

30 August 2023

NZX Limited
Level 1, NZX Centre
11 Cable Street
Wellington

CLEANSING NOTICE: ENPRISE GROUP RIGHTS ISSUE

- 1 Enprise Group Limited (NZX: ENS) (*Enprise*) intends to raise up to NZ\$1.743 million in capital (the *Offer*). The Offer will consist of a pro-rata 1 for 5 renounceable rights issue (*Rights Issue*) and may comprise a private placement of any shortfall in the Rights Issue.
- 2 The Offer is of fully paid ordinary shares of the same class as already quoted on the NZX Main Board of NZX Limited. The Offer will be made pursuant to NZX Main Board listing rules 4.3.1(a) and 4.4 at a price of NZD 0.50 (AUD 0.47) per share payable in cash on application. Enprise is not seeking to quote the rights under the Rights Issue on NZX.
- 3 Pursuant to clause 20(1)(a) of Schedule 8 to the Financial Markets Conduct Regulations 2014 (*FMC Regulations*), and the Financial Markets Conduct Act 2013 (*FMCA*), Enprise states that:
 - 3.1 Enprise is making the Offer in reliance upon the exclusion in clause 19 of Schedule 1 to the FMCA and is giving this notice under clause 20(1)(a) of Schedule 8 to the FMC Regulations.
 - 3.2 As at the date of this notice, Enprise is in compliance with the continuous disclosure obligations that apply to it in relation to ordinary shares in Enprise, and there is no information that is "excluded information" as defined in clause 20(5) of Schedule 8 to the FMC Regulations, other than the additional information disclosed in the Appendix.
 - 3.3 As at the date of the notice, Enprise is in compliance with its financial reporting obligations.
- 4 The Offer is not expected to have any material effect or consequence on the control of Enprise.

Yours faithfully

Elliot Cooper
Chief Executive
Enprise Group Limited

APPENDIX: ADDITIONAL INFORMATION

Regulatory process

Enprise is at the date of this document subject to an inquiry by NZ RegCo in connection with the timing of announcements made by Enprise in relation to the MYOB dispute. Enprise has co-operated with NZ RegCo to seek to conclude its review. However, Enprise can give no assurances as to the outcome of this regulatory process.

MYOB dispute

On 1 August 2022, Enprise announced to NZX that MYOB had purported to retrospectively reduce the margins that Kilimanjaro receives on existing sales of MYOB Exo software. As disclosed in note 17 to the financial statements for the year ended 30 June 2022, if the reduction is valid, the impact of the purported reduction of 42.86% is approximately \$935,000 per annum. This would significantly impact the support services that Kilimanjaro is able to deliver to their MYOB Exo software customers.

The Kilimanjaro board rejected the assertion by MYOB that MYOB is able to unilaterally alter these margins. As announced on 16 December 2022, Kilimanjaro initiated legal action against MYOB formally disputing this decrease in recurring revenue.

On 7 August 2023 Enprise announced that Kilimanjaro Consulting Pty Limited (KCAU) had been granted an interlocutory injunction against MYOB with the following orders made (where MYOB is referred to as the respondent, and KCAU is referred to as the applicant):

1. Until further order, the respondent is restrained from taking any action for breach of contract under the Business Partner Agreement, by reason only of the applicant paying the respondent the Annual Licence Fee margin as documented in the 2018 Business Partner Agreement.
2. Until further order the respondent is restrained from withholding licence codes for the use of the MYOB Exo by any End User which is a customer of the applicant, by reason only of the applicant retaining the Annual Licence Fee margin as documented in the 2018 Business Partner Agreement.
3. Costs of the application are to be costs in the cause.

The practical effect of these orders is that KCAU can retain and utilise the MYOB Exo margin as documented in the 2018 Business Partner Agreement until such time as the proceedings are finally resolved, which in turn means that KCAU has no need to change its current business model or take any steps to try and absorb or counter MYOB's reduction in the MYOB Exo margin.

The above orders apply only in Australia and not New Zealand. KCAU sought undertakings from MYOB to the same effect in relation to the New Zealand entity, Kilimanjaro Consulting Limited (KCNZ). These undertakings were not given by MYOB. MYOB has confirmed that, even though KCAU has been granted an injunction in Australia, it considers that KCNZ not paying the full margin in New Zealand would be a breach of the 2018 Business Partner Agreement. MYOB has, however, stated that it intends to issue the licence codes in the event that Kilimanjaro short-pays the invoices. Enprise is currently taking legal advice regarding KCNZ.

The case highlights that there are serious questions to answer about whether the Business Partner Agreement (BPA) falls under the ambit of the Franchising Code, and whether MYOB has unconstrained power to alter the terms of the agreement. The case also will focus on MYOB's statutory duties of good faith and unconscionability. The full trial on the points in dispute is expected to be held in April 2024.

The injunction provides Kilimanjaro an opportunity to maintain its revenue stream while seeking continued growth.

While Enprise remains confident with Kilimanjaro's legal position, Enprise can give no assurance that Kilimanjaro's legal action against MYOB will be successful. In the event that Kilimanjaro did not succeed with its legal action then MYOB may be entitled to costs against Kilimanjaro in addition to legal costs that Kilimanjaro incur defending the dispute with MYOB.