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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT  
Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported) October 12, 2014**

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**SPS Commerce, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State  
of Incorporation)

**001-34702**  
(Commission  
File Number)

**41-2015127**  
(IRS Employer  
Identification No.)

**333 South Seventh Street, Suite 1000**  
**Minneapolis, MN**  
(Address of Principal Executive Offices)

**55402**  
(Zip Code)

**Registrant's Telephone Number, Including Area Code (612) 435-9400**

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 1.01. Entry Into A Material Definitive Agreement.**

On October 12, 2014, we, together with our wholly owned subsidiary SPS Commerce Australia Pty Ltd, entered into and completed an asset purchase agreement with Leadtec Systems Australia Pty Ltd, known as Leadtec, and its affiliates, Advanced Barcode Solutions Pty Ltd, Scott Needham and Leading Technology Group Pty Ltd. Under the asset purchase agreement, we purchased and acquired from Leadtec substantially all of the assets used in Leadtec's business. Leadtec is in the business of cloud-based integration solutions. We paid Leadtec \$12.7 million in cash and issued 43,595 shares of our common stock to Leadtec and assumed certain liabilities of Leadtec.

This description of the asset purchase agreement does not purport to be complete and is qualified in its entirety by reference to the asset purchase agreement, which is attached as Exhibit 2.1 to this report and is incorporated herein by reference.

**Item 2.01. Completion of Acquisition or Disposition of Assets.**

The information set forth under Item 1.01 of this report is incorporated herein by reference. A copy of the press release announcing the completion of the acquisition is also attached to this report as Exhibit 99.1.

**Item 3.02. Unregistered Sales of Equity Securities.**

Pursuant to the asset purchase agreement described in Item 1.01, on October 12, 2014 we issued an aggregate of 43,595 shares of our common stock to Leadtec in an unregistered transaction. We did so in reliance upon the exemption contained in Section 4(2) of the Securities Act of 1933, as amended, as a transaction not involving a public offering, and Rule 506 promulgated thereunder, in view of the absence of a general solicitation, the limited number of offerees and purchasers, and the representations and agreements of Leadtec in the asset purchase agreement.

**Item 9.01 Financial Statements and Exhibits****(a) Financial Statements of Businesses Acquired**

The following financial statements are filed herewith as Exhibit 99.2:

- Audited financial statements of Leadtec Systems Australia Pty Ltd as of June 30, 2014 and 2013 and for the years then ended;

**(b) Pro Forma Financial Information**

The following financial statements are filed herewith as Exhibit 99.3:

- Unaudited pro forma condensed combined balance sheet as of June 30, 2014;
- Unaudited pro forma condensed combined statement of income for the six months ended June 30, 2014;
- Unaudited pro forma condensed combined statement of income for the year ended December 31, 2013; and
- Notes to unaudited pro forma condensed combined financial statements.

(d) Exhibits

| <u>No.</u> | <u>Description</u>   |
|------------|--|
| 2.1        | Asset Purchase Agreement, dated as of October 12, 2014, by and between Leadtec Systems Australia Pty Ltd, Advanced Barcode Solutions Pty Ltd, Scott Needham, Leading Technology Group Pty Ltd, SPS Commerce Australia Pty Ltd and SPS Commerce, Inc. |
| 23.1       | Consent of KPMG  |
| 99.1       | Press Release, dated October 13, 2014, announcing the completion of the acquisition  |
| 99.2       | Audited financial statements of Leadtec Systems Australia Pty Ltd as of June 30, 2014 and 2013   |
| 99.3       | Unaudited pro forma condensed combined financial statements and notes  |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SPS COMMERCE, INC.

Date: October 14, 2014

By: /s/ Kimberly K. Nelson

Kimberly K. Nelson

Executive Vice President and Chief Financial Officer

**EXHIBIT INDEX**

| <u>No.</u> | <u>Description</u>   | <u>Manner of Filing</u> |
|------------|--|-------------------------|
| 2.1        | Asset Purchase Agreement, dated as of October 12, 2014, by and between Leadtec Systems Australia Pty Ltd, Advanced Barcode Solutions Pty Ltd, Scott Needham, Leading Technology Group Pty Ltd, SPS Commerce Australia Pty Ltd and SPS Commerce, Inc. | Filed Electronically    |
| 23.1       | Consent of KPMG  | Filed Electronically    |
| 99.1       | Press Release, dated October 13, 2014, announcing the completion of the acquisition  | Filed Electronically    |
| 99.2       | Audited financial statements of Leadtec Systems Australia Pty Ltd as of June 30, 2014 and 2013   | Filed Electronically    |
| 99.3       | Unaudited pro forma condensed combined financial statements and notes  | Filed Electronically    |



**Asset Purchase Agreement**  
**Leadtec Systems Australia Pty Ltd**  
**Advanced Barcode Solutions Pty Ltd**  
**Scott Needham**  
**Leading Technology Group Pty Ltd**  
**SPS Commerce Australia Pty Ltd**  
**SPS Commerce, Inc**

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**Annexure 3**

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**Date**

2014

**Parties**

**Leadtec Systems Australia Pty Ltd** (ABN 52 007 455 601) of Level 9, 636 St Kilda Road, Melbourne, Victoria, 3004 (“LSA”)

**Advanced Barcode Solutions Pty Ltd** (ABN 31 053 543 329) of Level 9, 636 St Kilda Road, Melbourne, Victoria, 3004

(each a “Vendor” and together, the “Vendors”)

**SPS Commerce Australia Pty Ltd** (ACN 151 021 779) of Level 17, 383 Kent Street, Sydney, New South Wales, 2000 (“SPS Australia”)

**SPS Commerce, Inc** of 333 South Seventh Street, Suite 1000, Minneapolis, MN 55402, USA (“SPS Commerce” or “Purchaser Guarantor”, as applicable)

(each a “Purchaser” and together, the “Purchasers”)

**Scott Needham** of 12 Tennyson Street, Kew, Victoria, 3101

**Leading Technology Group Pty Ltd** (ABN 34 152 056 347) of Level 9, 636 St Kilda Road, Melbourne, Victoria, 3004 (“LTG”)

(each a “Vendor Guarantor” and together, the “Vendor Guarantors”)

**Recitals**

- A The Vendors carry on the Business and own the Assets.
- B The Vendors wish to sell, convey, transfer and assign, and the Purchasers wish to purchase the Assets, on the following terms and conditions.
- C The Vendor Guarantors wish to guarantee all of the Vendors’ obligations under or in connection with this Agreement.
- D The Purchaser Guarantor wishes to guarantee all of the Purchasers’ obligations under or in connection with this Agreement.

