions and special discounts to help merchant partners attract and engage customers. As a result, we have focused our analysis on the Australian digital advertising industry.

3.1 Overview

The Australian digital advertising industry has seen strong growth over the past six years, experiencing a compound annual growth rate ("**CAGR**") of 7.1% to $3.4 billion as shown in Figure 1 below. This is largely attributable to the growing prevalence of internet-enabled devices, the rise of social media marketing and increasing awareness of the higher efficiency of digital marketing in reaching target audiences compared to traditional print and television advertising.

Figure 2: Historical revenue growth

Source: IBISWorld

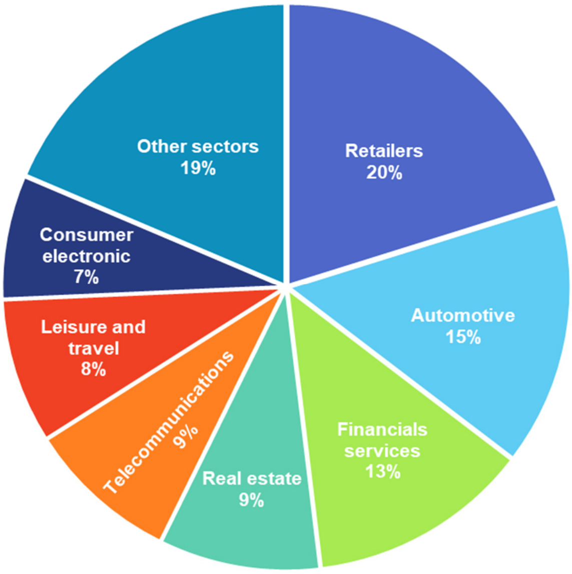
3.2 Customers and services

The digital advertising industry services a diverse range of customers from retailers to financial services companies. Services provided by industry participants can be broadly classified into:

- **Search engine marketing:** accounting for approximately 44% of total industry revenue, this form of marketing involves increasing the visibility of a client's website and product offering on popular search engines by improving its ranking in search results. This may include pay-per-click arrangements, whereby an advertiser pays a search engine's owner to place a link to the customer's website at the top of a search results page. Placement of the link is associated with keywords and the advertiser pays each time the link is clicked.
- **Digital advertising content:** accounting for approximately 39% of total industry revenue, this form of marketing involves the creation of new digital advertising content such as video marketing, banner adverts and sponsorships which are created to client specifications and targeted at a particular segment of the market. Media space is then purchased on key websites such as social media channels and news websites. Demand for content creation has increased in recent years, with clients increasingly demanding new and innovative advertising content.
- **Other services:** accounting for approximately 17% of total industry revenue are other services. These services include advertising via online classifieds, email marketing campaigns, lead generation, loyalty schemes and affiliate marketing management services. This is the segment in which IncentiaPay operates. The past few years has seen greater demand for these services and this segment has seen a corresponding increase in revenue over the period.

The table below provides a breakdown of downstream customers requesting digital advertising services.

Figure 3: Major market segmentation



Source: IBISWorld
Note: Other includes pharmaceutical and healthcare companies, media and communications companies, as well as government and public-sector institutions.

3.3 Regulatory landscape

IncentiaPay operates within the customer loyalty and reward segment of the industry, which is regulated by the Australian Competition and Consumer Commission ("**ACCC**").

Customer loyalty schemes

Customer loyalty schemes are a form of digital advertising that incentivise customers to make repeat purchases. Commonly, after a customer has joined a loyalty scheme, they may earn points, a discount, or some other incentive when making purchases under the scheme. When points are earned, they may be redeemed for cashback on future purchases, or outright for goods and services.

The use of customer loyalty schemes is widespread in the Australian economy, particularly in the airline, supermarket, credit card, hotel and car rental industries. Consumer participation is also high, with almost 90% of consumers estimated to be a member of a customer loyalty scheme and the average Australian participating in four to six customer loyalty schemes.

In December 2019, the ACCC published a detailed report on customer loyalty schemes in Australia which addresses the following issues:

- **Consumer protection:** whether consumers are informed and receive the benefits advertised.
- **Data practices:** the collection, use and disclosure of customer data.
- **Competition:** the potential impact of loyalty schemes on competing firms as well as new entrants.

As part of its report, the ACCC made five recommendations regarding certain business practices and called on operators of customer loyalty schemes to review and consider their practices within the context of the Australian Consumer law. The five recommendations include:

- **Improve how loyalty schemes communicate with customers:** loyalty scheme operators need to review their approach to presenting terms and conditions of loyalty schemes and ensure changes are fair and adequately identified.
- **Prohibition against unfair contract terms and certain unfair trading practices:** the ACCC recommended that the law be amended so that unfair contract terms are prohibited (not just voidable as they are under the current law), and that the law includes a prohibition against certain unfair trading practices.

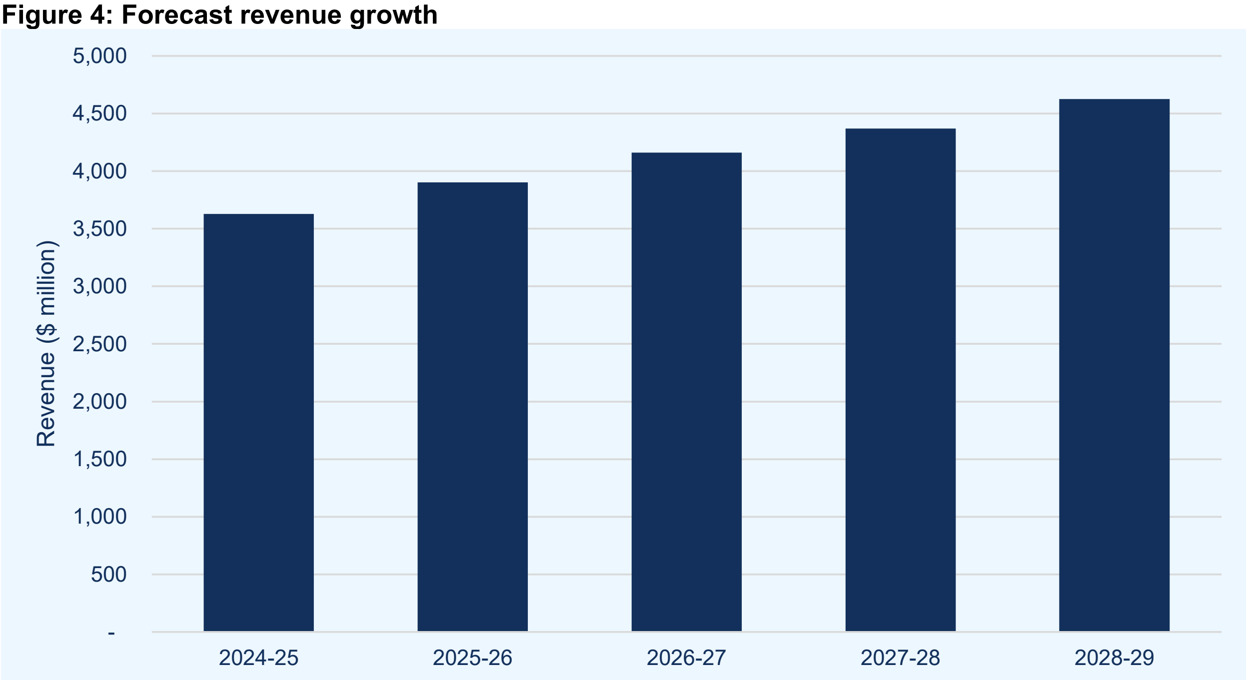
- **End the practice of automatically linking members' payment cards to their loyalty scheme profile:** some providers of loyalty schemes were linking customers payment cards to their loyalty scheme profile in order to track their purchasing behaviour and transaction activities, even when not using the loyalty card.
- **Improve the data practices of loyalty schemes:** the ACCC took the view that current privacy policies of loyalty schemes were opaque, leaving customers with the inability to make informed choices about the collection, use and disclosure of their data.
- **Strengthen protections in the Privacy Act and broader reform of the Australian privacy law:** the ACCC made this recommendation in order to maintain effective protection of customers' personal information in the longer term, including a proposed review of the current objectives of the Privacy Act and the introduction of a statutory tort for serious invasions of privacy.

It is expected that the digital advertising industry will continue to be subject to regulatory scrutiny given the large number of Australian consumers that engage with digital advertising and customer loyalty schemes. Industry participants should therefore prepare for changes to market conditions within the scope of consumer law, the Competition and Consumer Act, and the Privacy Act.

3.4 Outlook

According to IBISWorld, industry revenue growth is expected to continue over the next five years to 2028-2029 at a CAGR of 6.6% reaching $4.6 billion. This is largely driven by a rising demand for digital marketing services as new technologies such as virtual reality headsets, smart watches and smart home devices and social media applications expand the range of content-viewing mediums and marketing channels.

Figure 4: Forecast revenue growth



Source: IBISWorld

4 PROFILE OF INCENTIAPAY

4.1 Background

IncentiaPay is an ASX-listed technology company operating a loyalty and rewards platform in Australia and New Zealand, offering membership subscriptions for payment discounts and special offers. The company was first established in 1994 as Entertainment Publications providing member exclusive discount and special offer vouchers in printed booklets. Over the years, the business has evolved to a digital membership model which was released in 2014. In September 2016, Entertainment Publications was acquired by ASX-listed BPS Technology Limited ("**BPS**"), which subsequently rebranded to IncentiaPay in April 2018.

IncentiaPay has sustained losses over the past seven years, largely attributed to a series of corporate restructurings, and the severe impacts of the global pandemic on the dining and entertainment sectors. In recent years, IncentiaPay has focused on returning the business to breakeven through ongoing cost management initiatives. The company has also invested heavily in technology to drive long-term growth such as re-platforming core applications, rebuilding the website and launching a new business channel, Seamless Rewards. In February 2024, the company conducted strategic review and since redirected its effort to reviving its fundraiser distribution channel and providing quality merchant offers.

4.2 History

A brief history of IncentiaPay is set out in the table below:

Table 4: History of IncentiaPay

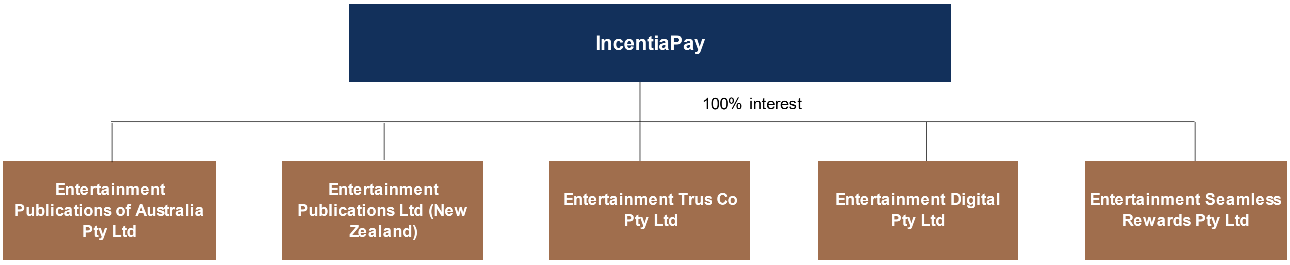
Year	Event
1994	♦ Established as Entertainment Publications.
2016	♦ Entertainment Publications was acquired by BPS, a company listed on the ASX, which owned Bartercard and had a minority stake in Now Book It.
2018	♦ BPS changed its name to IncentiaPay. ♦ IncentiaPay acquired ASX-listed Gruden Group. ♦ Divestiture of Bartercard, the Government division of Gruden Group and IncentiaPay's minority stake in Now Book It.
2019	♦ Sale of the Performance Marketing division of Gruden Group. ♦ Entered into $19 million convertible loan arrangement with Suzerain.
2020	♦ Suzerain converted the $19 million debt into 410.6 million ordinary shares, increasing its shareholding in IncentiaPay from 20% to 70%. ♦ Additional $9.8 million convertible loan from Suzerain ♦ The iconic Entertainment Book was discontinued from 1 June 2020. ♦ IncentiaPay entered a strategic partnership with Paywith Worldwide Inc
2021	♦ Suzerain converted the $9.8 million loan into 292.3 million ordinary shares ♦ IncentiaPay obtained an additional unsecured loan of $5 million from New Gold Coast
2022	♦ Secured a $22.5 million convertible loan facility from New Gold Coast ♦ Launched Seamless Rewards platform ♦ Entered into several agreements with channel partners including Verrency Australia Pty Ltd and OpenSparkz Pty Ltd, to distribute its CLO-compatible merchant content services
2023	♦ Signed a master services agreement with one of the largest payment networks to provide merchant discount offers for cashback ♦ Received deferments on principal and interest from Suzerain and its related entities to 31 December 2025
2024	♦ Obtained a $5 million unsecured loan facility from Suzerain ♦ New Chief Executive Officer appointed in May 2024

Source: IncentiaPay

4.3 Corporate structure

The corporate structure of IncentiaPay is as follows:

Figure 5: IncentiaPay corporate structure



Source: IncentiaPay

4.4 Overview of operations

IncentiaPay primarily operates three divisions, being Entertainment Membership, Frequent Values and Seamless Rewards, as follows:

- **Entertainment Membership:** represents the business-to-consumer ("**B2C**") segment of the business, generating revenue through rolling membership subscriptions ranging from 12 to 24 months. Membership provides access to thousands of 2-for-1 and up to 50% off offers from over 6,300 business partners in dining, travel, activities and retail across over 11,000 partner locations in Australia and New Zealand. Membership is available across 20 major cities, regional areas and country towns. Up to 20% of membership sales go directly to fundraisers for charities, schools, sports clubs and community groups. In addition to B2C sales, IncentiaPay offers enterprise level Entertainment Memberships where large corporate clients purchase Entertainment Memberships in bulk (at a discounted price) to distribute to employees.
- **Frequent Values:** offers fully managed loyalty and rewards program to large enterprises. IncentiaPay enters into contracts with corporate customers to develop programs of dining and leisure benefits for their customers or employees over the contract period. IncentiaPay currently has over 20 corporate clients.
- **Seamless Rewards:** launched in October 2022, Seamless Rewards provides seamless integration for cash back programs across merchants offers, card issuers and payment networks. It allows consumer to benefit from Card Linked Offers ("**CLOs**") which are cash back rewards that consumers automatically receive by transacting in-store or online after linking their debit or credit cards to a participating loyalty program. The business generates revenues through success fees every time a cardholder transacts with a linked card at a Seamless Rewards merchant. It also earns ongoing merchant management fees from Seamless Rewards Partners.

In addition, IncentiaPay sells gift cards provided by gift card aggregators and merchants offering them to its members at a discount to face value. The company also earns fees from advertising and travel booking through the Entertainment digital platform by placing advertisements and distributing offers and promotions on behalf of businesses to its members.

