

**ENPRISE GROUP LIMITED**

**Notice of Special Meeting**

**To be held at the offices of Enprise Group Limited, Level 1, 16 Hugo Johnston Drive, Penrose,  
Auckland on 4 November 2015, at 10.00 am.**

Notice is hereby given that the Special Meeting of the shareholders of Enprise Group Limited (**ENS**) will be held at the offices of Enprise Group Limited, Level 1, 16 Hugo Johnston Drive, Penrose, Auckland on 4 November 2015, at 10.00 am.

## **BUSINESS OF THE SPECIAL MEETING**

### **Resolution 1 – Issue of 518,600 Shares in Datagate Innovation Limited to interests associated with Mr Mark Loveys – ordinary resolution**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*That Datagate Innovation Limited be permitted and authorised to issue 518,600 new ordinary fully paid shares in Datagate Innovation Limited, at an issue price of \$1.00 per share, to interests associated with Mr Mark Loveys.*

Further information concerning this resolution is provided in the Explanatory Notes to this Notice of Meeting.

### **Resolution 2 – Issue of up to 2,500,000 Shares in Datagate Innovation Limited – ordinary resolution**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*That Datagate Innovation Limited be permitted and authorised to issue up to a maximum of 2,500,000 new ordinary fully paid shares in Datagate Innovation Limited, at an issue price of \$1.00 per share, to investors (including 518,600 shares to interests associated with Mr Mark Loveys).*

Further information concerning this resolution is provided in the Explanatory Notes to this Notice of Meeting.

## **PROCEDURAL NOTES**

1. Resolutions 1 and 2 are both ordinary resolutions. An ordinary resolution is required to be passed by a majority of 50% or more of the votes of those shareholders entitled to vote and voting on that resolution.
2. The persons who will be entitled to vote on the resolutions at the Special Meeting are those persons who will be shareholders at 5.00 pm on 3 November 2015 (New Zealand time), subject only to the following restrictions, and only the shares registered in those shareholders' names may be voted at the Special Meeting, subject to the restrictions on voting set out below.
3. Mark Loveys, and his Associated Persons (as that term is defined in the NZAX Listing Rules) are restricted from voting on resolutions 1 and 2.
4. The accompanying proxy form should be used to appoint a proxy to vote if a shareholder cannot attend the Special Meeting in person. Shareholders can participate by proxy or by casting their vote in person at the Special Meeting.

5. Any shareholder who is entitled to attend and vote at the Special Meeting may appoint a proxy to attend and vote in his / her / its place. A shareholder wishing to appoint a proxy should complete the enclosed proxy form and send it to the office of the ENS Share Registrar, Link Market Services Limited. The completed proxy form must be received no later than 48 hours before the meeting is due to begin, in accordance with the instructions in the notes to the proxy form accompanying this Notice. The form allows shareholders to determine whether the proxy votes at the proxy's discretion or votes in accordance with the shareholder's wishes. If the form is returned without a direction as to how the proxy shall vote on any particular resolution, then the proxy will exercise his or her discretion as to whether to vote and if so, how.
6. A proxy does not have to be a shareholder in ENS. A shareholder may appoint the Chairman of the Special Meeting to act as his / her / its proxy, or another person. The Chairman has advised that it is his intention to vote undirected proxies received by him in favour of the resolutions set out above.
7. All joint shareholders must sign the proxy form. If the person appointing a proxy is a corporation, the proxy must be signed for and on behalf of that corporation by two directors or otherwise in accordance with the constitution of that corporation. If the proxy form is signed by an attorney, the attorney must have been authorised in writing.
8. This Notice of Special Meeting has been approved by NZX in accordance with NZAX Listing Rule 6.1.1.

By Order of the Board

Auckland  
19 October 2015

## **EXPLANATORY NOTES**

These Explanatory Notes provides more information in relation to resolutions 1 and 2 to be voted on by shareholders at the Special Meeting.

### **Listing Rules, Companies Act and Constitution**

ENS is listed on the New Zealand Alternative Market and must comply with the NZAX Listing Rules. In addition, various provisions of the NZAX Listing Rules are included in the constitution of ENS. The Companies Act, the constitution of ENS and the NZAX Listing Rules contain specific requirements which are relevant to the resolutions comprised in this Notice. The implications of the NZAX Listing Rules, the Companies Act and the constitution, insofar as they relate to each resolution, are addressed in these Explanatory Notes.