**Operative provisions****1 Definitions and Interpretation**

- 1.1 In this Agreement, unless the context otherwise requires:

**Accounting Standards** means:

- (a) the accounting standards approved for the purposes of the Corporations Act;
- (b) the requirements of the Corporations Act for the preparation and content of financial statements, directors' reports and auditor's reports; and
- (c) the accounting standards applicable to LSA, being the generally accepted and consistently applied accounting principles, policies, practices and procedures in Australia.

**Accounts** means:

- (a) the statement of financial performance for the period of 1 July 2012 ending on 30 June 2013 and the period of 1 July 2013 ending on the Accounts Date;
- (b) the statement of financial position as at 1 July 2012 ending on 30 June 2013 and the period of 1 July 2013 ending on the Accounts Date;
- (c) the monthly reviewed balance sheet, and profit and loss accounts of the Business for each of the monthly periods from 1 July 2014 to 30 September 2014 (inclusive);
- (d) all statements, reports and notes attached to or intended to be read with the statement of performance, statement of financial position or statement of cash flows; and
- (e) all directors' declarations about those financial statements.

**Accounts Date** means 30 June 2014.

**Accounts Receivable** means all trade debts and other rights to payment arising from the operation of the Business before the Completion Date (whether or not invoiced before the Completion Date and whether or not due and payable before, on or after the Completion Date), but not paid by the Completion Date.

**Adjustment Date** means the date that is three Business Days after the date on which the Final Completion Accounts are final and binding on the parties.

**Agreement** means this asset purchase agreement.

**Assets** means the property and assets owned or used by the Vendors in the Business as at Completion including:

- (a) the Goodwill;
- (b) the Accounts Receivable;
- (c) the Plant and Equipment;
- (d) the Intellectual Property Rights;
- (e) the Computer Software;
- (f) all of the interest of the Vendors under or arising out of the Contracts;
- (g) the Property Lease;
- (h) the Books and Records;

(i) the Licences held by the Vendors, to the extent that they may be transferred to SPS Commerce; and excluding the Excluded Assets.

**Assume** means, in respect of an Assumed Liability that the Purchasers must assume, pay, carry out, perform, observe, complete and comply with, each and every obligation and Liability constituting the Assumed Liabilities in accordance with the terms and conditions applying to each of those obligations and Liabilities as if each and every one of those obligations and Liabilities were the obligation and Liability of the Purchaser.

**Assumed Liabilities** means the liabilities relating to or arising exclusively out of the operation of the Business or ownership or use of the Assets which are listed in the Final Completion Accounts including:

- (a) Debt;
- (b) the Employee Entitlements Amount transferred for the benefit of Transferring Employees under their employment with, and Assumed by SPS Australia under clauses 7.7 and 7.8;
- (c) trade creditors and other payables of the Vendors in relation to the Business or the Assets as at the Completion Date, to the extent they are included in the calculation of Working Capital.

**AUD** means Australian dollar, the lawful currency of Australia.

**AUD to USD Exchange Rate** means the closing mid rate as quoted by the Reserve Bank of Australia on 8 October 2014 (Melbourne, Australia time).

**Authorisation** means:

- (a) any authorisation, approval, licence, permit, consent, qualification, accreditation, filing, registration, certificate, resolution, direction, declaration, or exemption and any renewal or variation of them; and
- (b) for anything which a Government Agency may prohibit or restrict within a specified period after it is notified, the expiry of that period without intervention or action by that Government Agency.

**Books and Records** means originals and copies in machine readable or printed form of all registers, books, reports, correspondence, files, records, accounts, documents and other material, in the possession or control of the Vendors, about or used in connection with the Business, the Assets and/or the Transferring Employees including all:

- (a) documents of title for the Assets;
- (b) marketing, promotional and sales materials, research and information;
- (c) terms and conditions of sale, price lists and business forms;
- (d) records and information about suppliers to and customers of the Business;
- (e) instructional material;
- (f) operational and financial records;
- (g) the Retained Books and Records;

- (h) environmental assessments, reports and audits; and
- (i) employment records.

**Business** means all products and services offered, performed, or provided by LSA as at Completion, including the business carried on by LSA of supplying specialised EDI messaging, catalogue synchronisation, analytics, scan packing/logistics and VAN services.

**Business Day** means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Victoria, Australia.

**Business Names** means any business name or trade name (other than a Trade Mark) under which the Business or any part of it is carried on as at Completion, as set out in Part A of Schedule 3.

**Cash** means any cash on hand or credited to an account with a bank or other financial institution and cash equivalents (as that term is defined in the Accounting Standards) to which the Vendors are beneficially entitled.

**Claim** means any claim, cost (including legal costs on a solicitor and client basis), damages, debt, expense, Tax, Liability, loss, obligation, allegation, suit, action, demand, cause of action, proceeding or judgment of any kind however calculated or caused, and whether direct or indirect, consequential, incidental or economic.

**Collection Period** means the period of 12 months from the Completion Date.

**Company Names** means all names of companies connected or associated with the Business.

**Completion** means completion of the sale and purchase of the Assets under clause 5 of this Agreement.

**Completion Accounts** means the Working Capital statement of the Business as at the Effective Time and the Debt statement of the Business as at the Effective Time prepared in accordance with Schedule 2.

**Completion Accounts Principles** means the principles, policies and procedures set out in Part A of Schedule 2.

**Completion Date** means the date of this Agreement.

**Completion Payment Amount** means AUD14,600,000, minus the Deposit.

**Computer Software** means all originals and copies of all computer software (together with all related source code, object code, manuals and documentation) used in connection with the Business, where the IP Rights in such computer software are owned by the Vendors.