The breakdown of FY23 and FY24 revenue is as follows:

Figure 6: FY23 Revenue Breakdown

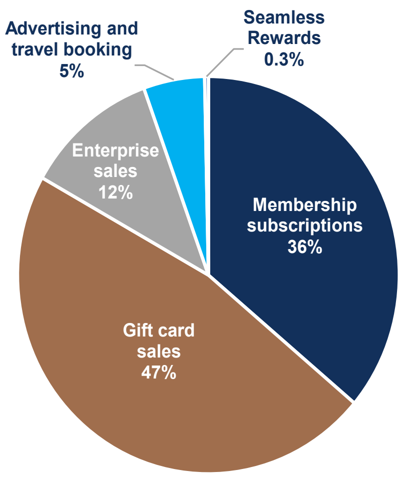
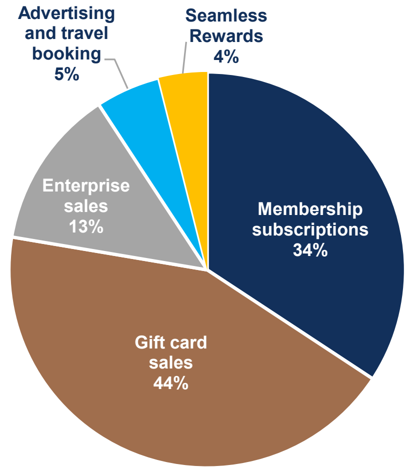


Figure 7: FY24 Revenue Breakdown



Source: IncentiaPay

4.5 Key personnel

The Board of Directors of IncentiaPay comprises:

Table 5: Directors of IncentiaPay

Directors	Experience
Dean Palmer Chairman	Mr Palmer has over 25 years of experience in finance, property and funds management. He is the founder and Chief Executive Officer (CEO) of Skybound Fidelis Investment Limited, a specialist structured finance, commercial credit, and property fund manager. Mr Palmer has held several senior executive roles in Australia and in the UK and is currently a director of Skybound Capital in Australia. Skybound Fidelis Investment Limited is a related entity of Suzerain Investments Limited.
Ani Chakraborty Non-executive Director	Chakraborty joined IncentiaPay in June 2023 with over 20 years of experience in strategy and transformation across various sectors such as digital operations, infrastructure, utilities and resources. Previously, Chakraborty served as an Investment Director at Hastings Funds Management. He is currently CEO of Bestech Australia, a specialist manufacturer of sensor and technical equipment and a Non-Executive Director of LARES, private operator of Land and Chattel Mortgage Registry of the Philippines.
Charles Romito Non-executive Director	Dr Romito is an experienced management consultant and investment professional with an extensive background across venture capital and private equity, lead syndicate investing and management academia. He is currently a Partner with Corpus Transformation Services.

Directors	Experience
Heidi Halson Chief Executive Officer (CEO)	Ms Halson was appointed in May 2024. She has 40 years of leadership in the hospitality industry, strategic planning, and marketing directorship. Ms Halson was previously CEO of the Entertainment business during 1994 to 2018. During her tenure, she was responsible for establishing Entertainment Publications in Australia. She also facilitated the transition of the Entertainment Book from a print publication to a digital membership application, released in 2014.
Kunal Kapoor Chief Financial Officer (CFO) & Company Secretary	Mr Kapoor was appointed in February 2023. He has more than 20 years of experience in Corporate Finance and Financial Control having worked across Australia, Asia and Middle East. Mr. Kapoor is a member of CPA (Australia) and CFA Institute.

Source: IncentiaPay

4.6 Financial performance

The audited statements of financial performance for the financial years ("**FY**") ended 30 June 2022, 30 June 2023 and 30 June 2024 are set out in the table below.

Table 6: IncentiaPay's financial performance

$'000	FY22	FY23	FY24
Revenue	19,790	17,128	16,555
Total cost of sales	(10,151)	(9,352)	(8,519)
Gross margin	**9,639**	**7,776**	**8,035**
Gross margin %	*49%*	*45%*	*49%*
Operating expenses			
Employee-related	(11,583)	(9,111)	(9,666)
Occupancy	(247)	(399)	(35)
Marketing	(973)	(1,292)	(685)
Legal and professional	(2,654)	(285)	(248)
Other income	169	78	33
Other expenses	(3,925)	(2,929)	(1,888)
Total operating expenses	**(19,213)**	**(13,938)**	**(12,489)**
Underlying EBITDA	**(9,574)**	**(6,162)**	**(4,453)**
One-off items:			
Share-based payment	(204)	84	(146)
Re-alignment costs	(809)	-	-
Government assistance	631	-	-
EBITDA	**(9,956)**	**(6,078)**	**(4,599)**
Impairment	(3,615)	(11,605)	-
Depreciation and amortisation expense	(1,171)	(539)	(156)
EBIT	**(14,742)**	**(18,222)**	**(4,755)**
Interest income	30	43	28
Interest expenses	(919)	(2,211)	(2,913)
Loss before tax	**(15,631)**	**(20,390)**	**(7,641)**
Income tax benefit / (expense)	-	-	-
Loss after tax	**(15,631)**	**(20,390)**	**(7,641)**

Source: IncentiaPay

In relation to the historical financial performance of IncentiaPay set out above:

- Revenue primarily comprises membership subscription, gift card sales, enterprise sales and fee income. The decline across the periods was primarily driven by decreased demand driven by cost-of-living pressures dampening the sales of subscriptions and gift cards. The decrease was moderated by strong growth in enterprise sales and seamless reward fees in FY24 with Frequent Values membership increasing by over 80% during the year.
- Cost of sales mainly includes cost of the gift card sold and commissions paid to fundraiser partners for the sale of entertainment membership which is amortised as associated revenue is recognised. The downward trend over the periods over is consistent with revenue.
- The decrease in gross profit margin in FY23 is attributable to additional direct sales incentives provided to customers, such as free gift cards, to boost sales.
- Employees-related expenses remain one of the largest costs of the business. The significant decrease in FY23 was a result of a cost rationalisation initiatives. The subsequent increase in FY24 primarily relates to the hiring of a Chief Growth Officer and the expansion of the marketing and the fundraising teams.
- Marketing expenses include customer relationship management platform expenses and media marketing. The increase in marketing expense in FY23 relates to tactical sales promotions and an incentive program to boost Entertainment Member renewals and acquisition.
- The significant legal and professional expenses in FY22 relates to external strategic support for managing and driving transformation initiatives.
- Other expenses are predominately made up of website and communications, bad debt expenses and others. The decrease in FY23 is driven by the reduction in hosting costs and platform fees following the retirement of a legacy platform.
- The impairment loss recognised in FY22 relates to goodwill, software under development, redundant technology and other software. The impairment loss in FY23 relates to intangible assets in the Entertainment Business cash generating unit ("**CGU**"), due to reduced revenue growth assumptions, and leasehold asset of the office lease terminated in October 2022.
- The significant reduction in depreciation and amortisation in FY23 is a result of the impairment discussed above and the conclusion of office and equipment leasing during FY22 and FY23.
- Despite declining revenue, EBITDA losses have reduced over the periods as a result of ongoing cost rationalisation initiatives as a path to operational break-even is pursued.

4.7 Financial position

The audited statements of financial position as at 30 June 2022, 30 June 2023 and 30 June 2024 are set out in the table below.

Table 7: IncentiaPay's financial position

$'000	30-Jun-22	30-Jun-23	30-Jun-24
Current assets			
Cash	978	1,825	1,968
Receivables	1,085	355	524
Contract assets	141	267	126
Inventory	200	71	72
Other current assets	1,503	1,145	561
Total current assets	**3,907**	**3,664**	**3,252**
Non-current assets			
Non-current receivables	102	-	-
Property, plant and equipment	503	43	70
Right-of-use assets	22	-	-
Intangible assets	12,322	974	856
Total non-current assets	**12,949**	**1,017**	**926**
Total assets	**16,856**	**4,681**	**4,178**
Current liabilities			
Payables	(4,623)	(2,602)	(2,687)
Current lease liabilities	(910)	(310)	-
Current borrowings	(2,025)	(708)	(1,208)
Deferred revenue	(3,163)	(3,334)	(2,638)
Current provisions	(829)	(517)	(402)
Total current liabilities	**(11,550)**	**(7,470)**	**(6,934)**
Non-current liabilities			
Non-current lease liabilities	(310)	-	-
Non-current borrowings	(6,125)	(18,451)	(26,304)
Deferred revenue	(124)	(51)	(167)
Non-current provisions	(78)	(489)	(56)
Total non-current liabilities	**(6,637)**	**(18,990)**	**(26,526)**
Total liabilities	**(18,187)**	**(26,460)**	**(33,461)**
Net assets	**(1,331)**	**(21,780)**	**(29,283)**
Other information			
Net working capital balance	(5,686)	(4,614)	(4,443)
Debt to equity ratio	(6.12)	(0.88)	(0.94)

Source: IncentiaPay
Note 1: Net working capital includes trade and other receivables, inventories, other current assets, trade and other payables, current lease liabilities, provisions and deferred revenue. Net working capital balances are negative as revenue is typically collected upfront, hence total receivables are relatively low

In relation to the historical financial position of IncentiaPay set out above:

- Receivables in FY22 and FY23 include rent receivable from subleasing the Sydney office which expired in October 2023. The increase in FY24 reflects the strong growth in enterprise sale and Seamless Rewards.
- Contract assets relate to accrued revenue from advertising and seamless rewards success fees which are recognised over time.
- Other current assets include prepaid expenses, prepaid commissions to fundraisers for the sale of memberships and short-term bank deposits. The decrease in FY24 is primarily driven by a reduction in restricted bank deposits associated with the office lease and prepaid expenses.
- The lower intangible asset balance in FY23 is attributable to the impairment of all intangible assets in the Entertainment Business CGU. The FY24 balance represents the carrying value the CLO rewards platform developed by IncentiaPay.
- Borrowings predominantly relate to amounts borrowed from Suzerain and related entities as summarised below:
  - $1.2 million loan facility from Skybound Fidelis Credit Fund at an interest rate of 12.5% per annum. The repayment has been deferred to 31 December 2025.
  - $22.5 million convertible loan from New Gold Coast, at an interest rate of 12.5% per annum. As at 30 June 2024, the principal and interest outstanding were $22.36 million and $3.12 million respectively. The principal and interest payments have been deferred until 31 December 2025.
  - $0.5 million secured loan from Suzerain at an interest rate of 10%. The principal and interest payments have been deferred to 31 December 2025.
  - On 28 June 2024, the company entered into a new loan agreement with Suzerain for a $5 million unsecured loan facility with no convertible option. The facility remained undrawn as at 30 June 2024.
- Deferred revenue primarily relates to the upfront consideration from membership subscription and enterprise customers, for which revenue is recognised over time.
- Provisions relate to employee benefits such as annual leave and long service leave.

Going concern risks

IncentiaPay's auditors have raised concerns regarding its ability to continue as a going concern (including in their FY24 audit report) since the ongoing operations of IncentiaPay is critically dependent on the continued financial support from Suzerain and its related parties as well as the success of the revenue pivot strategies.

4.8 Cash flows

The audited statements of cash flows for the periods ended 30 June 2022, 30 June 2023 and 30 June 2024 are set out in the table below.

Table 8: IncentiaPay's cash flows

($'000	FY22	FY23	FY24
Cashflows from operating activities			
Receipts from customers	20,868	19,209	16,507
Payments to suppliers and employees	(33,763)	(26,110)	(21,927)
Government assistance received	676	-	-
Net cash used in continuing operations	**(12,219)**	**(6,901)**	**(5,420)**
Cashflows from investing activities			
Purchase of property, plant and equipment	(53)	(3)	(13)
Interest received	30	43	28
Purchase of intangibles	(800)	(311)	-
Proceeds from term investments	279	131	332
Net cash used in investing activities	**(544)**	**(141)**	**346**
Cashflows from financing activities			
Proceeds from issue of shares, net of costs	5,433	-	-
Proceeds from borrowings	6,408	10,500	5,930
Interest and other finance costs	(301)	(1,692)	(478)
Principal element of lease payments	(958)	(910)	(233)
Net cash from financing activities	**10,582**	**7,897**	**5,219**
Net increase/(decrease) in cash held	(2,181)	855	146
Cash and cash equivalents at beginning of financial period	3,228	978	1,825
Effects of movements in exchange rates on cash and cash equivalents held	(69)	(8)	(3)
Cash and cash equivalents at the end of the year	**978**	**1,825**	**1,968**

Source: IncentiaPay

In relation to the historical cash flows of IncentiaPay set out above, we note the following:

- The operating activities have been primarily funded by ongoing borrowings from the major shareholder, Suzerain and its associated entities. Operating cash outflows have reduced due to a cost rationalisation program resulting in a decrease in payments to suppliers and employees.
- Purchase of intangibles relates to the cash flow associated with the development of the Seamless Rewards' CLO rewards platform which was completed in October 2022.
- The fall in interest and other financing costs in FY24 relates to the deferral of interest payments and a reduction in loan administration fees negotiated with Suzerain and its associated entities.

4.9 Capital structure and shareholders

As at 31 August 2024, IncentiaPay had a total of 1,231,279,015 ordinary shares on issue. The following table sets out details of IncentiaPay's substantial shareholders as at that date:

Table 9: IncentiaPay's substantial shareholders

Shareholder	No. of shares held	% Total shares
Suzerain investments Holdings Ltd[1]	921,370,094	74.8%
BNP Paribas Noms Pty Ltd	62,423,364	5.1%
Other Shareholders	247,485,557	20.1%
Total	**1,231,279,015**	**100.0%**

Source: IncentiaPay
Note 1: Includes holdings held by related entity, Australia Fintech Pty Ltd.

We note that Suzerain is the controlling shareholder.

As at 31 August 2024, IncentiaPay also had the following securities on issue:

- 23,435,000 performance rights on issue to key management personnel at nil cost and recorded as per AASB 2 share-based payment guidance in its financial statements, which are expected to convert into shares upon the release of the FY24 audited financial statements.
- Approximately 12.7 million shares that were issued to non-executive director, Charles Romito as part of the Loan Funded Scheme ("**LFS**") approved by shareholders at the 2023 Annual General Meeting. Key terms of the LFS are summarised in the following table:

Table 6: Summary of key terms of the LFS

Key terms of the LFS		
Tranche	**Vesting date**	**Number of shares**
Tranche 1	1/07/2024	4,217,000
Tranche 2	1/07/2025	4,217,000
Tranche 3	1/07/2026	4,217,000
Total number of shares to be issued		**12,651,000**
Issue price	$0.007 being 30 trading day VWAP of INP shares on ASX as on 17 November 2023. IncentiaPay provided a non-recourse loan to fund the purchase of shares	

Source: IncentiaPay

4.10 Share trading

The following chart shows the market trading of IncentiaPay shares, for the 12 months to 31 August 2024:

Figure 8: IncentiaPay's share trading over the last 12 months

Source: S&P Capital IQ

In relation to the trading of IncentiaPay shares over the past 12 months:

- Trading in the shares was illiquid, with an average daily value traded of approximately $618 at a VWAP of $0.006 over the period. The average daily volume represents approximately 0.009% of ordinary shares on issue.
- The spike in trading volume on 13 February 2024 coincided with the release of FY24 interim financial report which indicated an improvement in the loss per share from 1.3 cents to 0.3 cent compared to the prior corresponding period.

4.11 Outlook

In February 2024, IncentiaPay completed a strategy review, refining its revenue strategies across its business segments. To drive B2B sales, the company has appointed a Chief Growth Officer and Head of Sales to build a new sales team with a focus on increasing enterprise sales.

In addition, IncentiaPay plans to refocus on Entertainment Memberships as the core offering of the business. Pre-COVID, Entertainment had over 630,000members, and management are introducing initiatives such as revitalising fundraising channels and an increasing focus on offering quality merchant deals to drive member acquisition and retention. As part of this strategy, two launch events were held in July and August 2024 and a dedicated sales team has also been established to service fundraisers. To facilitate member acquisitions, IncentiaPay intends to host monthly webinars to educate fundraisers on its products, maintain close relationships with key fundraisers and participate in major charity fundraising events. In the next 12 to 18 months, IncentiaPay plans to introduce a new feature to its platform, which will allow members to make direct donations to the charity of their choice.

As membership grows, IncentiaPay expects to leverage its augmented audience base to increase revenue from paid advertising and affiliate marketing by driving greater demand for media space and securing higher commissions.

5 VALUATION METHODOLOGY

5.1 Available valuation methodologies

To estimate the market value of IncentiaPay, we have considered common market practice and the valuation methodologies recommended in RG 111. There are a number of methods that can be used to value a business including:

- The discounted cash flow method
- The capitalisation of future maintainable earnings method
- Asset based methods
- Analysis of share market trading
- Industry specific rules of thumb

Each of these methods is appropriate in certain circumstances and often more than one approach is applied. The choice of methods depends on several factors such as the nature of the business being valued, the return on the assets employed in the business, the valuation methodologies usually applied to value such businesses and availability of the required information. A detailed description of these methods and when they are appropriate is provided in Appendix 2.