### **Resolution 1 – Issue of 518,600 Shares in Datagate Innovation Limited to interests associated with Mr Mark Loveys – ordinary resolution**

#### **Introduction to the Transaction**

Enprise Group Limited (“ENS”) currently holds 100% of the shares on issue in Datagate Innovation Limited (“DIL”).

DIL is an early-stage Cloud-software developer of on-line billing and analytical portals for Telco and Utility companies. Given the early stage nature of the DIL commercial operations, DIL requires the injection of new capital to assist it with funding the following initiatives:

- Expansion of the sales team;
- Expansion of the project implementation team;
- Product localisation for the North American and Australian markets.

The Board of ENS has recently been seeking to raise new investment capital into ENS to assist DIL fund the above initiatives. To date, the feedback from the investors with whom the ENS Board have met with to date, is that those investors would prefer to invest directly into DIL. With a view to providing a commercial structure into which investors could invest directly into DIL, the Board has resolved to implement the following restructure of the capital and ownership of DIL:

- ENS has capitalised all of the loans that it has previously made to DIL (amounting to \$1,012,712) into 1,499,900 ordinary shares in DIL for a subscription price of \$0.675186 per share (“ENS Capitalisation”). ENS currently holds all 1.5 million shares on issue in DIL;
- ENS has repaid the loan of \$100,000 owed to Mr Loveys;
- To provide immediate funding for DIL, Mark Loveys, a director of both ENS and DIL, and a substantial security holder in ENS has agreed to provide a loan of \$318,600 to DIL (“Loveys Loan”). The principal terms of the Loveys Loan are as follows:
  - The Loveys Loan shall accrue interest at a rate of 10% per annum, payable quarterly in arrears;
  - The Loveys Loan is unsecured; and

- In the event that the Loveys Loan is not ultimately converted into new shares in DIL, the Loveys Loan shall be repayable in full in one lump sum on 16 September 2016;
- Steve Southon, the Chief Operating Officer of DIL, has agreed to provide a loan of \$31,400 on the same terms as Mr Loveys;
- As part of the Board's vision for the funding of DIL going forward, the Board has taken a view that an injection of \$1.5 million of new capital is required to fund the mid-term working capital and growth capital requirement of DIL. In order to satisfy this capital requirement, the Board propose that DIL issue 1.5 million new ordinary fully paid shares in DIL, at an issue price of \$1.00 per new share, to qualifying wholesale investors ("DIL Capital Raise"). For the purposes of the DIL Capital Raise, the valuation for DIL immediately prior to the proposed DIL Capital Raise will be \$1.5 million. Assuming that the DIL Capital Raise is fully subscribed, the valuation for DIL will be \$3 million, and ENS will hold 50% of the shares on issue in DIL;
- The ENS Board has further resolved that it would potentially accept additional oversubscriptions for a further \$1 million of new capital into DIL if there was sufficient appetite from the investment market. This would result in a maximum of up to \$2.5 million of new capital being introduced into DIL as part of the restructure. Assuming that the DIL Capital Raise was fully subscribed, and a further \$1 million of over subscriptions was accepted, then the post investment valuation for DIL would be \$4.5 million, and ENS will hold 33.33% of the shares on issue in DIL;
- The new capital proposed to be raised is anticipated to be deployed as follows:
  - Approximately 40% of the new capital will be invested in expansion of the sales team by adding one dedicated salesperson for the New Zealand and Australian market and another in 12 months' time to cover the North American market;
  - Approximately 40% of the new capital will be invested in expansion of the project implementation team, adding a project manager and two implementation consultants;
  - Approximately 20% of the new capital will be invested in adapting the product to make it suitable for the North American and Australian markets.
- As at the date of this Notice of Meeting the Company has not received any confirmed subscriptions from third party investors;
- Should resolution 1 be approved, Mr Loveys has agreed to:
  - convert his loan comprising the Loveys Loan of \$318,600 into 318,600 new shares in DIL; and
  - subscribe for an additional 200,000 new shares in DIL at an aggregate issue price of \$200,000.
- Mr Southon has agreed to convert his loan, up to a maximum of \$31,400 into 31,400 new shares in DIL;