**Confidential Information** means all:

- (a) know-how, Trade Secrets, ideas, concepts, technical and operational information, arising or used by the Vendors;
- (b) information concerning the affairs or property of the Business or any business, property or transaction in which the Business may be or may have been concerned or interested;
- (c) details of the customers or suppliers to the Business;
- (d) information about the terms of this Agreement;

- (e) information about the business methods of the Vendors in the conduct of the Business; and
- (f) information which by its nature or by the circumstances of its disclosure, is or could reasonably be expected to be regarded as confidential to:
  - (i) the Vendors; or
  - (ii) any third party with whose consent or approval the Vendors use that information.

**Consequential Loss** means any loss, not arising naturally according to the usual course of things from the relevant breach, whether or not such loss may reasonably be supposed to have been in the contemplation of both parties, at the time they made the contract, as the probable cause of the relevant breach.

**Consideration** has the same meaning as in the GST Act.

**Contracted Employee means** each Employee to whom an offer of employment is made pursuant to clause 7.1(b).

**Contracts** means:

- (a) the Rental Contracts;
- (b) all contracts for the supply of services by the Vendors (including all contracts for both the sale of goods and supply of services by the Vendors and all contracts for the licensing of Intellectual Property Rights by the Vendors) in connection with the Business which are in existence and have not been fully performed (or contain ongoing licences of Intellectual Property Rights) at the Completion Date, including those agreements set out in the Disclosure Material;
- (c) the VAN Contracts;
- (d) all written purchase orders and contracts for the purchase or acquisition by the Vendors, components, supplies and other goods and services in connection with the Business which are in existence and have not been fully delivered and performed (or contain ongoing licences of Intellectual Property Rights) at the Completion Date;
- (e) those agreements of the Business entered into with sale representatives, sales agents or distributors; and
- (f) all IP Licences,

and **Contract** means any one of them but excludes:

- (g) the Property Lease;
- (h) any agreements that relate solely to an Excluded Asset;
- (i) any agreements to the extent they relate to borrowings or other financial accommodation made available to the Vendors (other than the Rental Contracts); or
- (j) any agreements which are fully performed.

**Control** means any situation where a person or persons (each a “Controlling Person”) has, or is entitled to acquire, the right or power to secure whether directly or indirectly, that the affairs of another person (“the Controlled Person”) are conducted in accordance with the wishes of the Controlling Person including, if one or more Controlling Person holds:

- (a) more than 50% of the issued shares or other securities of the Controlled Person or of the voting rights attaching to the issued shares or other securities of the Controlled Person;
- (b) the power to control the composition of any board of directors or governing body of the Controlled Person; or
- (c) the power to control, directly or indirectly, the appointment of more than 50% of any board of directors or governing body of the Controlled Person.

Without limiting this, there is attributed to any Controlling Person:

- (a) any rights or powers which another person possesses on behalf of the Controlling Person or is or may be required to exercise on the Controlling Person’s direction or behalf; and
- (b) all rights and powers of any person over which any Controlling Person alone or together with another or other Controlling Persons has control.

**Data Room** means the data room hosted by Drop Box on behalf of the Vendors to which the Purchasers and their Representatives had access to information and materials relating to the Business, the Assets and the Employees.

**Data Room Documentation** means all information and materials made available in the Data Room (in electronic copy) or provided in response to requests for information and materials made by a Purchaser or its Representatives to any Relevant Party, in each case at any time up to and including the date of this Agreement.

**Debt** means any debt of the Vendors or non-current liabilities of the Vendors Assumed by the Purchasers as at Completion as listed in the Final Completion Accounts (except to the extent that they are included in the calculation of Working Capital).

**Debtor** means a debtor of the Business as at Completion.

**Deed of Assignment of Intellectual Property** means a deed of that name to be entered into at Completion between either of the Vendors (as assignor) and SPS Commerce (as assignee) in the form set out in Annexure 2 in respect of the assignment of the registered Intellectual Property.

**Deed of Release** means each deed of the name under which each Security Interest Holder agrees to unconditionally release the relevant Assets from all Security Interests other than Permitted Security Interests.

**Deposit** means:

- (a) AUD100,000, received by the Stakeholder pursuant to the Stakeholder Deed prior to the date of this Agreement;
- (b) plus interest earned less bank fees charged on the Deposit when received by the Stakeholder and invested in an interest bearing account by the Stakeholder pursuant to the Stakeholder Deed.

**Disclosure Letter** means the letter from the Vendors to the Purchasers disclosing certain qualifications and exceptions to the Warranties, and provided to the Purchasers 3 days prior to the date of this Agreement.

**Disclosure Material** means:

- (a) this Agreement;
- (b) the Data Room Documentation;
- (c) the Accounts;
- (d) the IFRS Accounts;
- (e) the Disclosure Letter; and

written material or other written information relating to the Business, the Employees or the Assets which has been disclosed by the Vendors or its advisors on or before the date of this Agreement to the CFO of the Purchaser Guarantor, John Strenger, Boyd Johnson, Kim Nelson, Jamie Thingelstad, Charley Hackerson, Peter Zaballos, Archie Black, Jim Frome, Deb Ratelle, Briana Naescher, Christian Oppel, Ann Ducatelli, Candice Heggelund and Sanil Khatri.

**Dispute Notice** means the written notice under clause 6.3(b) of any dispute about the Completion Accounts.

**Disputed Escrow Amount** means the numbers of Escrowed Shares calculated as A in the following formula:

$$A = B/C$$

Where:

**A** means the number of Escrowed Shares;

**B** means the Pending Warranty Claim Amount; and

**C** means the means the volume-weighted average trading price of one share of SPS Common Stock on the Nasdaq stock exchange over the 30 day period ending on the Payment Date or Final Payment Date (as applicable), using the AUD to USD Exchange Rate given on the Payment Date or Final Payment Date (as applicable),

Plus, if the value of A is greater than the number of Escrowed Shares in the Escrow Account on the Payment Date or the Final Payment Date (as applicable), an amount of cash in the Escrow Account (if any) such that the value of A plus the cash in the Escrow Account equals B.

**Disputed Items** means the items and amounts in the Completion Accounts that are in dispute or any other matter in respect of which the Vendor disagrees with in relation to the Completion Accounts.

**Divest** means transfer, sell, mortgage, charge or encumber.

**Domain Names** means the registered domain names set out in Part C of Schedule 3.

**Effective Time** means 11.59 pm on the day immediately before the Completion Date.

**Employee Benefits** means wages, salary, bonuses, commissions, superannuation, insurances, payments in respect of Leave Entitlements, notice benefits, redundancy benefits, termination benefits and any other benefit or Liability (including Tax) referable to an employee's employment, period of employment, or service with the Vendors.