5.2 Selected methodology

In selecting an appropriate valuation methodology for (both before and after the Proposed Transaction), we have considered the following:

Table 10: Consideration of methodologies

Method	Considerations	Approach
Discounted cash flow	♦ IncentiaPay has a variable revenue and cost profile over the next several years due to significant changes in the business model with proposed initiatives to be implemented in phases over the period to FY29. This is best evaluated with a discounted cash flow method. ♦ We have been provided with financial projections to FY29 prepared by IncentiaPay management. We have used the projections as a basis for our own cash flow model.	Selected
Capitalisation of earnings	♦ There are a limited number of transactions (market trading and M&A) involving companies with comparable businesses to IncentiaPay. ♦ IncentiaPay has experienced operating losses historically and is expected to continue operating at a loss in the near-to-mid-term due. Therefore, the capitalisation of earnings method is not appropriate.	Not considered
Asset based methods	♦ IncentiaPay is neither an asset-based business nor an investment holding company. Asset based methods are generally not appropriate for operating businesses as they ignore the value of most internally generated intangible assets. ♦ Although IncentiaPay has a history of operating losses and significant debt, we consider it to be a going concern as ongoing funding for the business is provided by Suzerain and its associates. Therefore, an asset method is not appropriate.	Not considered
Share trading	♦ IncentiaPay shares have been thinly traded, with periods of no trading, making an analysis of share trading less reliable. However, we have analysed share trading in IncentiaPay shares as a broad cross-check of our assessed value per share before the Proposed Transaction. Since the Proposed Transaction has not been announced to the market, its impact on the share price cannot be assessed. Therefore, we cannot apply the share trading cross-check to our assessed value per share after the Proposed Transaction.	Cross-check

We were not able to identify any alternative valuation approaches that were sufficiently reliable to enable a cross check to our selected valuation approach.

6 VALUATION OF INCENTIAPAY BEFORE THE PROPOSED TRANSACTION

6.1 Background

We have assessed the market value of IncentiaPay using the discounted cash flow method, with a cross-check based on an analysis of recent share market trading in IncentiaPay shares. This assessment has been made on a control basis as required by RG111.

6.2 Discounted Cash Flow Method

In order to determine the value of an IncentiaPay share using the discounted cash flow method, we have:

- Reviewed, and adjusted as appropriate, the cash flow projections prepared by management for the five-year period from FY25 to FY29 ("**INP model**").
- Extended the INP model to FY34 at which point future growth is expected to be similar to inflation.
- Determined an appropriate discount rate.
- Assessed the long-term growth rate beyond the forecast period.
- Calculated the enterprise value based on the preceding assumptions.
- Assessed the value of any non-operating assets and liabilities.
- Calculated the value of an IncentiaPay share (equity value) based on the preceding analysis.

6.3 Cash Flow Projections

We have used the INP model as the basis for our own cash flow model. We have undertaken a detailed analysis of the forecasts and have discussed the key assumptions behind the forecast with IncentiaPay's management. We have considered supporting information to determine the reasonableness of the cash flow projections and considered the residual risks associated with achieving the forecasts. Based on these discussions and analysis, we consider the assumptions to be reasonable for the purposes of our analysis.

The detailed projections are not included in this report due to commercial sensitivity. The key assumptions underpinning the projections, and the information considered in assessing the reasonableness of these assumptions are discussed below.

6.3.1 Revenue

Total revenue is forecast to grow at a CAGR of 20.6% over the next 5 years and gradually decline to 3.6% by FY34. Further detail on forecast revenue by segment is provided below.

Entertainment membership subscription

Historically, entertainment membership subscriptions have formed the largest component of IncentiaPay's business. However, increased competition and then the outbreak of COVID-19 had a severe negative effect on this segment of IncentiaPay's business. As a result, in 2022 IncentiaPay initiated the Seamless Rewards program and shifted the focus of the business towards promoting and growing this segment. The rollout of Seamless Rewards was not as successful as management had hoped. As a result, management has recently changed its strategic objectives to turn the focus back to growth of entertainment membership subscriptions.

Some of the key assumptions in respect of revenue generated from entertainment membership subscriptions are outlined below:

- Entertainment membership numbers are forecast to reach 50% of the historical FY19 peak by FY29, increasing to 75% by FY34. Given the increase in competition in the rewards market since FY19 we expect that long term membership numbers may not reach historical highs.
- The annual membership price is expected to remain at $75 to encourage renewals.
- The retention rate is projected to be approximately 80% over the forecast period compared to the historical retention rate of 75% This improvement is attributed to an increase in resources dedicated to customer service, particularly in the fundraiser segment.
- Over 80% of the memberships in FY25 are expected to be originated from fundraisers with the proportion gradually increasing to 94% after FY31. This is in line with the investment in sales staff that will be focusing on the fundraiser channel.

Frequent Value (enterprise clients)

Bulk buys of entertainment membership subscriptions are sold to enterprise customers at a discount. Some of the key assumptions in respect of revenue generated from the Frequent Value program are outlined below:

- Significant growth is forecasted in the near term driven by the commencement of several new customer contracts during FY25 and their full year impact in the following year. This is in line with the current performance against the FY25 sales target.
- Existing customers are expected to growth at 5% over the forecast period while new customers are expected to grow at 25% to 50%. As with entertainment memberships, this growth is supported by an investment in the onshore sales team in Australia.

Gift cards

Gift cards are provided by both gift card aggregators and merchants and are sold to IncentiaPay's entertainment members at a discount to face value. Sales growth is forecasted to be in line with the growth in entertainment membership subscriptions and frequent value as the increase in member numbers have a direct impact on gift card purchases.

Seamless rewards

The Seamless Rewards program generates revenue through commissions received as a percentage of transaction value when a loyalty scheme customer transacts with a participating merchant. Revenue is expected to increase substantially in FY25 driven by the recent launch of major merchant partner offers resulting in greater transaction value flowing through the platform. After FY25, transaction volume, and revenue, is expected to grow by 10% per annum to FY29 and gradually reducing thereafter. Growth is supported by an increased volume of transactions from existing customers and modest growth in new customers.

Other revenue

Other revenue primarily relates to paid advertising and commissions received on travel bookings through the entertainment platform. Other revenue is forecast to grow at a CAGR of 20% over the next 4 years and trend toward long-term inflation for the remainder of the forecast period. The growth in revenue is expected to be driven by increased demand for paid advertising from merchants as membership numbers grow.

6.3.2 Gross margin

Gross margin is expected to decline slightly in FY25 as additional spending on customer acquisition and retention is forecast in the form of increased donations to charitable partners and additional sale incentives and promotional offers to customers. After FY25, the gross margin is expected to remain at a similar level throughout the forecast period.

6.3.3 Operating expenses

Employee costs

Employee costs are the largest component of operating expenses. Employee costs are expected to increase moderately in the near term due to the additional head count required to support new revenue strategies including an internal marketing team, dedicated sale teams for fundraisers and enterprise customers as well as new management personnel. After FY25, the growth in employee costs is forecast to slow down over the forecast period reaching 3% by FY34.

Other operating expenses

Other operating expenses primarily relate to contracted software developers, information technology expenses and marketing expenses. Total operating expenses are forecast to decline slightly in FY25 mainly as a result of the termination of an outsourced sale team, reduced rent following the expiration of the office lease in the prior year and lower accounting and auditing expenses due to a change in auditor. A 6% increase is forecast in FY26 driven by costs associated with developing donation-related features for the platform and additional marketing expenditure. These costs are expected to cease in the following year as the feature completes. After FY26, growth in operating expenses is forecast decline, reaching 3% by FY34.

6.3.4 Taxation

We have applied the Australian corporate tax rate of 30%. Historical carried forward tax losses are included in the cash flow projections and are forecast to be fully utilised by FY34.

6.3.5 Working capital

The company's negative working capital balance is forecast to increase each year in line with revenue growth.

6.3.6 Capital expenditure

Capital expenditure on property plant and equipment and intangible assets is estimated to be $30,000 per annum and $50,000 to $60,000 per annum respectively. Capital expenditure is assumed to equal to depreciation in the terminal year to reflect that long term average depreciation and capital expenditure should be similar.

6.3.7 Reasonableness of assumptions

While we have not undertaken a review of the projections in accordance with AUS 804 – The Audit of Prospective Financial Information, we have undertaken a detailed review of the forecasts prepared by IncentiaPay management, have discussed the key assumptions with them and made adjustments where appropriate. Based on this analysis, we consider the assumptions made to be reasonable for the purpose of our analysis.

Any alternative reasonable set of forecast assumptions would not impact our conclusion on the fairness and reasonableness of the Proposed Transaction.

6.4 Discount Rate

We have applied a discount rate of between 17.5% and 18.5% (nominal, post-tax, weighted average cost of capital ("**WACC**")) to the projected cash flows. We calculated the discount rate using the capital asset pricing model ("**CAPM**") based on the assumptions set out in Appendix 5. The selected discount rate includes a specific risk premium to allow for the possibility that IncentiaPay's recently revised strategy is not successful in stemming its losses.

6.5 Terminal Growth

The terminal value represents the value of the cash flows beyond the forecast period. Terminal values are commonly calculated based on the discount rate and the expected long-term growth rate of future cash flows. We have used a terminal growth rate of 2.5% being the midpoint of the long-term Reserve Bank of Australia's inflation target, which we consider is a reasonable estimate of long-term growth in cash flows for IncentiaPay. Any alternative reasonable assessment of the terminal growth rate would not impact our conclusion on the fairness and reasonableness of the Proposed Transaction.

6.6 Non-operating Assets and Liabilities

In order to assess the equity value of IncentiaPay, it is necessary to identify any non-operating assets and liabilities not used in generating the enterprise value. These can be:

- **Surplus assets**: assets held by the company that are not utilised in its business operation. This could be investments, unused plant and equipment held for resale, or any other assets not required to run the operating business. It is necessary to ensure that any income from surplus assets (i.e. rent / dividends) is excluded from the business value.
- **Non-operating liabilities**: liabilities of a company not directly related to its current business operations, although they may relate to previous business activities, for example claims against the entity.
- **Surplus cash / net debt**: comprising of surplus cash held by the company, less debt used to fund a business.

Each of these factors are considered below.

Surplus assets

IncentiaPay does not hold any assets of this nature.

Non-operating liabilities

We have identified the following non-operating liabilities of IncentiaPay:

Table 11: Non-operating liabilities of IncentiaPay

Non-operating Liabilities ($'000)	
Tax backlog	175
Total non-operating liabilities	**175**

Source: Leadenhall analysis

The tax backlog relates to unpaid, historical tax expenses that include payroll tax, goods and services tax and withholding income tax.

Net debt

The net debt position for IncentiaPay as at 31 August 2024 is set out in the table below:

Table 12: Net debt of IncentiaPay

Net Debt ($'000)	
Cash	1,317
Proceeds from LFS[1]	59
Loan from Skybound Fidelis	(1,210)
Loan from New Gold Coast	(26,153)
Secured loan from Suzerain	(779)
Unsecured loan from Suzerain	(502)
Net Debt	**(27,268)**

Source: Leadenhall analysis
Notes
1. We have assumed all unvested employee shares described in Section 4.9 are fully vested and the accompanying loans are repaid.
2. We have assumed book value is representative of market value for all borrowings including the Convertible Loan.

In relation to the net debt position set out above we note the following:

- The $1.2 million loan facility provided by Skybound Fidelis Investment Limited (a related entity of Suzerain) was used to fund transformational capital expenditure. The amount has been fully drawn as at 31 August 2024.
- The convertible loan facility of $22.5 million from New Gold Coast (a related party of Suzerain) was fully drawn as at 31 August 2024 with accrued interest of $3.6 million.
- The secured interest-bearing loan from Suzerain of $0.78 million (including interest) which is due for repayment by 31 December 2025.
- On 28 June 2024, IncentiaPay entered into a new loan agreement with Suzerain for a total loan facility of $5 million. This loan is unsecured with no conversion option and has a remaining drawable amount of $4.5 million as at 31 August 2024.

6.7 Assessed Value Before the Proposed Transaction

The preceding analysis leads to an assessed value of an IncentiaPay share before the Proposed Transaction, on a control basis, of between 1.02 cents and 1.33 cents as set out in the following table:

Table 13: Assessed value of an IncentiaPay share before the Proposed Transaction

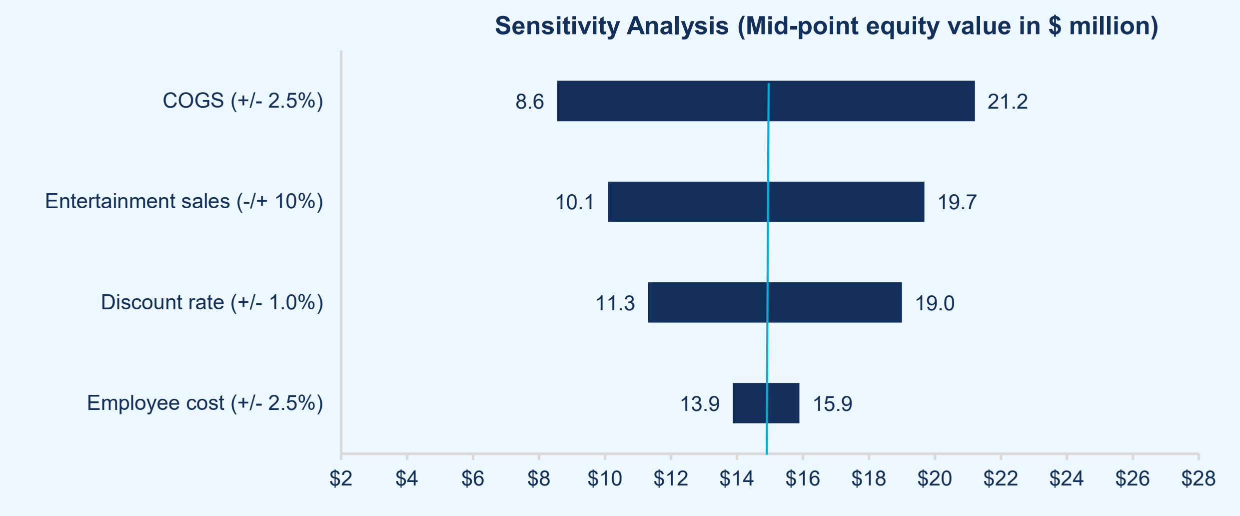
Equity Value (Control Basis) ($'000)		
	Low	**High**
Enterprise value	**40,418**	**44,237**
Non-operating liabilities	(175)	(175)
Net debt	(27,268)	(27,268)
Assessed equity value on a control basis	**12,975**	**16,794**
Ordinary shares on issue ('000)	1,231,279	1,231,279
Shares issued under performance rights	23,435	23,435
Unvested employee shares [1]	12,651	12,651
Assessed value per ordinary share on a control basis ($)	**0.0102**	**0.0133**

Source: Leadenhall analysis
Note 1: Since the loan funded share issue priced is lower than our assessed value range, we have assumed all unvested employee shares will be vested. The corresponding proceeds have been included in net debt.