- Assuming that: (i) the transactions contemplated in this Notice are approved, (ii) DIL successfully completes the DIL Capital Raise in full, and (iii) Mr Loveys converts his loan into 318,600 new shares in DIL, and (iv) Mr Loveys subscribes for 200,000 new shares in DIL, then the capital structure of DIL is anticipated to be as provided in the table below. The table also provides for the consequences of the oversubscription for an additional \$1 million of third party investment as well

Name of Shareholder	Number of Shares held (assuming \$1.5 million of new capital introduced)	Percentage of shares held (assuming \$1.5 million of new capital introduced)	Number of Shares held (assuming \$2.5 million of new capital introduced)	Percentage of shares held (assuming \$2.5 million of new capital introduced)
Enprise Group Limited	1,500,000	50.0%	1,500,000	33.33%
Third party investors	950,000	31.66%	1,950,000	43.33%
Mark Loveys	518,600	17.29%	518,600	11.52%
Steve Southon	31,400	1.05%	31,400	0.69%
<b>Total</b>	<b>3,000,000</b>		<b>4,500,000</b>	

- As part of the operational restructure, seven existing employees of ENS, who currently are deployed across both ENS and DIL will be migrated across to be full time employees of DIL;
- In addition, Mr Loveys has resigned as CEO of ENS and has assumed the role as full time CEO of DIL. Mr Loveys will remain a director of ENS, but will hold a non-executive directorship;
- DIL will issue the following options to acquire new shares in DIL to the following senior executives and directors of DIL:

Name of senior executive	Number of options issued	Exercise price	Term of options
Mark Loveys	318,600	\$1.00	Excisable at any time prior to 31 March 2021. The Options will vest at 50% per annum commencing 31 March 2016.
Steve Southon	31,400	\$1.00	Excisable at any time prior to 31 March 2021. The Options will vest at 50% per annum commencing 31 March 2016.

- In addition to the options listed above, an Employee Share Option Plan (ESOP) will be created to a maximum of 300,000 ordinary shares in DIL of which Mark Loveys will be entitled up to a maximum of 45% of the 300,000 ESOP options. Steve Southon will be entitled up to a maximum of 25% of the 300,000 ESOP options.

### **Rationale for the restructure of DIL**

The Board of ENS believes that DIL's technology platform has significant commercial potential. However, in order to access, and tap into that potential, DIL requires the introduction of capital to fund the continued development of its technology and to fund its commercial deployment.

The Board of ENS has recently been seeking to raise new investment capital into ENS to assist DIL fund the above initiatives. To date, the feedback from the investors with whom the ENS Board have met with to date, is that those investors would prefer to invest directly into DIL. With a view to providing a commercial structure into which investors could invest directly into DIL, the Board has resolved to implement the proposed restructure of the capital and ownership of DIL.

DIL is currently a loss making operation. The Board does not anticipate that the DIL business operations will generate positive cash flows for at least the next 24 months, and even then only with the introduction of additional capital to fund those business operations. ENS can no longer continue to fund the development and sales effort required for DIL to realise its potential. Therefore ENS went to the investment market with a view to raising new capital to sustain the cash burn. The investors spoken to made it very clear that they were only interested in a direct investment into DIL, and not into ENS. Therefore the ENS Board was left with two options:

- Close the DIL operations down; or
- Restructure DIL so that investors would have an ability to invest directly into DIL, whilst continuing to provide ENS with a residual equity position in DIL post the introduction of third party investment.

The Board is very comfortable with the fact that Mr Loveys has provided a loan advance to DIL (which may ultimately convert into new shares in DIL) as it illustrates his commitment to the proposed restructure of DIL. The Board are also very confident that Mr Loveys will ultimately be permitted to convert his loan into new shares in DIL in terms of this Notice of Meeting which will then extinguish Mr Loveys' loan.