**Employee Entitlements Amount** means the aggregate of all accrued but untaken annual and long service leave entitlements and rostered days off of Transferring Employees for the period of the Transferring Employees' employment by LSA or any predecessor owners of the Business before the Employee Transfer Date, to the extent those entitlements are unpaid immediately prior to the Employee Transfer Date (for the avoidance of doubt, this will be the Effective Time for the Key Employees).

**Employee Service Fee** means, in respect of an individual Contracted Employee, the daily cost of that Contracted Employee including salary, wages, overtime, allowances, superannuation, and other direct costs associated with employment of that Contracted Employee multiplied by the days expended performing Employee Services by that Contracted Employee.

**Employee Services** means, in respect of each Contracted Employee, the duties performed or services provided by that Contracted Employee in respect of the Business at the Effective Time.

**Employee Transfer Date** means, in respect of an Employee, the date on which a Transferring Employee is due to commence, and will commence employment with the Purchaser, pursuant to an offer of employment made to that Employee under clause 7.1.

**Employees** means the employees of LSA engaged in the Business as listed in Part A of Schedule 5 but excludes any employee who resigns prior to the Completion Date.

**Environmental Laws** means any law about the environment, planning, building or local government and including a law about:

- (a) land use or occupation of land or buildings;
- (b) occupational health and safety;
- (c) heritage preservation, protection or conservation of natural or cultural resources;
- (d) pollution or contamination of air, water or soil;
- (e) waste disposal, treatment or storage;
- (f) chemical, toxic, hazardous, poisonous or dangerous substances;
- (g) pesticides;
- (h) noise or odour; or
- (i) a pollutant.

**Escrow Account** means the account established under clause 4.

**Escrow Agent** means The Trust Company Limited.

**Escrow Agreement** means an agreement substantially in the form of the agreement set out in Annexure 1.



**Escrowed Shares** means the number of fully paid SPS Common Stock to be allotted in part payment of the Purchase Price and calculated in accordance with clause 3.2.

**Escrowed Shares Price** means the volume-weighted average trading price of one share of SPS Common Stock on the Nasdaq stock exchange over the 30 day period ending on 8 October 2014 (Minneapolis, USA time) ("Valuation Date"), using the AUD to USD Exchange Rate given on the Valuation Date.

**Excluded Assets** means:

- (a) all and any shares or other securities in any companies held by the Vendors including but not limited to Clear Blue Water Pty Ltd;
- (b) any credit or refund of any Tax in respect of supplies made on or before the Completion Date;
- (c) cash deposits with banks or other financial institutions or on hand and all cheques and other securities representing them as at the Effective Time;
- (d) any contracts not being Contracts;
- (e) the originals of the Retained Books and Records;
- (f) leases of properties not being the Property Lease;
- (g) any fit-out at the 12 Wesley Court, Burwood East, Victoria;
- (h) any incentive receivables or credits from the landlord in respect of the premises at 12 Wesley Court, Burwood East, Victoria;
- (i) the Pronto Software Pty Ltd Partner Agreement dated the 9<sup>th</sup> day of December, 2011;
- (j) any insurance policies in favour of the Vendors in respect of the Business;
- (k) any key man or like insurances in respect of the Business; and
- (l) all sums owed at the Effective Time to the Vendors by any Vendor Associate.

**Excluded Liabilities** means the Liabilities of the Vendors in connection with the Business or ownership of the Assets:

- (a) whether arising before or after Completion;
- (b) including Liabilities arising from defects in products or parts of products supplied by the Vendors prior to Completion even if the defective products or parts are sold by the Purchasers; and
- (c) not including the Assumed Liabilities.

**Expert** means an independent firm of chartered accountants selected or nominated by the parties.

**Final Completion Accounts** means the Completion Accounts that are final and binding on the parties for the purpose of clause 6.

**Final Payment Date** means the date that is 15 months after the Completion Date.

**Financing Change Statement** has the meaning given in the PPSA.

**Goodwill** means the goodwill of the Vendors in the Business including the exclusive right of the Purchasers to represent themselves as carrying on the Business as the successor to the Vendors.

**Government Agency** means:

- (a) a government, whether foreign, federal, state, territorial or local;
- (b) a department, office or minister of a government acting in that capacity; or
- (c) a commission, delegate, instrumentality, agency, board, or other governmental, semi-governmental, judicial, administrative, monetary or fiscal authority, whether statutory or not.

**GST** means goods and services tax as defined in the GST Act or any like tax.

**GST Act** means the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

**GST Amount** means the amount equal to the GST liability that the Vendors incur in making on any Taxable Supply pursuant to this Agreement.

**Guaranteed Obligations** means each obligation of the Vendors under or in connection with this Agreement.

**IFRS Accounts** means:

- (a) the audited statement of financial performance for the period of 1 July 2012 ending on 30 June 2013 and the period of 1 July 2013 ending on the Accounts Date;
- (b) the audited statement of financial position and statement of cash flows as at 1 July 2012 ending on 30 June 2013 and the period of 1 July 2013 ending on the Accounts Date;
- (c) all statements, reports and notes attached to or intended to be read with the statement of performance, statement of financial position or statement of cash flows; and
- (d) all directors' declarations about those financial statements,  
each prepared in accordance with the International Financial Reporting Standards.

**Income Tax Assessment Act** means the *Income Tax Assessment Act 1936* (Cth) and the *Income Tax Assessment Act 1997* (Cth).

**Included Current Assets** means those items that are listed as current assets of the Business in Part B of Schedule 2, excluding any excluded Working Capital Item.

**Included Current Liabilities** means those items that are listed as current liabilities of the Business in Part B of Schedule 2, excluding any excluded Working Capital Item.