Sensitivity analysis

This valuation is sensitive to a number of key assumptions as set out in the following figure:

Figure 9: Sensitivity analysis



Source: Leadenhall analysis

6.8 Analysis of Share Trading Cross-Check

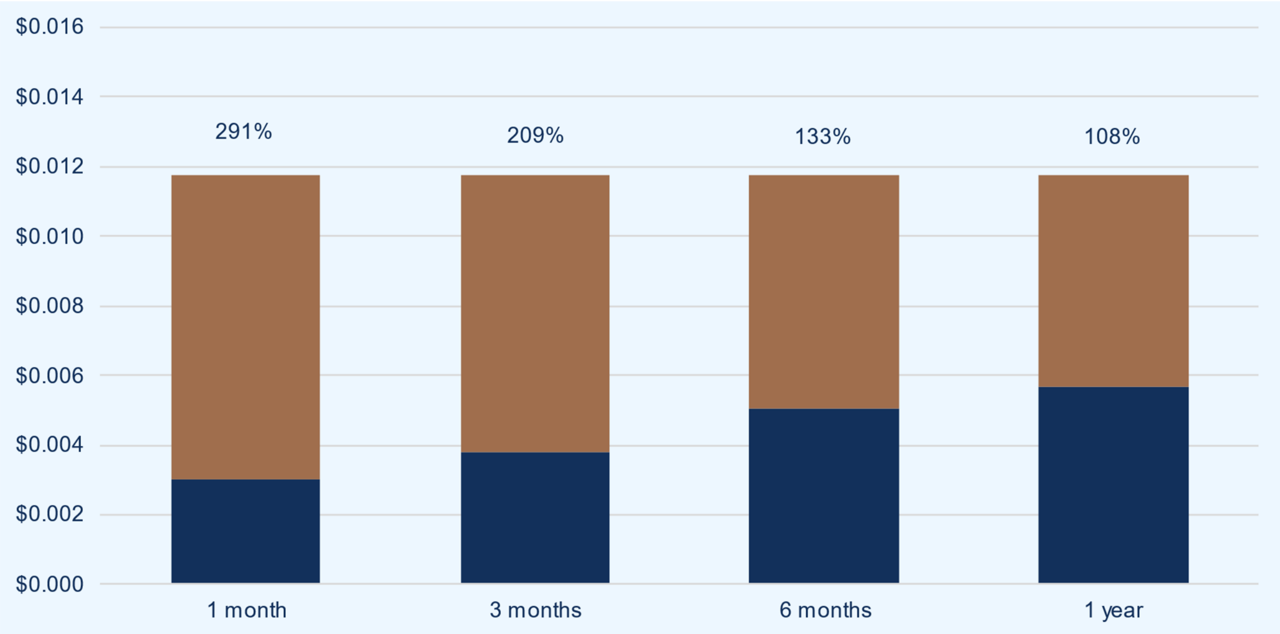
Market trading in IncentiaPay provides an indication of the market's assessment of the value of IncentiaPay on a minority basis. We have presented an analysis of recent trading in IncentiaPay shares in Section 4.10 above. When assessing market trading, it is necessary to consider whether the market is informed and liquid. In this regard, we note:

- IncentiaPay shares are closely held. Daily values traded over the past two years are approximately $1,482 on average, with the average declining to approximately $616 over the last 12 months. This level is well below the level at which institutional investors would seek to trade and may be seen as a deterrent for other potential investors.

- IncentiaPay is a listed company with continuous disclosure obligations under the ASX Listing Rules, thus the market is reasonably informed about its activities. However, there is uncertainty regarding its ability to continue as a going concern. Investing in IncentiaPay may therefore be perceived as speculative.

As a result of these factors, we consider the market trading to be reasonably well-informed but illiquid. We have therefore undertaken only a high-level analysis of share market trading by assessing the level of control premium implied by our mid-point valuation range compared to the VWAP of an IncentiaPay share over various periods during the year leading up to the date of our valuation analysis, as set out in the figure below.

Figure 10: Implied control premium to market trading prices



Source: S&P Capital IQ and Leadenhall analysis

The generally observed range for control premiums is between 20% and 40%. In addition, the average takeover premium observed for transactions in the information technology sector in Australia between 2012 and 2021 was 27%**.** Further information on observed control premiums and takeover premiums is included in Appendix 6.

The control premium implied by our assessed value of an IncentiaPay share exceeds the generally observed range. However, we do not consider this to be unreasonable as it is likely that the market might have priced in insolvency and/or going concern risk given the prolonged losses sustained by the company and the significant reliance on the majority shareholder for ongoing financial support to continue its operation.

6.9 Conclusion on Value Before the Proposed Transaction

Based on our discounted cash flow analysis and share trading cross-check, we have selected a valuation range for a share in IncentiaPay of between 1.02 cents and 1.33 cents, on a control basis as at the valuation date of 31 August 2024.

7 VALUATION OF INCENTIAPAY AFTER THE PROPOSED TRANSACTION

7.1 Introduction

If the Proposed Transaction is approved, the Non-Associated Shareholders will continue to own a share in IncentiaPay. However, RG111.25 requires an independent expert to evaluate an issue of securities under s611 as if it was a takeover offer.

Accordingly, the value of an IncentiaPay share after the Proposed Transaction has been assessed on a minority interest basis (i.e. excluding a control premium) as the Non-Associated Shareholders will own a minority stake in IncentiaPay should the Proposed Transaction proceed.

7.2 Assessed Value After the Proposed Transaction

In order to assess the value of an IncentiaPay share after the Proposed Transaction, we have assessed:

- The equity value of IncentiaPay before the Proposed Transaction on a control basis (Section 6).
- Adjustments for the impact of with the Proposed Transaction.
- A DLOC as the Non-Associated Shareholders would own a minority stake in IncentiaPay should the Proposed Transaction proceed.
- A DLOM as shares in IncentiaPay are thinly traded.
- The number of shares expected to be on issue after the Proposed Transaction, assuming full conversion of the Convertible Loan facility.

We have assessed the value of an IncentiaPay share after the Proposed Transaction to be between 1.05 cents and 1.22 cents as follows:

Table 14: Assessed value of an IncentiaPay share after the Proposed Transaction

Equity Value (Minority Basis) ($'000)		
	Low	High
Assessed equity value on a control basis before the Proposed Transaction	**12,975**	**16,794**
Reduction in net debt on conversion	22,500	22,500
Assessed equity value on a control basis after the Proposed Transaction	**35,475**	**39,294**
Discount for lack of control (25%)	(8,869)	(9,823)
Assessed equity value on a liquid minority basis	**26,606**	**29,470**
Discount for lack of marketability (5% to 10%)	(2,661)	(1,474)
Assessed equity value on a illiquid minority basis	**23,946**	**27,997**
Ordinary shares on issue ('000)	1,231,279	1,231,279
Shares issued under performance rights	23,435	23,435
Unvested employee shares ('000)	12,651	12,651
Shares issued upon conversion ('000)	1,022,727	1,022,727
Total number of shares	**2,290,092**	**2,290,092**
Assessed value per ordinary share on a liquid minority basis ($)	**0.0105**	**0.0122**

Source: Leadenhall analysis

Reduction in net debt after the Proposed Transaction

As the IER is required because of the potential conversion of the Convertible Loan, we have assumed the conversion will occur shortly after the completion of the Proposed Transaction. This would result in a reduction of the net debt balance by $22.5 million, being the principal amount of the Convertible Loan facility.

Discount for lack of control

As Non-Associated Shareholders would retain their IncentiaPay shares if the Proposed Transaction proceeds, they would continue to own a minority stake in IncentiaPay. Consistent with the requirements of RG 111, the value of the consideration must be determined on a minority interest basis. In order to estimate the value of a minority interest it is necessary to apply a DLOC to the value of a 100% equity interest in the business. This discount takes into account the lack of control that a minority shareholder has over the affairs of a company and is described in more detail in Appendix 6.

A DLOC is effectively the inverse of a control premium. Australian studies have indicated that control premiums generally range from 20% to 40%. This implies a range for DLOC of approximately 17% to 29%. In selecting a suitable DLOC, we have considered:

Table 15: Factors affecting DLOC

DLOC considerations	
Factors indicative of lower DLOC	**Factors indicative of higher DLOC**
♦ The Board currently comprises a non-executive chairperson who is associated with Suzerain and two independent non-executive directors. The existence of independent directors would tend to reduce the level of DLOC.	♦ After the Proposed Transaction (assuming conversion occurs), Suzerain and its associates will collectively own an 85.93% interest in IncentiaPay. Thus, Suzerain and its associates' degree of control at a shareholder level is significant as they would be able to pass special resolutions on their own. This would imply a higher DLOC.
	♦ IncentiaPay shares are closely held by Suzerain and its associates and apart from BNP Paribas Noms Pty Ltd (who holds approximately 5.1% of the shares in IncentiaPay prior to the Proposed Transaction), shares are dispersed over a large number of holders. A wider dispersion of other holdings increases the DLOC.
	♦ IncentiaPay does not currently pay dividends. A low dividend pay-out typically increases the DLOC.

Shareholder	No. of shares held	% Total shares
Suzerain investments Holdings Ltd	1,944,097,367	85.9%
BNP Paribas Noms Pty Ltd	62,423,364	2.8%
Other Shareholders	255,919,557	11.3%
Total	**2,262,440,288**	**100.0%**

Source: Leadenhall analysis

As a result of these considerations, we have selected a DLOC of 25%. Any alternate DLOC would not impact our conclusion on the fairness and reasonableness of the Proposed Transaction.

Discount for lack of marketability

Typically, a DLOM is not applied to shares in publicly listed companies, as the ability to trade on the stock market provides liquidity. However, IncentiaPay shares are thinly traded with limited free float. As a result, a seller of a minority interest may have difficulty executing a timely trade. Therefore, we have considered whether a DLOM should be applied to our valuation of an IncentiaPay share on a minority basis.

Studies have indicated that DLOM generally range from 10% to 40%. In selecting a suitable DLOM, we have considered:

Table 16: Factors affecting DLOM

DLOM considerations	
Factors indicative of lower DLOM	**Factors indicative of higher DLOM**
♦ Most studies are based on minority interests in private companies. Despite the relatively low trading volume of IncentiaPay shares, the ability to trade shares on the stock market likely still offers greater liquidity than the sale of a minority interest in a private company. Therefore, it is likely that an appropriate DLOM for IncentiaPay shares would be at the lower end of the range.	♦ IncentiaPay shares are thinly traded with a 12-month average daily value traded of approximately $618. This supports the application of a DLOM.

As a result of these considerations, we have selected a DLOM of 5% to 10%. Any alternate reasonable assessment of DLOM would not impact our conclusion on the fairness and reasonableness of the Proposed Transaction.

Shares on issue after the Proposed Transaction

In our consideration of the number of shares after the Proposed Transaction, we have included:

- 1,231 million ordinary shares on issue before the Proposed Transaction as set out in Section 4.9
- 23.435 million performance rights which are expected to convert into shares upon the release of the FY24 audited financial statements (on the same basis described in Section 4.9)
- 12.651 million unvested employee shares (on the same basis described in Section 6.7)
- 1,022.7 million ordinary shares to be issued assuming full conversion of the Convertible Loan facility limit of $22.5 million, at $0.022 being the greater of the conversion price of $0.022 and the 30-day VWAP as at 16 September 2024 plus a 20% premium as set out in the Convertible Loan deed. The 30-day VWAP as at 16 September 2024 was $0.0036 after application of a 20% premium.

The number of shares outstanding after the Proposed Transaction is set out in the table below:

Table 17: Shares outstanding after the Proposed Transaction

Shares outstanding after the Proposed Transaction ('000)	
Shares outstanding before the Proposed Transaction	1,231,279
Shares issued under performance rights	23,435
Unvested employee shares	12,651
Shares to be issued upon full conversion of loan	1,022,727
Total	**2,290,092**

Source: IncentiaPay

7.3 Conclusion on Value After the Proposed Transaction

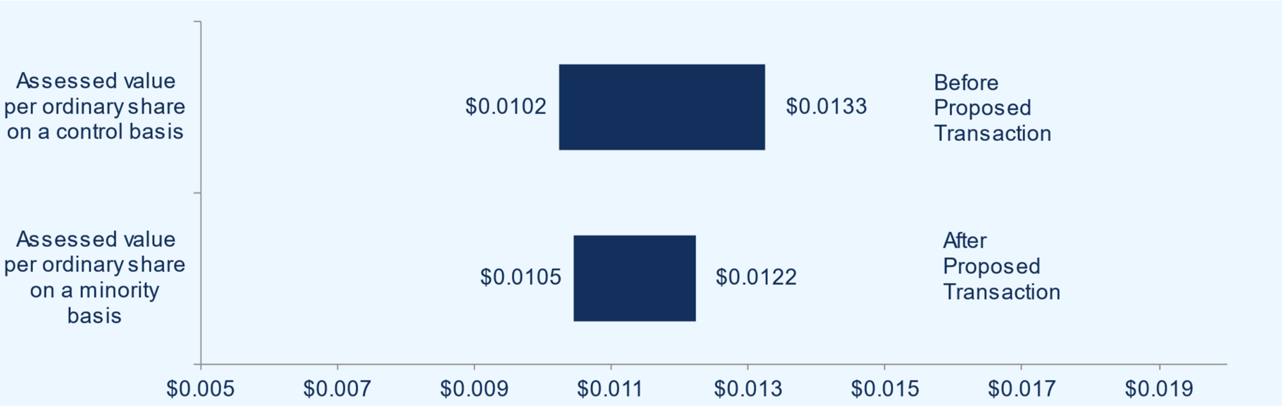
Based on our discounted cash flow analysis and share trading cross-check, we have selected a valuation range for a share in IncentiaPay after the Proposed Transaction of between 1.05 cents and 1.22 cents, on a minority basis as at the valuation date.

8 EVALUATION

8.1 Fairness

We have assessed the Proposed Transaction as fair if the market value of an IncentiaPay share after the Proposed Transaction on a minority basis is greater than or equal to the market value of an IncentiaPay share before the Proposed Transaction on a control basis. This comparison is shown in the following figure:

Figure 11: Assessment of fairness



Source: IncentiaPay and Leadenhall analysis
Note: Comparison is made on a fully diluted basis.

As the value of an IncentiaPay share after the Proposed Transaction (on a minority basis) is within the assessed value range of an IncentiaPay share before the Proposed Transaction (on a control basis), we have assessed the Proposed Transaction as being fair.

8.2 Reasonableness

In accordance with ASIC guidelines, we have defined the Proposed Transaction as reasonable if it is fair, or if despite not being fair, the advantages to Non-Associated Shareholders outweigh the disadvantages. We have therefore considered the following advantages and disadvantages of the Proposed Transaction to Non-Associated Shareholders.

Advantages

Maintaining a positive relationship with major shareholder

Suzerain is the major shareholder and financier of IncentiaPay. Approving the Proposed Transaction, which has been requested by Suzerain, would help to continue the positive relationship with a key shareholder.

Conversion price above 30-day VWAP

As the loan is convertible at the greater of $0.022 per share or the 30-day VWAP prior to conversion plus an additional 20%, the conversion price will always be greater than the recent market price for IncentiaPay shares at the time of conversion and is also currently at the high end of our assessed value for a minority shareholder. Thus, conversion is value accretive to Non-Associated Shareholders.

No impact on business operations

The novation of the convertible loan does not change any of the underlying terms of the loan. As such, approval of the proposed transaction will not have any impact on the ongoing operations of the IncentiaPay business.

Disadvantages

Dilution of interests

The percentage of shares held by Non-Associated Shareholders would be further diluted upon conversion of the Convertible Loan. If the Convertible Loan facility is fully drawn down prior to conversion (assuming all else remains constant), Suzerain and its associates would potentially increase their shareholding to beyond 75% and would be able to pass special resolutions on their own. Therefore, Suzerain and its associates would obtain a significant amount of control and may not always act in the best interests of minority shareholders, subject to compliance with relevant laws and regulations.

Given the current shareholding structure, this provides little difference to the practical level of control already enjoyed by Suzerain and its associates.

Conclusion on reasonableness

As the Proposed Transaction is fair it is also reasonable.

8.3 Opinion

The Proposed Transaction is fair and reasonable to Non-Associated Shareholders.

An individual shareholder's decision in relation to the Proposed Transaction may be influenced by their own particular circumstances. If in doubt, the shareholder should consult an independent financial adviser.