The Board of ENS believe that the restructure of DIL represents a very positive opportunity for ENS for the following reasons:

- The proposed restructure provides an opportunity for ENS to maintain a significant shareholding interest in DIL, whilst at the same time facilitating the introduction of new capital into DIL to assist DIL execute its commercial objectives;
- ENS does not have the capital itself to invest into DIL;

The Board of ENS have unanimously endorsed and approved this restructure strategy. In addition, the Board has had discussions with the five major shareholders of the Company - New Zealand Securities Depository Limited (Mr Neiser), Nightingale Partners (Mr Phillips), Awatea Trust (Mr MacDonald), Net Power Solutions Limited (Mr Loveys) and Mr Cooper, who have all expressed their unqualified support for this initiative.

## **Valuation of DIL**

The valuation that the Board of ENS has applied towards the restructure is \$1.5 million before the introduction of any new third party investment.

The Board has developed this valuation having regard to the following factors:

- The value that third party investors have advised the Board that those third party investors were prepared to invest into DIL, i.e investors have been quite firm in advising the Board that they will only invest in DIL if the investment valuation for DIL, before the introduction of new investment capital, was set at \$1.5 million. The Board are of the view that this factor is fundamental evidence of what the market value for DIL actually is, given the market has effectively determined the investment value for DIL. These negotiations have essentially been the defining basis upon which the Board has set the pre-investment calculation for DIL as part of this process;
- The book value of ENS' investment in DIL in the financial statements for ENS for the financial year ended 31 March 2015 was \$728,345. This amount comprises the initial purchase price payable by ENS to acquire DIL, together with the cash investment made by ENS into the DIL business operations since 1 April 2015;
- The value of the subscribed share in DIL of \$76,000; and
- Loans provided by ENS to DIL of \$652,345 to fund further product development being undertaken by DIL.

Having regard to the fact that the valuation that has been struck for DIL has been determined in consultation with third party investors, the Board is comfortable that the pre-investment valuation for DIL of \$1.5 million is reflective of fair market value for DIL.

The Board notes that the non-interested directors of ENS, namely Messrs Cooper, Neiser and Phillips promoted the restructure of DIL and negotiated the terms of Mr Loveys proposed investment in DIL on a commercial arm's length basis. Similarly, Mr Loveys was not present at the meeting of the Board held to approve the proposed restructure of DIL.

Copies of the unaudited balance sheet and profit and loss statement for the financial year ended 31 March 2015 are attached to this Notice of Meeting in Appendix 2.

## **Requirement for Resolution 1**

The proposed issue of 518,600 new shares in DIL to Mr Loveys must be approved by shareholders. These are the reasons why the approval is required:

NZAX Listing Rule 9.2.1 provides that an NZAX Issuer shall not enter into a material transaction with a Related Party unless the material transaction is approved by an ordinary resolution of the NZAX Issuer.

The issue of the 518,600 DIL shares to interests associated with Mr Loveys is a related party transaction because:

- the aggregate issue price for the 518,600 new DIL shares proposed to be subscribed for by Mr Loveys (\$518,600) exceeds 10% of the Average Market Capitalisation of ENS; and



- Mr Loveys is a Related Party of ENS by virtue of him being a director of ENS and a substantial security holder of ENS.

A certificate of directors as required by the NZAX Listing Rules is set out in Appendix 1 to this Notice.

Before the Board can proceed to implement the restructure of DIL, the provisions of NZAX Listing Rule 9.2.1 must be complied with. Listing Rule 9.2.1 requires those shareholders who are not interested in the transaction to approve the proposed transaction by an ordinary resolution.

## **Resolution 2 – Issue of up to 2,500,000 Shares in Datagate Innovation Limited – ordinary resolution**

### **Introduction to the Transaction**

As part of the proposed restructure of Datagate Innovation Limited, it is proposed that DIL issue up to a maximum of 2,500,000 new ordinary fully paid shares in DIL (“DIL Shares”), at an issue price of \$1.00 per share, to investors (including 518,600 shares to interests associated with Mr Mark Loveys).

The proposed capital raising within DIL, if fully subscribed, will raise up to \$2.5 million of new capital for DIL.

Comprehensive background information relating to the proposed issue of the DIL Shares is provided in the Explanatory Notes to Resolution 1.