**Insolvency Event** means:

- (a) for any body corporate, the happening of one or more of the following events:
  - (i) except for the purpose of a solvent reconstruction or amalgamation which has the prior written consent of the other parties:

- (A) process is filed in a court seeking an order that it be wound up or that a Controller be appointed to it or any of its assets, unless the application is withdrawn, struck out or dismissed within seven days of it being filed; or
  - (B) an order is made that it be wound up or that a Controller be appointed to it or any of its assets; or
  - (C) a resolution that it be wound up is passed or proposed;
- (ii) a liquidator, provisional liquidator, Controller or any similar official is appointed to, or takes possession or control of, all or any of its assets or undertaking;
  - (iii) an administrator is appointed to it, a resolution that an administrator be appointed to it is passed or proposed, or any other steps are taken to appoint an administrator to it;
  - (iv) it enters into, or resolves to enter into, an arrangement, compromise or composition with any of, or any class of, its creditors or members, or an assignment for the benefit of any of, or any class of, its creditors, or process is filed in a court seeking approval of any such arrangement, compromise or composition;
  - (v) a reorganisation, moratorium, deed of company arrangement or other administration involving one or more of its creditors is proposed or effected;
  - (vi) any action is taken by ASIC with a view to its deregistration or its dissolution, or an application is made to ASIC that any such action be taken;
  - (vii) it is insolvent within the meaning of section 95A of the Corporations Act, as disclosed in its accounts or otherwise, states that it is unable to pay its debts or is presumed to be insolvent under any applicable law;
  - (viii) as a result of the operation of section 459F(1) of the Corporations Act, it is taken to have failed to comply with a statutory demand;
  - (ix) it stops or suspends or threatens to stop or suspend the payment of all or a class of its debts or the conduct of all or a substantial part of its business;
  - (x) any event or circumstance set out in section 461 of the Corporations Act occurs in relation to it; or
  - (xi) anything having a substantially similar effect to any of the events specified in paragraphs (i) to (x) inclusive happens to it under the law of any jurisdiction;
- (b) for any individual, the happening of one or more of the following events:
    - (xii) the person has a bankruptcy notice issued against the person;
    - (xiii) a receiver or a trustee for creditors or in bankruptcy is appointed to any of the person's property;
    - (xiv) a garnishee notice is given concerning any money that the person is said to be owed;

- (xv) the person proposes or enters into an arrangement or composition with, or an assignment for the benefit of, any of the person's creditors;
- (xvi) the person proposes or effects a moratorium involving any of the person's creditors;
- (xvii) the person stops or suspends, or threatens to stop or suspend, the payment of all or a class of its debts or the conduct of all or a substantial part of its business;
- (xviii) the person is unable to pay all of the person's debts as they fall due or is presumed to be insolvent under any applicable law;
- (xix) the person becomes an "insolvent under administration" as defined in section 9 of the Corporations Act;
- (xx) anything having a substantially similar effect to any of the events specified in paragraphs (xii) to (xix) inclusive of this definition happens to the person under the law of any jurisdiction; or

the person dies, is imprisoned or becomes incapable of managing his or her own affairs.

**Intellectual Property Rights** means all rights of the Vendors in or to:

- (a) the Business Names;
- (b) the Trade Marks;
- (c) the Domain Names;
- (d) the Patents;
- (e) the IP Licences;
- (f) any Trade Secrets;
- (g) the Confidential Information; and
- (h) all other IP Rights, owned or used by the Vendors (whether within or outside Australia) in connection with the operation of the Business or ownership or use of the Assets.

**Interest Rate** means the 90 day bank bill swap rate plus 2%.

**IP Licences** means all licences granted to the Vendors for Intellectual Property Rights including:

- (a) the Trade Mark Licence Agreements; and
- (b) the licences for the Licensed Software.

**IP Rights** means all rights in or to any copyright, database, patent, design, utility model, trade mark (including any rights in get up or trade dress), brand name, service mark, trade name, domain name, business name, eligible layout right, chip topography right, plant breeder's right, know-how, Trade Secret, confidential information and any other rights of a proprietary nature in or to the results of intellectual activity in the industrial, commercial, scientific, literary or artistic fields, whether registered, registrable, patentable or not and wherever existing in the world, including all renewals, extensions and revivals of, and all rights to apply for, any of the foregoing rights.

**Key Employees** means each of the Employees listed in Part B of Schedule 5.

**Last Employee Transfer Date** means 9:00 am (Melbourne, Australia time) on the date that is 6 days after the Completion Date, or such other earlier date as agreed between the parties.

**Leasehold Property** means the property detailed in Schedule 4 and all improvements to that property.

**Leave Entitlements** means annual leave, personal (sick and carer's) leave, compassionate leave, parental leave, long service leave, rostered days off, time in lieu and any other type of statutory or authorised leave.

**Letter of Intent** means the non-binding letter of intent sent to LSA from the Vendor Guarantor dated 14 July 2014.

**Liabilities** means all liabilities, whether actual or contingent, present or future, quantified or unquantified or incurred jointly or severally with any other person.

**Licences** means all Authorisations held by the Vendors for the Business which are necessary to conduct the Business or complete this Agreement.

**Licensed Software** means all software used by the Vendors in the Business, but only where the IP Rights in such software are not owned by the Vendors, including:

- (a) all software licensed by the Vendors from third parties for use in the Business; and
- (b) all software licensed by the Vendors from third parties and sub-licensed and distributed to customers of the Business.

**Management Accounts** means the monthly unaudited management balance sheet, profit and loss and cash flow accounts of the Business for each of the monthly periods from 1 July 2014 to the most recent month ending prior to Completion (inclusive).

**Moral Rights** has the meaning given under the *Copyright Act 1968* (Cth) and also includes any personal right, wherever existing in the world, protecting an author's intellectual and personal relations to a work and includes those rights contemplated by Articles 6bis and 14ter of the Berne Convention.

**Non-Transferring Employee** means an Employee who is not made, or who does not accept an offer of employment with SPS Australia in connection with clause 7 of this Agreement.

**Open Source Software** means any software, code, programming or other content ("Technology") licensed from a third party (or derived from or developed with such third party materials) under terms that may require the human readable source code of the Technology (or any part of it) to be made publicly available or that may require the Technology (or any part of it) to be licensed under terms that allow for the modification of the Technology (or any part of it) by future licensees. This includes, any Technology which is Open Source Initiative certified or is licensed or developed pursuant to the following agreements: the GNU General Public License; the GNU Library or Lesser General Public License (LGPL); the BSD License (including both the BSD 3-Clause "New" or "Revised" license and the BSD 2-Clause "Simplified" or "FreeBSD" license); the Mozilla Public License (including the Mozilla Public License 2.0); the Apache License (including the Apache License 2.0); the MIT license; the Common Development and Distribution License; the Eclipse Public License; and any other licence for open source software which has been approved by the Open Source Initiative.