APPENDIX 1: GLOSSARY

Term	Meaning
ACCC	Australian Competition and Consumer Commission
AIFRS	Australian equivalent to international financial reporting
APES 225	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited
B2C	Business-to-consumer
BPS	BPS Technology Limited
CAGR	Compound Annual Growth Rate
CAPM	Capital Asset Pricing Model
CGU	Cash generating unit
CLOs	Card Linked Offers
Chapter 2E	Chapter 2E of the Corporations Act 2001
Convertible Loan	The $22.5 million loan facility provided by New Gold Coast with an option to convert into IncentiaPay shares
Corporations Act	The Corporations Act 2001
DLOC	Discount for lack of control
DLOM	Discount for lack of marketability
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Market value	The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.
FSG	Financial Services Guide
FY	Financial year
IncentiaPay	IncentiaPay Limited
INP model	Cash flow projections prepared by management for the five-year period from FY25 to FY29
Item 7	Item 7 of Section 611 of the Corporations Act
Leadenhall	Leadenhall Corporate Advisory Pty Ltd
LFS	Loan Funded Scheme
New Gold Coast	New Gold Coast Holdings Limited
Non-Associated Shareholders	IncentiaPay shareholders not associated with Suzerain
NPAT	Net profit after tax
OTC	Over-the counter
P / E	Price to Earnings
Previous IER	Independent Expert's Report for IncentiaPay prepared by Leadenhall dated 13 April 2022
Proposed Transaction	The novation of the Convertible Loan to Suzerain
RG111	Regulatory Guide 111: Content of Expert Reports
RG74	Regulatory Guide 74: Acquisitions Approved by Members
s606	Section 606 of the Corporations Act 2001
s611	Section 611 of the Corporations Act 2001
SEC	Securities and Exchange Commission
Suzerain	Suzerain Investments Holdings Limited
Valuation date	31 August 2024
VWAP	Volume weighted average price
WACC	Weighted Average Cost of Capital

APPENDIX 2: VALUATION METHODOLOGIES

In preparing this report we have considered valuation methods commonly used in practice and those recommended by RG 111. These methods include:

- The discounted cash flow method
- The capitalisation of earnings method
- Asset based methods
- Analysis of share market trading
- Industry specific rules of thumb

The selection of an appropriate valuation method to estimate market value should be guided by the actual practices adopted by potential acquirers of the company involved.

Discounted cash flow method

Description

Of the various methods noted above, the discounted cash flow method has the strongest theoretical standing. It is also widely used in practice by corporate acquirers and company analysts. The discounted cash flow method estimates the value of a business by discounting expected future cash flows to a present value using an appropriate discount rate. A discounted cash flow valuation requires:

- A forecast of expected future cash flows
- An appropriate discount rate

It is necessary to project cash flows over a suitable period of time (generally regarded as being at least five years) to arrive at the net cash flow in each period. For a finite life project or asset this would need to be done for the life of the project. This can be a difficult exercise requiring a significant number of assumptions such as revenue growth, future margins, capital expenditure requirements, working capital movements and taxation.

The discount rate used represents the risk of achieving the projected future cash flows and the time value of money. The projected future cash flows are then valued in current day terms using the discount rate selected.

The discounted cash flow method is often sensitive to a number of key assumptions such as revenue growth, future margins, capital investment, terminal growth and the discount rate. All of these assumptions can be highly subjective sometimes leading to a valuation conclusion presented as a range that is too wide to be useful.

Use of the discounted cash flow method

A discounted cash flow approach is usually preferred when valuing:

- Early stage companies or projects
- Limited life assets such as a mine or toll concession
- Companies where significant growth is expected in future cash flows
- Projects with volatile earnings

It may also be preferred if other methods are not suitable, for example if there is a lack of reliable evidence to support a capitalisation of earnings approach. However, it may not be appropriate if:

- Reliable forecasts of cash flow are not available and cannot be determined
- There is an inadequate return on investment, in which case a higher value may be realised by liquidating the assets than through continuing the business

Capitalisation of earnings method

Description

The capitalisation of earnings method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. This methodology is generally considered a short form of a discounted cash flow, where a single representative earnings figure is capitalised, rather than a stream of individual cash flows being discounted. The capitalisation of earnings methodology involves the determination of:

- A level of future maintainable earnings
- An appropriate capitalisation rate or multiple.

A multiple can be applied to any of the following measures of earnings:

- **Revenue** – most commonly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.
- **EBITDA** - most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.
- **EBITA** - in most cases EBITA will be more reliable than EBITDA as it takes account of the capital intensity of the business.
- **EBIT** - whilst commonly used in practice, multiples of EBITA are usually more reliable as they remove the impact of amortisation which is a non-cash accounting entry that does not reflect a need for future capital investment (unlike depreciation).
- **NPAT** - relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT are commonly used to value whole businesses for acquisition purposes where gearing is in the control of the acquirer. In contrast, NPAT (or P/E) multiples are often used for valuing minority interests in a company.

The multiple selected to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money all wrapped up in a single number. Multiples can be derived from three main sources. Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX. The merger and acquisition method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business. It is also possible to build a multiple from first principles.

Use of the capitalisation of earnings method

The capitalisation of earnings method is widely used in practice. It is particularly appropriate for valuing companies with a relatively stable historical earnings pattern which is expected to continue. This method is less appropriate for valuing companies or assets if:

- There are no suitable listed company or transaction benchmarks for comparison
- The asset has a limited life
- Future earnings or cash flows are expected to be volatile
- There are negative earnings or the earnings of a business are insufficient to justify a value exceeding the value of the underlying net assets

Asset based methods

Description

Asset based valuation methods estimate the value of a company based on the realisable value of its net assets, less its liabilities. There are a number of asset based methods including:

- Orderly realisation
- Liquidation value
- Net assets on a going concern basis
- Replacement cost
- Reproduction cost

The orderly realisation of assets method estimates market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

The asset / cost approach is generally used when the value of the business' assets exceeds the present value of the cash flows expected to be derived from the ongoing business operations, or the nature of the business is to hold or invest in assets. It is important to note that the asset approach may still be the relevant approach even if an asset is making a profit. If an asset is making less than an economic rate of return and there is no realistic prospect of it making an economic return in the foreseeable future, an asset approach would be the most appropriate method.

Use of asset based methods

An asset-based approach is a suitable valuation method when:

- An enterprise is loss making and is not expected to become profitable in the foreseeable future
- Assets are employed profitably but earn less than the cost of capital
- A significant portion of the company's assets are composed of liquid assets or other investments (such as marketable securities and real estate investments)
- It is relatively easy to enter the industry (for example, small machine shops and retail establishments)

Asset based methods are not appropriate if:

- The ownership interest being valued is not a controlling interest, has no ability to cause the sale of the company's assets and the major holders are not planning to sell the company's assets
- A business has (or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets

Analysis of share trading

The most recent share trading history provides evidence of the market value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods.

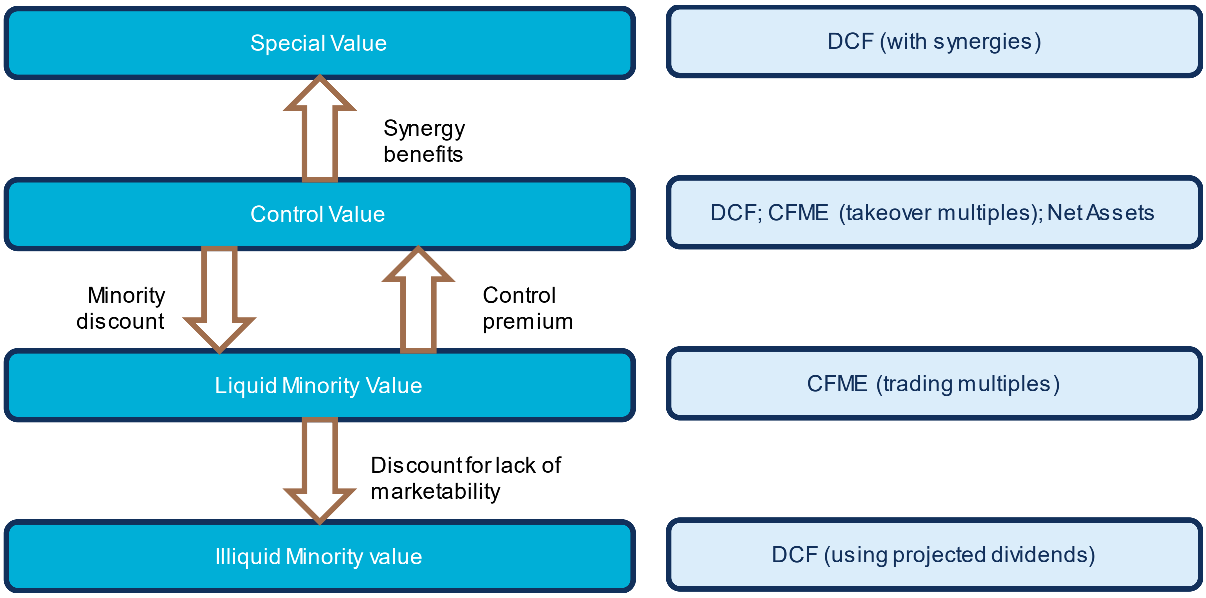
Industry specific rules of thumb

Industry specific rules of thumb are used in certain industries. These methods typically involve a multiple of an operating figure such as eyeballs for internet businesses, numbers of beds for hotels etc. These methods are typically fairly crude and are therefore usually only appropriate as a cross-check to a valuation determined using an alternative method.

APPENDIX 3: LEVELS OF VALUE

Background

When valuing a company there are various conceptual levels of value that can be determined depending on the method selected and the assumptions applied. These levels are highlighted in the diagram below. It is important to be aware of the level of value determined by any valuation technique and to ensure that it is consistent with the subject of the valuation.



The key differences between these levels of value are the control premium and the discount for lack of marketability. The opposite of a control premium is a minority discount (also known as a discount for lack of control).

Each of these levels of value and the valuation techniques for deriving them are discussed below. It is also possible to determine the value at any of the levels by starting at a different level of value and then applying the relevant discounts and/or premiums to obtain the required level of value. For example, an illiquid minority value could be determined by using a discounted cash flow method to determine a control value and then deducting an appropriate minority discount and a discount for lack of marketability.

Special value

The highest level of value is referred to as special value. This is the value of a company to a particular purchaser, where that purchaser is able to enjoy benefits of owning the company that are not available to other potential owners. Special value is not typically observed as a buyer would not benefit its own shareholders if it paid the full amount of special value in a transaction. However, in contested takeover situations transactions often take place at a price that is higher than the stand-alone control value, meaning the value of some synergies is paid by the bidder to the target's shareholders. The definitions of Market value specifically excludes any special value.

Special value can be estimated using a discounted cash flow analysis. This analysis would include the expected synergy benefits in the forecast cash flows.

Control value

The next level of value is the stand-alone control value. This represents the value of the whole of an entity, without considering any potential synergy benefits. The benefits of controlling an enterprise are discussed further in Appendix 6. A control value can be determined using one of the following approaches:

- Discounted cash flow (using free cash flow to the business or to equity)
- Capitalisation of earnings, using multiples for comparable transactions

- Capitalisation of earnings, using multiples derived from first principles (analogous to a discounted cash flow)
- A net asset-based approach

It is possible that transactions involving comparable entities include some element of payment for synergies. Thus, using multiples determined by this method may provide a valuation that is higher than a stand-alone control value. It is therefore necessary to consider the nature of the buyer and the details of the transaction before accepting a comparable transaction as evidence of a control value.

Liquid minority value

This is the most frequently observed level of value as it is consistent with market trading on public exchanges. It can be determined directly by the application of the capitalisation of maintainable earnings, where the multiple used is determined based on market prices of comparable companies.

Illiquid minority value

This represents a minority holding in a private company. Such a stake can be difficult to sell and often offers little ability to influence the operations of the business. This level of value is mostly commonly estimated by reference to a higher level of value and the application of discounts. However, it can be estimated directly either by considering comparable transactions involving similar assets or the application of a discounted cash flow analysis based on expected cash flows to the minority owner. In some cases the shareholders' agreement can restrict the transfer and sale of shares to third parties which increases the applicable discount.

APPENDIX 4: COMPARABLE COMPANIES

Company	Description
Ackroo Inc.	Ackroo Inc. develops and sells an online loyalty and rewards platform that enables businesses to design and execute customer transaction, engagement, and retention strategies primarily in North America.
EML Payments Limited	EML Payments Limited provides payment solutions platform in Australia, Europe, and North America.
EonX Technologies Inc.	EonX Technologies Inc. operates as a financial technology company.
Expedia Group, Inc.	Expedia Group, Inc. operates as an online travel company in the United States and internationally.
Gratifii Limited	Gratifii Limited, a technology company, together with its subsidiaries, designs and develops loyalty and rewards programs in Australia, New Zealand, South Africa, and Singapore.
Groupon, Inc.	Groupon, Inc., together with its subsidiaries, operates a marketplace that connects consumers to merchants.
IncentiaPay Limited	IncentiaPay Limited operates an entertainment, lifestyles, and rewards platform in Australia and New Zealand.
My Rewards International Limited	My Rewards International Limited provides employee benefit, rewards and recognition, employee engagement, loyalty program, and membership services to corporate and retail clients.
Rakuten Group, Inc.	Rakuten Group, Inc. provides services in e-commerce, fintech, digital content, and communications to various users in Japan and internationally.
Rewardle Holdings Limited	Rewardle Holdings Limited, together with its subsidiaries, provides digital customer engagement platform for SME merchants.
Snipp Interactive Inc.	Snipp Interactive Inc. provides mobile marketing, rebates, and loyalty solutions in the United States, Canada, Ireland, and internationally.
Travelzoo	Travelzoo, together with its subsidiaries, operates as an Internet media company that provides travel, entertainment, and local experiences worldwide.
Xamble Group Limited	Xamble Group Limited engages in the digital media business in Malaysia, Singapore, and Taiwan.
Yelp Inc.	Yelp Inc. operates a platform that connects consumers with local businesses in the United States and internationally.

Source: S&P Capital IQ

APPENDIX 5: DISCOUNT RATE

The selected discount rate applied in our discounted cash flow analysis for IncentiaPay has been determined using the weighted average cost of capital. We have estimated the cost of equity component with the capital asset pricing model.

Post-tax cost of equity (K_e)

The CAPM is based on the assumption that investors require a premium for investing in equities rather than in risk-free investments (such as government bonds). The cost of equity, K_e, is the rate of return that investors require to make an equity investment in a firm.

The cost of equity capital under CAPM is determined using the following formula:

$$K_e = R_f + \beta \times (R_m - R_f) + \alpha$$

The components of the CAPM formula are:

Table 18: Components of CAPM

Input	Definition
K_e	The required post-tax return on equity
R_f	The risk-free rate of return
R_m	The expected return on the market portfolio
EMRP	The market risk premium ($R_m – R_f$)
β	The beta, the systematic risk of a stock (this is an equity or levered beta)
α	The specific company risk premium

Each of the components in the above equation is discussed below.

Risk-free rate (R_f)

The relevant risk-free rate of return is the return on a risk-free security, typically over a long-term period. In practice, long dated government bonds are an acceptable benchmark for the risk-free security. We have selected a risk-free rate of 3.98%, being the yield on 10-year Australian Government bonds as at 30 August 2024 (the latest available).

Equity market risk premium (EMRP)

The EMRP ($R_m – R_f$) represents the additional return that investors expect from an investment in a well-diversified portfolio of assets (such as a market index). It is the excess return above the risk-free rate that investors demand for their increased exposure to risk, when investing in equity securities.

Leadenhall undertakes a review of the EMRP at least every six months, taking account of market trading levels and industry practice at the time. Our most recent analysis of the implied EMRP in Australia was in June 2024. As a result, we are currently recommending an EMRP of 5.25% for Australia.