### **Requirement for the Resolution**

#### ***Listing Rule 9.1.1(b)***

One of the consequences of the proposed issue of the DIL Shares is that the shareholding interest of ENS in DIL will be diluted down from 100% to as much as 33.33% should the maximum 2,500,000 DIL Shares be issued.

Listing Rule 9.1.1(b) provides that where there is a divestment or disposal of an asset of the Company, and the value of that divestment exceeds 50% of the Company’s Average Market Capitalisation, then that transaction may only proceed with the prior approval of the Company’s shareholders by way of an ordinary resolution.

Listing Rule 9.1.1(b) applies to an issue of shares in a subsidiary company (such as DIL), as the issue of shares is effectively a divestment of an asset.

Given the potential value of the DIL Shares to be issued exceeds 50% of the Company’s Average Market Capitalisation, the transaction may only proceed with the prior approval of the Company’s shareholders by way of an ordinary resolution.

#### ***Listing Rule 9.2.1***

NZAX Listing Rule 9.2.1 provides that an NZAX Issuer shall not enter into a material transaction with a Related Party unless the material transaction is approved by an ordinary resolution of the NZAX Issuer. A material transaction includes a transaction that forms part of a transaction or a series of transactions with a Related Party.

For the purposes of this transaction, the issue of up to 2,500,000 DIL Shares has been regarded as a material transaction for the purposes of Listing Rule 9.2.1 because the issue of the DIL Shares is conceptually a transaction associated with, or related to, the proposed issue of 518,600 DIL shares to Mr Loveys, which transaction is in itself a material transaction for the purposes of the Listing Rules.

A certificate of directors as required by the NZAX Listing Rules is set out in Appendix 1 to this Notice.

Before the Board can proceed to issue the DIL Shares, the provisions of NZAX Listing Rule 9.2.1 must be complied with. Listing Rule 9.2.1 requires those shareholders who are not interested in the transaction to approve the proposed transaction by an ordinary resolution.

## **Appendix 1**

### **Directors' Certificate**

#### **Resolution 1**

Jens Neiser, Elliot Cooper and Lindsay Philips being all the directors of the Company not interested in resolution 1, certified that the terms of the proposed issue of the 518,600 new DIL shares to interests associated with Mr Loveys, are fair and reasonable to all existing shareholders and in the best interests of the Company.

#### **Resolution 2**

Jens Neiser, Elliot Cooper and Lindsay Philips being all the directors of the Company not interested in resolution 2, certified that the terms of the proposed issue of up to 2,500,000 new shares in DIL, by DIL on the terms referred to in resolution 2, are fair and reasonable to all existing shareholders and in the best interests of the Company.

## Appendix 2

### Unaudited Profit and Loss Statement for DIL for FY 31 March 2015

#### Sales

IMPLEMENTATION	80,145
Datagate Usage Fees	250
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	80,395

#### Purchases

Hosting	1,566
Other 3RD Party Revenue	2,718
Sub Contractors Paid	12,489
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	16,773

Gross Profit	<hr/>
	63,622

#### Overheads Costs

Wages and Salaries	641,474
Marketing and Travel	0
Other Costs	28,363

EBITDA	<hr/>
	(606,215)

Interest Received	120
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Software Capitalisation	621,698
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Depreciation	(379)
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Interest Paid	(16,423)
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Net Profit	<hr/>
	(1,199)

## Unaudited Balance Sheet for DIL for FY 31 March 2015

### Shareholders Funds

Retained Earnings	(59,863)
Current Year Profit/Loss	(1,199)
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	(61,062)

### Current Assets

#### Accounts Receivable

Debtors Control Account	31,185
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#### Bank Accounts

ASB Cheque Account	590
ASB Account # 50	7,016

#### Income Tax

Resident Withholding Tax	30
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	38,821

### Current Liabilities

Creditors Control Account	53,242
Creditor Accruals	(2,081)
Deposits from Customers	1,400
GST	252
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	52,813

Working Capital	<hr/>
	(13,992)

### Fixed Assets

Inhouse Developed Software	621,698
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### Term Liabilities

ADVANCE TO INTERCOY (DG-EGL)	(239,963)
ADVANCE TO INTERCO (ESL)	(428,805)
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	(61,062)
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