**Patents** means the patents listed in Part D of Schedule 3.

**Payment Date** means that date that is 9 months after the Completion Date.

**Pending Warranty Claim** means a Warranty Claim made on or before the Payment Date or the Final Payment Date (as applicable) by the Purchasers against the Vendors in accordance with this Agreement, which is not yet Settled or Determined on the Payment Date or the Final Payment Date.

**Pending Warranty Claim Amount** means the Purchasers' reasonable estimate of the amount of the loss or damage, if any, arising out of a Pending Warranty Claim.

**Permitted Security Interest** means:

- (a) a lien or charge, including any mechanics', workmen's or other like lien, arising by operation of law or in the ordinary course of business, unless there is a default in payment of money secured by that lien or charge;
- (b) any retention of title or consignment arrangement; and
- (c) a PPS Lease.

**Personal Information** has the meaning given to that term in the *Privacy Act 1988* (Cth).

**Plant and Equipment** means all fixed and loose plant, equipment, machinery, furniture, fixtures and fittings, computer hardware, vehicles, and all other tangible assets owned by/used in the Business by the Vendors as set out in Schedule 8.

**PPS Register** means the register of personal property and securities established and maintained by the Registrar under the PPSA.

**PPS Lease** has the meaning given to the term "PPS Lease" in the PPSA.

**PPSA** means the *Personal Property Securities Act 2009* (Cth).

**Property** means the Leasehold Property.

**Property Lease** means the Lease and licences held for the Leasehold Property.

**Purchase Price** means:

- (a) the Completion Payment Amount;
- (b) plus the amount by which Working Capital exceeds the Target Working Capital or minus the amount by which Working Capital falls short of the Target Working Capital, as applicable;
- (c) plus a minimum of, but not exceeding, AUD2,600,000 being the value of the Escrowed Shares, calculated in accordance with the terms of this Agreement;
- (d) less Debt;
- (e) less the Employee Entitlements Amount (except to the extent that the Employee Entitlements are included in the calculation of Working Capital).

**Purchaser Guaranteed Obligations** means each obligation of the Purchasers under or in connection with this Agreement.

**Purchaser Warranties** has the meaning given in clause 19.1.

**Recurring Customer** means a customer of the Business which is party to a Recurring Customer Agreement on the date of Completion.

**Recurring Customer Agreement** means an agreement between a Recurring Customer and SPS Commerce or the Vendors in relation to services provided by the Business.

**Recurring Customer Revenue** means, in relation to a particular Recurring Customer, the revenue from fees paid by that Recurring Customer (excluding any one-time fees) to either of the Vendors for services provided by the Business in the 12 months prior to Completion, as calculated by the Purchasers pursuant to clause 10.6, and excludes any non-recurring revenue.

**Related Body Corporate** has the same meaning as in section 50 of the *Corporations Act 2001* (Cth).

**Relative** has the same meaning as in the Income Tax Assessment Act.

**Relevant Party** means any of the Vendors and their Representatives.

**Relevant Schemes** means all superannuation schemes, retirement benefit schemes or other pension schemes or arrangements:

- (a) to which the Vendors are a party in the conduct of the Business; or
- (b) which the Vendors make available or obtains for their officers or employees or former officers or employees of the Business;

and **Relevant Scheme** means any one of them.

**Rental Assets** means assets in the possession or control of and/or owned or used by the Vendors in the Business (other than the Leasehold Property and Licensed Software) which are the subject of the Rental Contracts.

**Rental Contracts** means all lease, rental, hire purchase, credit sale or similar agreements to which any of the Rental Assets is subject.

**Representative** of a party includes an officer, employee, agent, auditor, adviser, financier (including syndicatees), insurance broker, partner, associate, consultant, joint venturer or sub-contractor of that party or of a Related Body Corporate of that party.

**Retained Books and Records** means all Books and Records which the Vendors are required to retain by law.

**Security Interest** means an interest in an asset which provides security for, or protects against default by, a person for the payment or satisfaction of a debt, obligation or liability including a mortgage, charge, bill of sale, pledge, deposit, lien, encumbrance, hypothecation, or arrangement for the retention of title or any other arrangement under which money or claims to, or the benefit of, a bank or other account may be applied, set-off or made subject to a combination of Accounts.

**Security Interest Holder** means a holder of a Security Interest (other than a Permitted Security Interest) over the Assets.

**Settled or Determined** means an agreement in writing signed by either of the Vendors and the Purchasers in respect of one or more relevant Warranty Claims or other matter, and a determination shall mean (i) a final determination by the Expert; or (ii) a judgement of the Federal Court of Australia or courts of Victoria, Australia.

**Software** means the Computer Software and the Licensed Software.

**SPS Common Stock** means ordinary shares in the capital of SPS Commerce, Inc.

**Stakeholder** means Rigby Cooke Lawyers ABN 58 552 536 547.

**Stakeholder Deed** means the escrow deed dated 17 July 2014 between LSA, the Purchaser Guarantor and the Stakeholder.

**Sub-lease and Licence** means the sub lease and licences for the property known as 12 Wesley Court, Burwood East and in the form of the agreement set out in Annexure 4.

**Supply** has the same meaning as in the GST Act.

**Target Working Capital** means negative AUD100,000.

**Tax** means a tax, levy, charge, impost, deduction, withholding or duty of any nature (including stamp and transaction duty and GST, value added or similar tax) at any time:

- (a) imposed or levied by any Government Agency; or
- (b) required to be remitted to, or collected, withheld or assessed by, any Government Agency; and

any related interest, expense, fine, penalty or other charge on those amounts.

**Tax Invoice** has the same meaning as in the GST Act.

**Tax Warranties** means the representations, warranties and covenants made by the Vendors at clause 9 of Schedule 1 and "Tax Warranty" means any one of them.

**Taxable Supply** has the same meaning as in the GST Act.

**Third Party Interest** means any Security Interest, lease, license, option, voting arrangement, easement, covenant, notation, restriction, interest under any agreement, interest under any trust, or other right, equity, entitlement or other interest of any nature held by a third party.

**Trade Mark Licence Agreements** means those trade mark licence agreements, registered user agreements or appointments held for the Trade Marks.