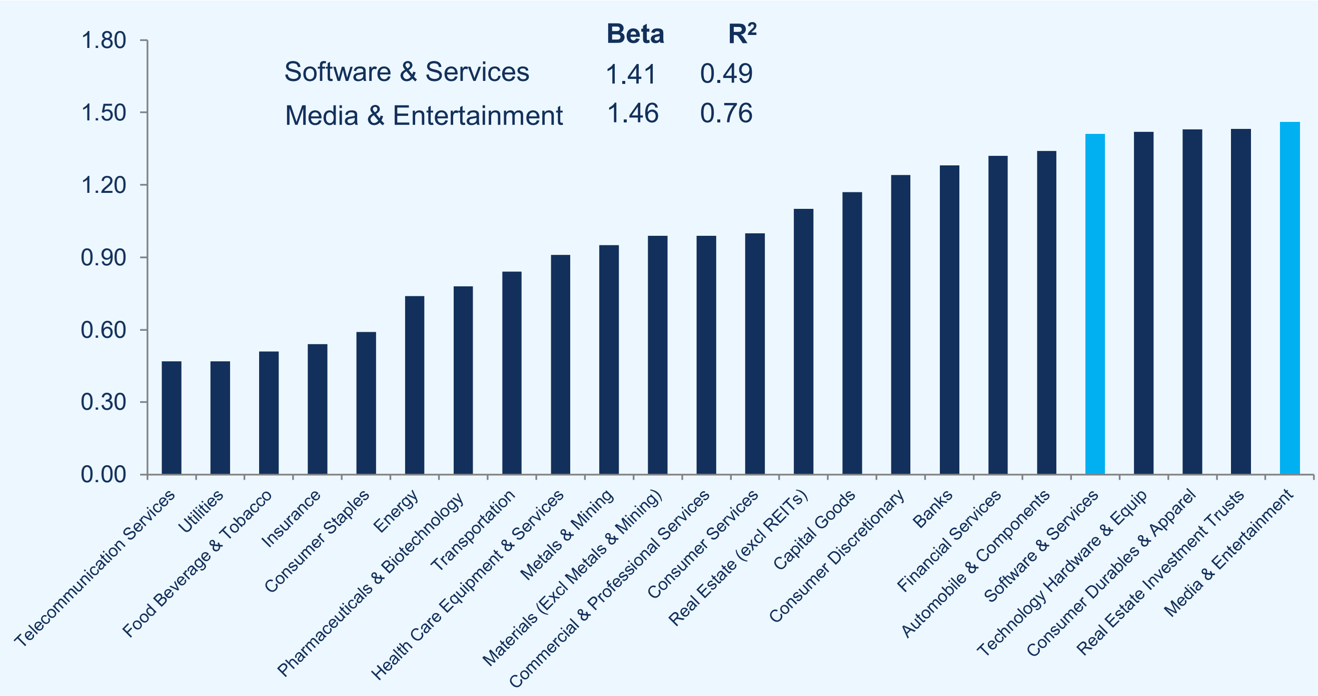
Beta estimate (β)

Description

The beta factor is a measure of the risk of an investment or business operation, relative to a well-diversified portfolio of assets. The only risks that are captured by beta are those risks that cannot be eliminated by the investor through diversification. Such risks are referred to as systematic, undiversifiable or uninsurable risk.

Beta is a measure of the relative riskiness of an asset in comparison to the market as a whole – by definition, the market portfolio has an equity beta of 1.0. The equity betas of various Australian industries listed on the Australian Stock Exchange are reproduced below.

Figure 12: Industry betas



Source: SIRCA as at 30 June 2024 (latest available)

Betas derived from share market observations represent equity betas, which reflect the degree of financial gearing of the company. In order to eliminate the impact of differing capital structures, analysts often 'unlever' observed betas to calculate an asset beta. The selected asset beta is then 'relevered' with a target level of debt. The asset betas of companies comparable to IncentiaPay are included in the following table.

Table 19: Comparable company betas

Company	Gearing	Equity Beta[1]						Asset Beta[2,3,4]							
		SIRCA			Leadenhall			SIRCA				Leadenhall			
	D/EV	Low	Mean	High	Low	Mean	High	Low	Mean	High	Include	Low	Mean	High	Include
Expedia Group, Inc.	14%	n/a	n/a	n/a	1.11	1.53	1.95	n/a	n/a	n/a	✗	0.99	1.37	1.75	✓
Rakuten Group, Inc.	-88%	n/a	n/a	n/a	0.48	0.95	1.42	n/a	n/a	n/a	✗	0.70	1.39	2.08	✓
Yelp Inc.	-16%	n/a	n/a	n/a	0.61	0.96	1.30	n/a	n/a	n/a	✗	0.68	1.06	1.45	✓
Groupon, Inc.	-8%	n/a	n/a	n/a	0.32	1.05	1.78	n/a	n/a	n/a	✗	0.34	1.11	1.88	✓
EML Payments Limited	0%	0.51	1.41	2.30	0.33	1.26	2.18	0.51	1.41	2.30	✓	0.33	1.26	2.19	✓
Travelzoo	-29%	n/a	n/a	n/a	0.48	1.00	1.52	n/a	n/a	n/a	✗	0.58	1.20	1.82	✓
Snipp Interactive Inc.	-11%	n/a	n/a	n/a	(0.08)	0.81	1.69	n/a	n/a	n/a	✗	(0.08)	0.87	1.82	✓
Rewardle Holdings Limited	16%	0.26	1.54	2.81	(0.24)	0.70	1.64	0.23	1.36	2.48	✓	(0.21)	0.62	1.45	✓
Ackroo Inc.	27%	n/a	n/a	n/a	0.66	1.43	2.20	n/a	n/a	n/a	✗	0.52	1.12	1.73	✓
Gratifii Limited	8%	(1.09)	(0.39)	0.32	(0.91)	(0.28)	0.35	(1.02)	(0.37)	0.30	✗	(0.85)	(0.26)	0.33	✗
Xamble Group Limited	-18%	0.34	1.29	2.24	(0.21)	0.78	1.76	0.39	1.48	2.56	✓	(0.24)	0.89	2.01	✓
EonX Technologies Inc.	15%	n/a	n/a	n/a	0.99	2.68	4.38	n/a	n/a	n/a	✗	0.88	2.39	3.91	✗
My Rewards International Ltd	22%	(0.41)	0.79	1.98	(0.15)	0.84	1.84	(0.34)	0.66	1.65	✓	(0.12)	0.70	1.53	✓
Overall average	**17%**		**1.26**			**1.03**			**1.23**				**1.05**		
Overall median	**15%**		**1.35**			**0.96**			**1.39**				**1.11**		
Average - Australia	**15%**		**1.25**			**0.93**			**1.14**				**0.86**		
Median - Australia	**15%**		**1.41**			**0.84**			**1.36**				**0.70**		
Average - International	**20%**		**1.29**			**1.06**			**1.48**				**1.13**		
Median - International	**20%**		**1.29**			**0.98**			**1.48**				**1.12**		

Source: S&P Capital IQ as at 31 August 2024; SIRCA as at 30 June 2024
Notes:
1. Gearing levels represent the five-year average gearing levels.
2. The outliers are highlighted in grey and have been excluded from the average and median calculations.

Selected beta (β)

In selecting an appropriate beta for IncentiaPay, we have considered the following:

- The industry equity betas for the Australian Media and Entertainment and Software and Services industries are 1.46 and 1.41 respectively.
- The average asset beta for comparable Australian loyalty solutions providers is between 0.86 and 1.14, excluding outliers.
- The average asset beta for comparable international loyalty and payment solutions providers is 1.13 while the median asset beta is 1.12, excluding outliers.
- The overall average asset beta is 1.05 while the median asset beta is 1.11 excluding outliers and SIRCA data.
- The industry equity betas are less directly relevant in terms of business models than the comparable company betas, however they do have a much higher R^2 and as such we still consider the industry betas to be a relevant benchmark for comparison to the calculated equity beta.
- As a result of these considerations, we have selected an asset beta between 1.00 and 1.10 for IncentiaPay, which is in line with the average of the comparable companies. This equates to an equity beta of 1.18 to 1.29 after applying our selected gearing level of 20%. Our selected gearing level takes into consideration IncentiaPay's long-term need for leverage to fund its growth and maximise returns to shareholders, constrained by the lack of ability to support significant levels of debt given its poor profitability and cash flow generation. The selected gearing level is within the range of the comparable companies' gearing levels.

Specific company risk premium (α)

Size premium

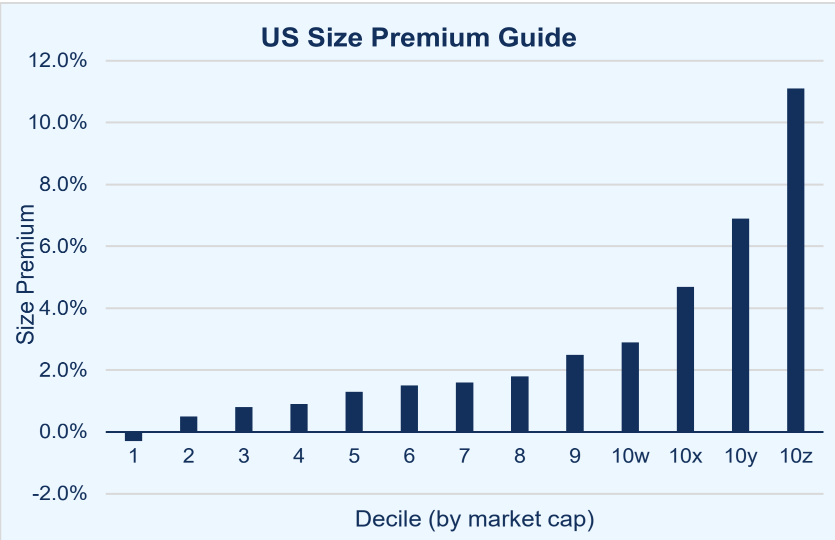
The size premium is the additional return that investors require for the risks of investing in small businesses. To date, whilst it has not been possible to isolate the specific causes of size premiums (other than simply size), many factors have been suggested, including:

- Depth of management
- Reliance on key personnel
- Weak market position
- Reliance on key customers
- Reduced access to capital
- Deeper pool of investors for larger companies
- Reliance on key suppliers
- Lack of geographic diversification
- Limited access to technology
- Absence of broker analysis
- Supplier concentration
- Investors in large companies often more diversified

The size premium can be observed in earnings multiples of listed companies, with large companies trading on higher multiples than small companies, all else being equal. Size premiums are observed consistently across time, across different markets and across a very wide range of company values.

A number of studies have been undertaken attempting to measure the size premium, in particular in the US. The Duff & Phelps Cost of Capital Navigator is an online application that provides guidance in estimating cost of capital. It contains calculations of the size premium for each decile of market capitalisation. As the size premium is most significant for very small companies, the tenth decile is then further divided into four equal segments. The following chart summarises the size premium data from the Duff & Phelps Cost of Capital Navigator.

Table 20: Evidence of size premium



Source: Duff & Phelps Cost of Capital Navigator, data through 31 December 2018
Note: The first decile represents the largest companies while the 10z decile represents the smallest companies by market capitalisation.

As mentioned above, the existence of the size premium has been well documented. However, there are limited studies setting out the appropriate bands of size premium and the quantum of size premium applicable to each band. For this reason, the above table should be taken as broad support for the size effect and not an exact guide to the extent of any particular discount or premium that should be applied.

Although there is considerable evidence from the US, in the Australian context, the relatively small size of the Australian equity market makes it more difficult to observe the existence of this phenomenon.

Leadenhall and others have conducted a number of high-level studies which have confirmed the existence of the size effect in the Australian market. However, we are not aware of any Australian studies that have been performed with the same detail and rigour as the US studies, such as the Duff & Phelps data presented above. Based on the evidence from US studies and our knowledge of prices actually paid in Australian transactions, from which a discount rate can be implied, we believe the size premium ranges in the below table are appropriate. This table should be taken as a guide to the appropriate size premium for a given business and needs to be considered in conjunction with the specific circumstances of a particular business.

Table 21: Leadenhall size premium bandings

Size Premium Guide for Australia				
Size	**Mkt Cap Range (AU$m)**		**Size Premium**	
	Low	***High***	***Low***	***High***
Largest	4,000	Above	-	-
Large	1,000	4,000	-	1.0%
Mid-cap	300	1,000	1.0%	2.0%
Low-cap	100	300	2.0%	3.0%
Small-cap	50	100	3.0%	5.0%
Micro-cap	10	50	5.0%	8.0%
Medium private [1]	*5*	*10*	*8.0%*	*11.0%*
Small private [1]	*2*	*5*	*11.0%*	*15.0%*
Smallest [1]	*-*	*2*	*15.0%*	*20.0%*

Source: Leadenhall analysis
Note 1: We do not generally consider the CAPM model to be reliable for entities of this size as they often do not meet the background assumptions underpinning the CAPM. In particular investors are often not diversified, and it is rarely possible to lend or borrow stock of entities this size (i.e. a market for shorting these stocks). These suggested size premiums are therefore presented as an approximate guide only as alternate models, studies and rules of thumb are commonly utilised for these types of companies.

Based on the assessed equity value million as at 31 August 2024, IncentiaPay would be considered a micro-cap public company and as such a size premium of between 5.0% and 8.0% would generally apply. Accordingly, we have selected a size premium of 6.5% to 7.5%.

Other company specific risks

The specific company risk premium adjusts the cost of equity for company specific factors, including unsystematic risk factors such as reliance on key customers, reliance on key suppliers, existence of contingent liabilities etc that are not already factored into the size premium. We have applied a specific risk premium of 4% for the Proposed Transaction valuation on the basis that the ongoing operations of IncentiaPay is critically dependent upon the continued financial support from Suzerain and its related parties as well as the success of the revenue pivot strategies. Given the inherent uncertainties and highly sensitive assumptions underpinning the cashflows, there is a material risk that IncentiaPay's may not be able to continue as a going concern.

Dividend Imputation

Since July 1987, Australia has had a dividend imputation system in place, which aims to remove the double taxation effect of dividends paid to investors. Under this system, domestic equity investors receive a taxation credit (franking credit) for any tax paid by a company. The franking credit attaches to any dividends paid out by a company and the franking credit offsets personal tax. To the extent the investor can utilise the franking credit to offset personal tax, then the corporate tax is now not a real impost. It is best considered as a withholding tax for personal taxes. It can therefore be argued that the benefit of dividend imputation should be added to any analysis of value.

However, in our view, the evidence relating to the value that the market ascribes to imputation credits is inconclusive. There are diverse views as to the value of imputation credits and the appropriate method that should be employed to calculate this value. Due to the uncertainty surrounding the extent to which acquirers of assets factor in dividend imputation, we have not factored in dividend imputation.

Conclusion on cost of equity

The following table sets out our cost of equity estimate for IncentiaPay based on the assumptions and inputs discussed above:

Table 22: Estimated cost of equity for IncentiaPay

Discount Rate Summary		
	Low	High
Risk free rate (R_f)	3.98%	3.98%
Asset beta (β_A)	1.00	1.10
Equity beta (β_E)	1.18	1.29
Equity market risk premium (EMRP)	5.25%	5.25%
Size premium (α_{size})	6.5%	7.5%
Specific risk premium (α_c)	4.0%	4.0%
Assessed cost of equity (k_e)	**20.6%**	**22.3%**

Source: Leadenhall analysis

Post-tax weighted average cost of capital (WACC)

WACC reflects the rate of return expected for an asset, adjusted for its underlying funding structure, such as relative components of debt and equity, calculated as follows:

$$\mathbf{WACC = (K_e \times E/V) + (K_d \times D/V + (1 - t_c))}$$

The components of the WACC formula are:

Table 23: Components of WACC

Input	Definition
WACC	The post-tax weighted average cost of capital
K_e	The required post-tax return on equity
t_c	The corporate tax rate
K_d	The required pre-tax return on debt
D	The market value of debt
E	The market value of equity
V	The market value of business, where V = D + E

Each of the components in the above equation is discussed below.

Cost of equity (K_e)

The required post-tax return on equity as assessed in the preceding Section.

Corporate tax rate (t_c)

The corporate tax rate in Australia is 30% and we have adopted this rate in calculating the WACC for IncentiaPay.

Cost of debt capital (K_d)

The cost of borrowing is the expected future borrowing cost of the relevant project and/or business. We have assessed the cost of debt capital for IncentiaPay to be between 6.5% and 7.0%, based on current indicative lending rates for businesses of similar size as IncentiaPay.

Debt and equity mix

The selection of an appropriate capital structure is a subjective exercise. The tax deductibility of the cost of debt means that the higher the proportion of debt, the lower the WACC for a given cost of equity. However, at significantly higher levels of debt, the marginal cost of borrowing would increase due to the greater risk which debt holders are exposed to. In addition, the cost of equity would also be likely to increase due to equity investors requiring a higher return given the higher degree of financial risk that they have to bear.

Ultimately for each company there is likely to be a level of debt/equity mix that represents the optimal capital structure for that company. In estimating the WACC, the debt/equity mix assumption should reflect what would be the optimal or target capital structure for the relevant asset. We have selected a debt to enterprise value of 20.0% which takes into consideration IncentiaPay's long-term need for leverage to fund its growth and maximise returns to shareholders, constrained by the lack of ability to support significant levels of debt in the short term given its poor profitability and cash flow generation. The selected gearing level is within the range of the comparable companies' gearing levels.

Calculation of WACC

The table below summarises the post-tax, nominal discount rate we have derived for IncentiaPay, based on the assumptions and inputs discussed above.

Table 24: Estimated WACC for IncentiaPay

Discount Rate Summary		
	Low	High
Assessed cost of equity (k_e)	**20.6%**	**22.3%**
Cost of debt (K_d)	6.5%	7.0%
Gearing (D/V)	20.0%	20.0%
Tax rate (t)	30.0%	30.0%
Calculated WACC	**17.4%**	**18.8%**
Selected WACC	**17.5%**	**18.5%**

APPENDIX 6: CONTROL PREMIUM

The outbreak of COVID-19 and the consequential general decline in share prices is likely to have an impact on implied control premiums in the current environment. Although there is anecdotal evidence from previous economic downturns of control premiums being higher than the long-term average in times of economic distress, it is difficult to quantify the impact of the current environment on long-term estimates based on currently available data. We have therefore presented our analysis of control premiums prior to the outbreak of COVID-19 noting that any reasonable range of control premiums does not impact our conclusion.

Background

As discussed above, the difference between the control value and the liquid minority value of a security is the control premium. The inverse of a control premium is a minority discount (also known as a discount for lack of control). A control premium is said to exist because the holder of a controlling stake has several rights that a minority holder does not enjoy (subject to shareholders agreements and other legal constraints), including the ability to:

- Appoint or change operational management
- Appoint or change members of the board
- Determine management compensation
- Determine owner's remuneration, including remuneration to related party employees
- Determine the size and timing of dividends
- Control the dissemination of information about the company
- Set strategic focus of the organisation, including acquisitions, divestments and any restructuring
- Set the financial structure of the company (debt / equity mix)
- Block any or all of the above actions

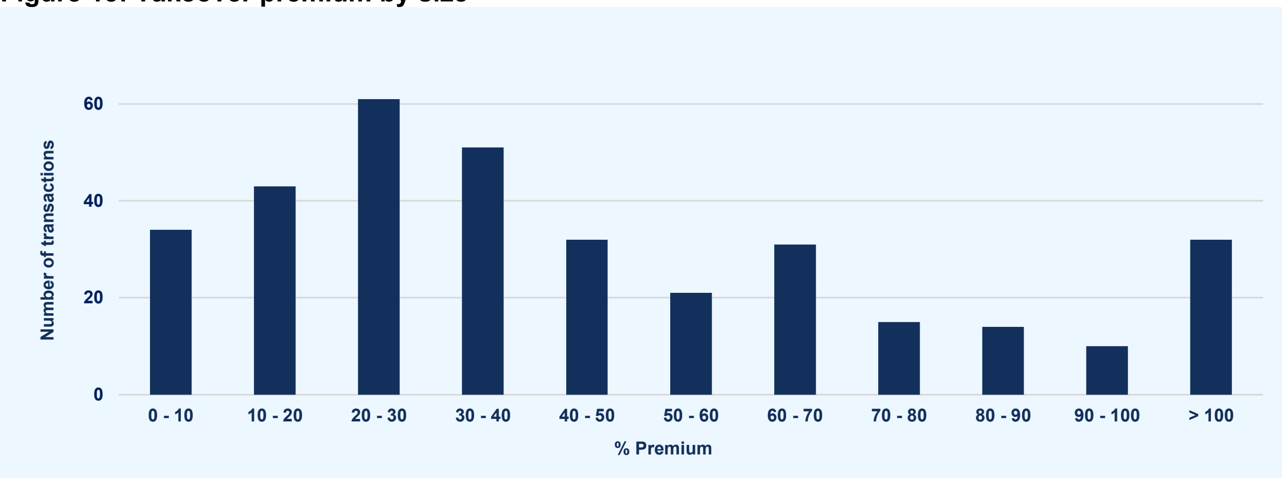
The most common approach to quantifying a control premium is to analyse the size of premiums implied from prices paid in corporate takeovers. Another method is the comparison between prices of voting and non-voting shares in the same company. We note that the size of the control premium should generally be an outcome of a valuation and not an input into one, as there is significant judgement involved.

Takeover Premiums

Dispersion of premiums

The following chart shows the spread of premiums paid in takeovers between 2012 and 2021. We note that these takeover premiums may not be purely control premiums, for example the very high premiums are likely to include synergy benefits, while the very low premiums may be influenced by share prices rising in anticipation of a bid.

Figure 13: Takeover premium by size



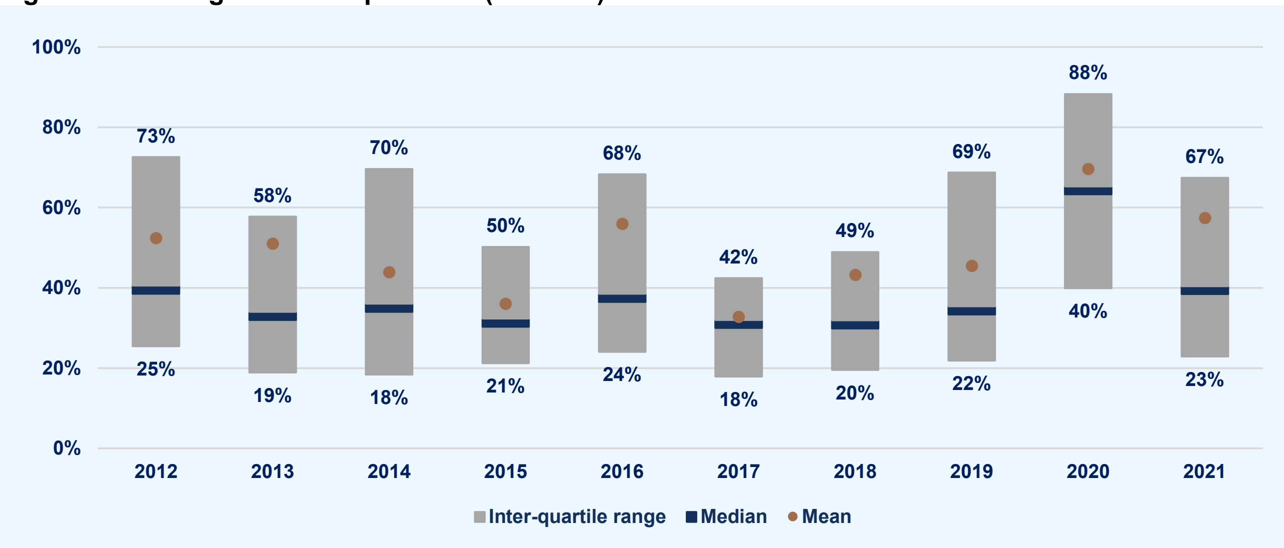
Sources: S&P Capital IQ, Leadenhall analysis

This chart highlights the dispersion of premiums paid in takeovers. The chart shows a long tail of high premium transactions, although the most common recorded premiums are in the range of 20% to 40%, with approximately 65% of all premiums falling in the range of 0% to 50%.

Premiums over time

The following chart shows the average premium paid in completed takeovers compared to the price one month before the initial announcement.

Figure 14: Average takeover premium (1 month)



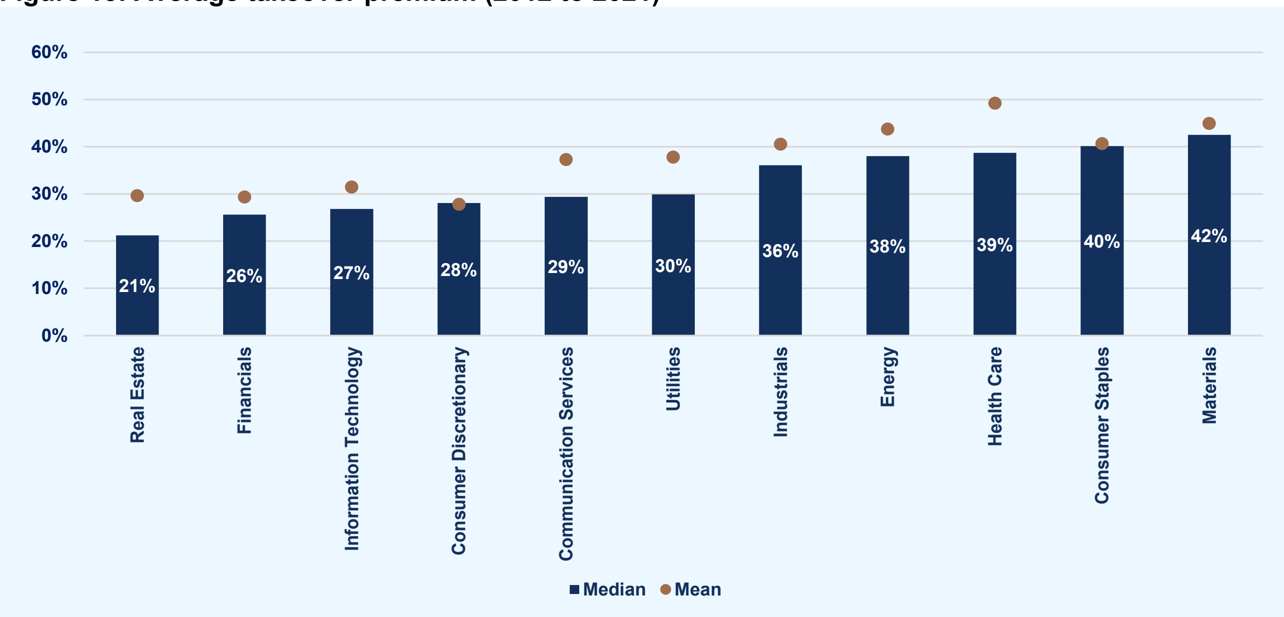
Sources: S&P Capital IQ, Leadenhall analysis
Note: The average premiums presented above exclude transactions with implied control premiums below zero and transactions which we consider to be outliers.

The chart indicates that while premiums vary over time, there is no clearly discernible pattern. The mean is higher than the median due to a small number of high premiums.

Premiums by industry

The following chart shows the average takeover premium by industry, compared to the share price one month before the takeover was announced. Most industries show an average premium of 20% to 40%.

Figure 15: Average takeover premium (2012 to 2021)



Sources: S&P Capital IQ, Leadenhall analysis
Note: The average premiums presented above exclude specific transactions with implied control premiums below zero or over 100% which we consider to be outliers.

Key factors that generally lead to higher premiums being observed include:

- Competitive tension arising from more than one party presenting a takeover offer.
- Favourable trading conditions in certain industries (e.g. recent mining and tech booms).
- Significant synergistic special or strategic value.
- Scrip offers where the price of the acquiring entity's shares increases between announcement and completion.

Industry Practice

In Australia, industry practice is to apply a control premium in the range of 20% to 40%, as shown in the following list quoting ranges noted in various independent experts' reports.

- Deloitte - 20% to 40%
- Ernst & Young - 20% to 40%
- Grant Samuel - 20% to 35%
- KPMG - 25% to 35%
- Lonergan Edwards - 30 to 35%
- PwC - 20% to 40%

The range of control premiums shown above is consistent with most academic and professional literature on the topic.

Alternative View

Whilst common practice is to accept the existence of a control premium in the order of 20% to 40%, certain industry practitioners (particularly in the US) disagree with the validity of this conclusion. Those with an alternate viewpoint to the fact that very few listed companies are acquired each year as evidence that 100% of a company is not necessarily worth more than the proportionate value of a small interest. Those practitioners agree that the reason we see some takeovers at a premium is that if a company is not well run, there is a control premium related to the difference in value between a hypothetical well-run company and the company being run as it is.

Impact of Methodologies Used

The requirement for an explicit valuation adjustment for a control premium depends on the valuation methodology and approach adopted and the level of value to be examined. It may be necessary to apply a control premium to the value of a liquid minority value to determine the control value. Alternatively, in order to estimate the value of a minority interest, it may be necessary to apply a minority discount to a proportional interest in the control value of the company.

Discounted cash flow

The discounted cash flow methodology generally assumes control of the cash flows generated by the assets being valued. Accordingly, such valuations reflect a premium for control. Where a minority value is sought a minority discount must therefore be applied. The most common exception to this is where a discounted dividend model has been used to directly determine the value of an illiquid minority holding.

Capitalisation of earnings

Depending on the type of multiple selected, the capitalisation of earnings methodology can reflect a control value (transaction multiples) or a liquid minority value (listed company trading multiples).

Asset based methodologies

Asset based methodologies implicitly assume control of the assets being valued. Accordingly, such valuations reflect a control value.

Intermediate Levels of Ownership

There are a number of intermediate levels of ownership between a portfolio interest and 100% ownership. Different levels of ownership/strategic stakes will confer different degrees of control and rights as shown below.

- 90% - can compulsory purchase remaining shares if certain conditions are satisfied
- 75% - power to pass special resolutions
- 50% - gives control depending on the structure of other interests (but not absolute control)
- 25% - ability to block a special resolution
- 20% - power to elect directors, generally gives significant influence, depending on other shareholding blocks
- < 20% generally has only limited influence

Conceptually, the value of each of these interests lies somewhere between the portfolio value (liquid minority value) and the value of a 100% interest (control value). Each of these levels confers different degrees of control and therefore different levels of control premium or minority discount.

50%

For all practical purposes, a 50% interest confers a similar level of control to holdings of greater than 50%, at least where the balance of the shares is listed and widely held. Where there are other significant holders, such as in a 50/50 joint venture, 50% interests involve different considerations depending upon the particular circumstances.

Strategic parcels do not always attract a control premium. In fact, if there is no bidder, the owner may be forced to sell the shares through the share market, usually at a discount to the prevailing market price. This reflects the fact that the sale of a parcel of shares significantly larger than the average number of shares traded on an average day in a particular stock generally causes a stock overhang, therefore there is more stock available for sale than there are buyers for the stock and in order to clear the level of stock available, the share price is usually reduced by what is referred to as a blockage discount.

20% to 50%

Holdings of less than 50% but more than 20% can confer a significant degree of influence on the owner. If the balance of shareholders is widely spread, a holding of less than 50% can still convey effective control of the business. However, it may not provide direct ownership of assets or access to cash flow. This level of holding has a strategic value because it may allow the holder significant influence over the company's management, possibly additional access to information and a board seat.

<20%

Holdings of less than 20% are rarely considered strategic and would normally be valued in the same way as a portfolio interest given the stake would not be able to pass any ordinary or special resolution on their own if they were against the interests of the other shareholders. Depending on the circumstances, a blockage discount may also apply.

As explained above, the amount of control premium or minority discount that would apply in specific circumstances is highly subjective. In relation to the appropriate level of control premium,

Aswath Damodaran notes "the value of controlling a firm has to lie in being able to run it differently (and better)". A controlling shareholder will be able to implement their desired changes. However, it is not certain that a non-controlling shareholder would be able to implement changes they desired. Thus, following the logic of Damodaran and the fact that the strategic value of the holding typically diminishes as the level of holding decreases, the appropriate control premium for a non-controlling shareholder should be lower than that control premium for a controlling stake.