**Trade Marks** means the trade marks, service marks, brand names, or rights about the get up or trade dress of any product, packaging or outlet, logos, slogans and similar rights owned, whether registered or not, used or licensed for use by the Vendors in connection with the goods and/or services made available by the Business, including but not limited to those listed in Part B of Schedule 3.

**Trade Secrets** means all confidential business information which provides the Business with a competitive edge, including but not limited to those confidential business processes, methods, practices or commercial secrets set out in Part H of Schedule 3.

**Transfer Notice** means a written notice substantially in the form set out in schedule 2 of the Escrow Agreement, executed in accordance with the terms of this Agreement.



**Transferring Employees** means Employees who accept SPS Australia's offer of employment and are to be engaged by SPS Australia from the Completion Date.

**Transition Services** means the provision of James Rowland to provide services to SPS Australia at SPS Australia's direction, and such other services as may be agreed between the Vendors and the Purchaser after Completion.

**Transition Service Fee** means, in respect of the Employee of LSA who is supplying the Transition Services, the daily cost of that Employee including salary, wages, overtime, allowances, superannuation, and other direct costs associated with employment of that Employee multiplied by the days expended performing Transition Services by that Employee of LSA.

**Undisputed Escrow Amount** means the value of the Escrowed Shares and cash in the Escrow Account (if any) that exceeds the Pending Warranty Claim Amount.

**USD** means United States dollar.

**VAN Contracts** means all agreements, including interconnect and direct connect agreements with all value added networks, including but not limited to the contracts listed in Schedule 7.

**Vendor Associate** means:

- (a) any Related Body Corporate of the Vendors;
- (b) any director, secretary, chief executive officer of the Vendors;
- (c) any Relative of the Vendors or any person described in sub-clause (b); or
- (d) any corporation or other entity over which the Vendors or any one or more of the persons described in sub-clauses (a), (b) or (c) have Control.

**Vendor Guarantor Warranties** means the warranties given by the Vendor Guarantors and set out in Part B of Schedule 1.

**Warranties** means the representations, warranties and covenants made by the Vendors under clause 17 and "Warranty" means any one of them.

**Warranty Claim** means any Claim by the Purchasers (or any person making a Claim through or on behalf of the Purchaser) against the Vendors for breach of any of the warranties or under any of the indemnities under this Agreement.

**Working Capital** means, as at the Effective Time, the extent to which the Included Current Assets (excluding Cash) exceeds the Included Current Liabilities (including deferred revenue liabilities), as shown in the Final Completion Accounts and calculated in the manner set out in Part B of Schedule 2.

1.2 In this Agreement, unless the context otherwise requires:

- (a) a reference:
  - (i) to the singular includes the plural and vice versa;
  - (ii) to a gender includes all genders;
  - (iii) to a document (including this Agreement) is a reference to that document (including any Schedules and Annexures) as amended, consolidated, supplemented, novated or replaced;

- (iv) to an agreement includes any deed, agreement or legally enforceable arrangement or understanding whether written or not;
- (v) to parties means the parties to this Agreement and to a party means a party to this Agreement;
- (vi) to a notice means all notices, approvals, demands, requests, nominations or other communications given by one party to another under or in connection with this Agreement;
- (vii) to a person (including a party) includes:
  - (A) an individual, company, other body corporate, association, partnership, firm, joint venture, trust or Government Agency;
  - (B) the person's successors, permitted assigns, substitutes, executors and administrators; and
  - (C) a reference to the representative member of the GST group to which the person belongs to the extent that the representative member has assumed rights, entitlements, benefits, obligations and liabilities which would remain with the person if the person were not a member of a GST group;
- (viii) to a law:
  - (A) includes a reference to any constitutional provision, subordinate legislation, treaty, decree, convention, statute, regulation, rule, ordinance, proclamation, by-law, judgment, rule of common law or equity or rule of any applicable stock exchange;
  - (B) is a reference to that law as amended, consolidated, supplemented or replaced; and
  - (C) is a reference to any regulation, rule, ordinance, proclamation, by-law or judgment made under that law;
- (ix) to proceedings includes litigation, arbitration and investigation;
- (x) to a judgement includes an order, injunction, decree, determination or award of any court or tribunal;
- (xi) to time is a reference to Melbourne time;
- (b) a reference to the words "always" or "at all times" means the period of 6 years prior to the Effective Time;
- (c) headings are for convenience only and are ignored in interpreting this Agreement;
- (d) a warranty, representation, covenant, or obligation given or entered into by more than one person binds them jointly and severally;
- (e) if a period of time is specified and dates from, after or before, a given day or the day of an act or event, it is to be calculated exclusive of that day;
- (f) if a payment or other act must (but for this clause) be made or done on a day which is not a Business Day, then it must be made or done on the next Business Day;

- (g) the word “including” or “includes” means “including but not limited to” or “including without limitation”;
- (h) where a word or phrase is defined, its other grammatical forms have a corresponding meaning; and
- (i) this Agreement must not be construed adversely to a party solely because that party or its solicitors were responsible for preparing it.

#### **Awareness of the Purchasers and Purchaser Guarantor**

- 1.3 In this Agreement, unless the context otherwise requires, a reference to the awareness of the Purchasers or the Purchaser Guarantor:
  - (a) in relation to clause 17.5, means the actual knowledge, having made reasonable enquiry, of John Strenger, Jamie Thingelstad, Boyd Johnson, Kim Nelson, Charley Hackerson, Candice Heggelund and Sanil Khatri; and
  - (b) in relation to clauses 9.4(a) and 22.7, means the actual knowledge, having made reasonable enquiry, of John Strenger, the Director of Business Development of the Purchaser Guarantor, Kim Nelson, the CFO of the Purchaser Guarantor, Boyd Johnson, the General Counsel of the Purchaser Guarantor, Charley Hackerson, the Vice President of Asia Pacific of the Purchaser Guarantor and Angela Hariohoedojo, the General Manager of Asia Pacific of the Business, or such other persons who hold the positions or are employed in roles that are substantially similar to those positions listed above from time to time.

#### **Payments**

- 1.4 Unless the context otherwise requires, where an amount is required to be paid to a party or the Escrow Agent (“the Receiving Party”) by another party (“the Paying Party”) under this Agreement, that amount must be paid by credit of cleared funds to a bank account set out in the written direction of the Receiving Party if that written direction is received by the Paying Party at least 2 Business Days before the date upon which payment of the amount is due.