Key Factors in Determining a Reasonable Control Premium

Key factors to consider in determining a reasonable control premium include:

- **Size of holding** – Generally, larger stakes attract a higher control premium
- **Other holdings** – The dispersion of other shareholders is highly relevant to the ability for a major shareholder to exert control. The wider dispersed other holdings are, the higher the control premium
- **Industry premiums** – Evidence of premiums recently paid in a given industry can indicate the level of premium that may be appropriate
- **Size** – medium sized businesses in a consolidating industry are likely to be acquired at a larger premium than other businesses
- **Dividends** – a high dividend pay-out generally leads to a low premium for control
- **Gearing** – a company that is not optimally geared may attract a higher premium than otherwise, as the incoming shareholder has the opportunity to adjust the financing structure
- **Board** – the ability to appoint directors would increase the control premium attaching to a given parcel of shares. The existence of independent directors would tend to decrease the level of premium as this may serve to reduce any oppression of minority interests and therefore support the level of the illiquid minority value
- **Shareholders' agreement** - the existence and contents of a shareholder's agreement, with any protection such as tag along and drag along rights offered to minority shareholders lowers the appropriate control premium.

APPENDIX 7: MARKETABILITY

Introduction

Non-controlling interests in unlisted companies generally sell at a discount to the price of comparable listed securities. This difference is known as the discount for lack of marketability ("DLOM") or liquidity discount. It arises because investors place a significant value on liquidity – the ability to sell an investment quickly at a reasonable price. DLOMs generally fall in the range between 10% and 40%. However, there are circumstances where the appropriate discount could be significantly in excess of 40%.

Evidence for DLOM

Restricted stock studies

Many US companies with publicly traded stocks also issue shares that are subject to resale and transfer restrictions (restricted stock). These shares are identical to the publicly traded shares in all respects except for the lack of registration and the restrictions on trading. There have been many studies that compare the prices of restricted stock transactions to the public market trading prices of the freely traded securities on the same day. As the shares are identical in every respect except for their trading status, the difference is solely due to the illiquidity or lack of marketability of the restricted stock. The following table, compiled by John Stockdale, Sr., summarises a number of such studies.

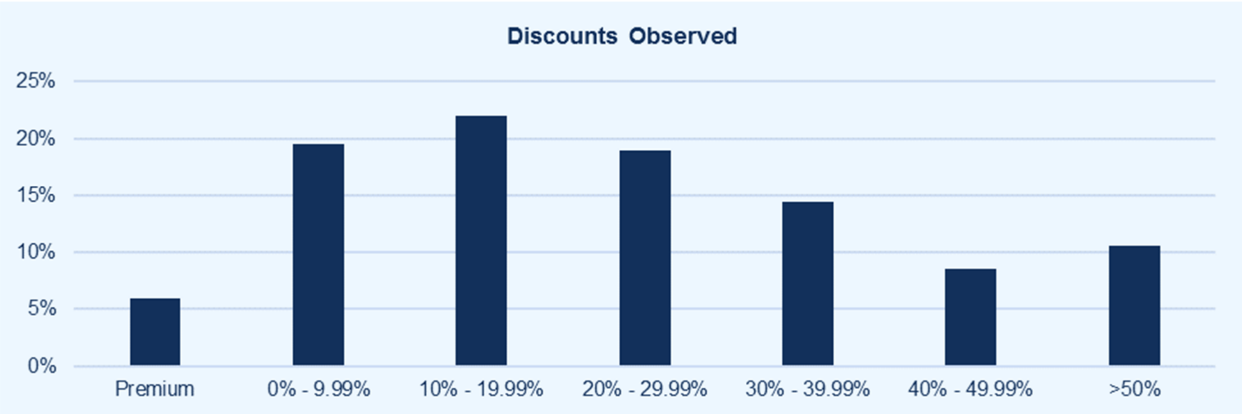
Study	Period	Number of companies	DLOM Mean	DLOM Median
SEC Institutional Investor	1966 – 1969	398	24%	-
Gelman	1968 – 1970	89	33%	33%
Moroney	1968 – 1970	145	36%	33%
Maher	1969 – 1973	34	36%	33%
Trout	1968 – 1970	60	34%	-
Standard Research Consultants	1978 – 1982	28	-	45%
Johnson & Racette	1967 – 1973	86	34%	-
Williamette Management Associates	1981 – 1984	33	-	31%
Wruck – Registered	1979 – 1984	36	-4%	2%
Wruck – Unregistered	1979 – 1984	37	14%	12%
Silber	1981 – 1988	69	34%	-
Hertzel & Smith	1980 – 1987	106	20%	13%
Management Planning Inc.	1980 – 1995	49	28%	29%
Johnson	1991 – 1995	72	20%	-
Columbia Financial Advisers	1996 – 1997	23	21%	14%
Columbia Financial Advisers	1997 – 1998	15	13%	9%
Bajaj, Dennis, Ferris & Sarin	1990 – 1995	88	22%	21%
FMV database	1980 – 1997	243	23%	21%
FMV database	1997 – 2007	311	21%	16%
FMV database	2007 – 2008	43	9%	6%
Finnerty	1991 – 1997	101	20%	16%
Wu	1986 – 1997	301	9%	20%
Barclay, Holderness & Sheehan	1979 – 1997	594	19%	17%
Trugman Associates	2007 – 2008	80	18%	14%

Source: BVR's Guide to Discounts for Lack of Marketability, John Stockdale, Sr.

The more recent studies tend to show a smaller level of discount due to the Securities and Exchange Commission ("SEC") relaxing the conditions attached to restricted stock as follows:

- In 1990 the SEC allowed trading among qualified investors holding restricted stock. This appears to have reduced the discount in restricted stock transactions, as none of the studies after this change found a mean or median discount greater than 22%, while many of the earlier studies reported figures in excess of 30%.
- In 1997 the SEC reduced the holding period for restricted stock from two years to one year. This had a limited impact on the discount for restricted stock transactions, as shown by the 2% reduction in the mean discount from the transactions in the FMV database.
- In 2008 the holding period was further reduced from one year to six months. Observed discounts were notably lower after this change, with both relevant studies finding a mean discount below 20%. This highlights the importance of expected time to realisation in assessing a suitable DLOM.

Restricted stock studies generally show a positively skewed distribution. This is perhaps best illustrated by the following summary of six separate studies, collated by Stockdale:



Source: BVR's Guide to Discounts for Lack of Marketability, John Stockdale, Sr.

Restricted stock studies have some limitations; in particular they tend to involve relatively small and risky firms; and the individual discounts observed are widely dispersed (although mostly in the range of 0% to 50%). Also, the restrictions typically relate to an escrow period which is not directly comparable with a lack of marketability, where the security can be transferred at any time if a willing buyer can be found.

Pre-IPO studies

Pre-IPO studies attempt to quantify the DLOM by comparing share prices in IPO transactions with transaction prices in the same shares prior to the IPO. The data available to us from these studies is US based, with two of the most widely referenced studies summarised in the following tables:

Time between transaction and IPO	DLOM	
	Mean	Median
0-30 days	30%	25%
31-60 days	40%	38%
61-90 days	42%	43%
91-120 days	49%	50%
121-153 days	55%	54%

Source: BVR's Guide to Discounts for Lack of Marketability, John Stockdale, Sr.

As with the restricted stock studies, these studies show the importance of expected time to realisation. A potential caution with pre-IPO studies is the issue of sample bias, in that only companies that achieved an IPO are included. It is possible that such companies are those that have been successful over the period between the benchmark transaction and the IPO date, possibly overstating the impact of illiquidity, particularly where the time between the benchmark transaction and the IPO is relatively long.

Event studies

Event studies consider the abnormal return on a stock around a specific event such as a listing or delisting. Two such studies are discussed briefly below.

Sanger and McConnell studied the excess returns to stocks moving from over-the counter ("OTC") trading to a listing on the New York Stock Exchange over the period 1966 to 1977. The study computed an average DLOM of 20.4% before the introduction of NASDAQ in 1971, and 16.9% thereafter. It is important to note that the study does not consider the element of DLOM that should exist between a private company compared to one listed for OTC trading.

In 2003 Abbott studied the returns from stocks that delisted from NASDAQ during the period 1982 to 2001. The study identified an average DLOM of 18%. Abbott also identified three factors affecting the size of DLOM:

- **Market value** – the larger the company, the smaller the DLOM.
- **Cumulative return** – the higher the return (including dividends) before the event, the smaller the resulting DLOM.
- **Volume** – the larger the turnover of shares in the market, the smaller the DLOM.

Other studies

Various other studies have been performed, with results generally consistent with those presented in this appendix. However, we consider the studies referred to above to be more reliable. Some examples of other studies undertaken include:

- **Listed Private Equity** - in these studies a comparison is made between the market price of listed private equity investments and their net asset value. However, this difference would include the discount for lack of control as well as the DLOM. Further, the base value (book value of net assets) is an opinion provided by management or consultants, and so may not be reflective of market value. These studies do highlight an important issue which is that the level of DLOM changes significantly over time.
- **Bid-Ask Spread** - these studies analyse the bid-ask spread of listed companies. They measure relative illiquidity among listed companies and so are not necessarily a good indication of DLOM for private companies. A bid-ask spread study by Damodaran highlighted that spread decreases when:
  - revenue increases
  - companies are profitable as opposed to loss making
  - cash as a % of value increases
  - trading volume increases
- **Private company transactions** - these studies compare the prices paid in minority transactions involving private companies with a base price representing the value on a liquid basis. The problem with such studies is determining a base price for comparison to the transaction price. A 1975 survey by H Calvin Coolidge used net asset value as a base price, which he believed was reasonable for the asset intensive companies in the study, which resulted in a mean DLOM of 36%, with the median DLOM also 36%.
- **Surveys** - for example the Pepperdine survey found a median DLOM of 20% for private equity and venture capital investors. However, only 5% of these investors responded that they would make an investment without suitable investor protection such as shareholder agreements, buy/sell agreements and employment agreements. This is not always representative of the circumstances of the company for which a DLOM is to be determined.

Quantitative Models

Various quantitative models for determining DLOM have been developed. At present these models have many limitations, typically including:

- The models proposed to date do not generally fit the observed data well.
- Many of the models require inputs, such as volatility or time horizon to realise an investment, which are unknown for most of the circumstances where we need to apply a DLOM.
- A number of models move from subjectively determining an overall DLOM, to subjectively determining a number of other factors, leading to a DLOM that appears more scientific than it actually is.

Factors impacting DLOM

Several studies have sought to identify factors affecting DLOM and if possible to quantify that impact. The studies to date identified a number of key factors, however there is insufficient evidence to point to any specific numerical relationships between the factors impacting DLOM and the level of DLOM itself, thus after evaluating how the relevant factors apply to the specific circumstances, we are left with a subjective judgement of what an appropriate DLOM should be. The key factors identified are listed below.

Factor	Smaller DLOM (< 20%)	Larger DLOM (>30%)
Size		
Revenue	Higher	Lower
Market value	Higher	Lower
Financial Stability		
Rate of return - profitability	Higher	Lower
Earnings stability	Stable	Volatile
Financial distress	Low risk	High risk
Market / Book value	Low	High
Financial Markets		
Interest rates	Low	High
Volatility	Low	High
Company structure		
Non-executive directors	Many	Few
Block size	Large	Small
Other holdings	Fragmented	Large blocks
Time to sale	Short	Long
Shareholder rights		
Shareholders agreement	Extensive	None
Tag along / drag along rights	Extensive	None
Right to appoint director(s)	Extensive	None
Restrictions on transferability	None	Severe
Expected disposal period		
Exit intentions of majority	Short term	None
Potential buyers of block	Many	One or none
Other		
Industry	The relationship between industry and DLOM is inconclusive from empirical studies. However, it may be the case that at certain points in time industries that are in demand with investors would experience relatively lower DLOMs than other industries.	
Dividends	It is often suggested that the payment of dividends reduces DLOM. While this is intuitively appealing, after adjusting for size and financial strength, empirical studies have failed to find a significant relationship between dividends and DLOM.	
Complexity of group	A complex group structure may not be appealing to investors. However, this factor should not be double counted, if it has been taken into account in determining a control value, eg. through the discount rate applied.	

Note: 'Higher' and 'Lower' refer to the market as a whole and not specifically to the comparable companies (if any) used to determine a base value. Thus, to allow for factors such as size or earnings stability in determining suitable base value and then in assessing the DLOM to be applied would not be double counting.

The list of factors highlighted above, is a general indication of the main factors to be considered in determining a DLOM. However, the selection of a DLOM remains a subjective issue. It is important to ensure factors that have been considered in selecting a base (pre-DLOM) value are not double counted when applying the DLOM. In this regard allowing for size in the DLOM and for example the discount rate is NOT double counting, as the observed DLOM % for transactions involving smaller companies is higher than for larger companies. It is also important to remember that in a given set of circumstances one single factor can outweigh several contradictory factors, for example the existence of a savoy clause[1] in a shareholders' agreement may outweigh many other factors, leading to a very low DLOM.

Note 1: A savoy clause allows one party to a joint venture to nominate a price, at which the other party can choose to sell its own interest or buy out the proposing party's interest.

APPENDIX 8: QUALIFICATIONS, DECLARATIONS AND CONSENTS

Responsibility and purpose

This report has been prepared for IncentiaPay's shareholders for the purpose of assessing the fairness and reasonableness of the Proposed Transaction. Leadenhall expressly disclaims any liability to any shareholder, or anyone else, whether for our negligence or otherwise, if the report is used for any other purpose or by any other person.

Reliance on information

In preparing this report we relied on the information provided to us by IncentiaPay being complete and accurate and we have assumed it has been prepared in accordance with applicable Accounting Standards and relevant national and state legislation. We have not performed an audit, review or financial due diligence on the information provided. Drafts of our report were issued to IncentiaPay's management for confirmation of factual accuracy.

Prospective information

To the extent that this report refers to prospective financial information, we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Leadenhall's consideration of this information consisted of enquiries of IncentiaPay's personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with Australian Auditing Standards, or any other standards. Nothing has come to our attention as a result of these enquiries to suggest that the financial projections for IncentiaPay, when taken as a whole, are unreasonable for the purpose of this report.

We note that the forecasts and projections supplied to us are, by definition, based upon assumptions about events and circumstances that have not yet transpired. Actual results in the future may be different from the prospective financial information of IncentiaPay referred to in this report and the variation may be material, since anticipated events frequently do not occur as expected. Accordingly, we give no assurance that any forecast results will be achieved. Any future variation between the actual results and the prospective financial information utilised in this report may affect the conclusions included in this report.

Market conditions

Leadenhall's opinion is based on prevailing market, economic and other conditions as at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon the conclusion reached in this report.

As a valuation is based upon expectations of future results it involves significant judgement. Although we consider the assumptions used and the conclusions reached in this report are reasonable, other parties may have alternative expectations of the future, which may result in different valuation conclusions. The conclusions reached by other parties may be outside Leadenhall's preferred range.

Qualifications

The personnel of Leadenhall principally involved in the preparation of this report were Katy Lawrence, BCom., Grad Dip App Fin, BV Specialist, CA, Richard Norris, BA (Hons), FCA, M.App.Fin, F.Fin, Nathan Timosevski, BBus, Grad Dip App Fin, BV Specialist, CA, A.FINSIA and Vicky Lau, BCom., CA .

This report has been prepared in accordance with "APES 225 – Valuation Services" issued by the Accounting Professional & Ethical Standards Board and this report is a valuation engagement in accordance with that standard and the opinion is a Conclusion of Value.

Independence

Leadenhall has acted independently of IncentiaPay. Compensation payable to Leadenhall is not contingent on the conclusion, content or future use of this report.