## **2 Sale and purchase of Assets**

#### **Sale and purchase**

- 2.1 The Vendors sell and deliver to the Purchasers and the Purchasers purchase and accept the Assets free from Third Party Interests, for the Purchase Price on the terms and conditions contained in this Agreement.

#### **Property and risk to pass**

- 2.2 Title to and risk in the Assets will pass to the Purchasers on Completion.

#### **Allocation of Assets between Purchasers**

- 2.3 Pursuant to the terms of this Agreement, and for the avoidance of doubt:
  - (a) SPS Commerce will purchase the following property and assets owned or used by the Vendors in the Business as at Completion:
    - (i) the Goodwill;

- (ii) the Accounts Receivable;
  - (iii) the Plant and Equipment;
  - (iv) the Intellectual Property Rights;
  - (v) the Computer Software;
  - (vi) all of the interest of the Vendors under or arising out of the Contracts;
  - (vii) the Books and Records; and
  - (viii) the Licences held by the Vendors, to the extent that they may be transferred to SPS Commerce;
- (b) SPS Australia will purchase the Property Lease and will offer employment to those Employees it wishes to employ; and
- (c) neither of the Purchasers will purchase any of the Excluded Assets.

**More than one Vendor**

- 2.4 The Liability of each Vendor under this Agreement is joint and several.
- 2.5 Any payment to be made by the Purchasers to the Vendors will be paid to LSA. For the avoidance of doubt, the Purchasers' obligation to the Vendors to pay the Purchase Price is satisfied by payment of the Purchase Price to and as directed by LSA.
- 2.6 The parties acknowledge and agree that:
- (a) LSA is irrevocably approved and appointed to act on behalf of the Vendors for the purposes of this Agreement including to issue all notices, communications or directions for and on behalf of the Vendors; and
  - (b) any requirement or obligation in this Agreement to:
    - (i) seek the consent of the Vendors;
    - (ii) give any notice or communication to the Vendors; or
    - (iii) deliver any item to the Vendors;

will be satisfied by the Purchasers seeking such consent, giving such notice or communication or delivering such items to LSA.

**More than one Purchaser**

- 2.7 The parties acknowledge and agree that:
- (a) SPS Commerce is irrevocably approved and appointed to act on behalf of the Purchasers for the purposes of this Agreement including to issue all notices, communications or directions for and on behalf of the Purchasers; and
  - (b) any requirement or obligation in this Agreement to:
    - (i) seek the consent of the Purchasers;
    - (ii) give any notice or communication to the Purchasers; or
    - (iii) deliver any item to the Purchasers;

will be satisfied by the Vendors seeking such consent, giving such notice or communication or delivering such items to SPS Commerce.

### Going concern

- 2.8 Solely for Tax purposes, the Vendors and Purchasers agree that the Supply made under this Agreement is of a going concern as defined in the GST Act.

## 3 Payment of Purchase Price

### Purchase Price

- 3.1 The total price for the Assets to be paid by the Purchasers to the Vendors is the Purchase Price.

### Escrowed Shares

- 3.2 The Purchaser Guarantor will allot to LSA at Completion, in part payment of the Purchase Price, the number of fully paid SPS Common Stock (excluding fractions) nearest to, but not less than, A in the following formula:

$$A = B/C$$

Where:

B means AUD2,600,000; and

C means the Escrowed Shares Price.

- 3.3 The Escrowed Shares will rank pari passu in all respects with the existing SPS Common Stock.
- 3.4 No fraction of a share of SPS Common Stock will be issued pursuant to this Agreement. LSA shall receive in lieu of a fraction of a share of SPS Common Stock, an amount of cash (rounded to the nearest whole cent, with 0.5 being rounded up) equal to the product of:
- (a) the fraction of the share;  
multiplied by:
- (b) the Escrowed Shares Price,  
from the Purchasers.

## 4 Escrow Account for Escrowed Shares

- 4.1 SPS Australia and LSA must appoint the Escrow Agent prior to the Completion Date and procure that:

- (a) the share certificates for the Escrowed Shares; and  
(b) a blank share transfer form in respect of the Escrowed Shares executed by LSA,

be held on trust by the Escrow Agent until either the Payment Date, or the Final Payment Date, in accordance with the terms of the Escrow Agreement.

- 4.2 LSA must not:
- (a) Divest the Escrowed Shares until the date that is 6 months after the Completion Date; and
  - (b) after the date that is 6 months after the Completion Date, Divest more than one tranche of Escrowed Shares per month.
- 4.3 If, after the date that is 6 months after the Completion Date, LSA notifies the Purchasers in writing that it would like to Divest all or a portion of the Escrowed Shares (“Share Sale Notification”), SPS Australia and LSA must, within 5 days of LSA delivering the Share Sale Notification to the Purchasers, deliver to the Escrow Agent an executed Transfer Notice, containing instructions to the Escrow Agent to release the number of Escrowed Shares set out in the Share Sale Notification to be Divested by LSA.
- 4.4 LSA must immediately deposit any sale proceeds from the sale of the Escrowed Shares pursuant to clause 4.3 into the Escrow Account, and such amounts must remain in the Escrow Account until the Final Payment Date.
- 4.5 At any time prior to the Final Payment Date, if:
- (a) a Warranty Claim has been settled or determined;
  - (b) a payment is due to the Purchasers pursuant to clause 10.1; or
  - (c) a payment is due to the Purchasers pursuant to clause 11.3,
- and:
- (d) there is cash in the Escrow Account, SPS Australia and LSA jointly, must within 5 days deliver to the Escrow Agent an executed Transfer Notice instructing the Escrow Agent to pay cash to the Purchasers equal to the amount required to satisfy the relevant liability of the Warranty Claim; or
  - (e) there is no cash in the Escrow Account:
    - (i) the Purchasers must notify LSA of its intention to Divest the number of Escrowed Shares required to satisfy the amount of the Warranty Claim or the payment due to the Purchasers pursuant to clauses 10.1 and 11.2;
    - (ii) SPS Australia and LSA must, within 5 days of the Purchasers notifying LSA pursuant to clause 4.5(e)(i), deliver to the Escrow Agent an executed Transfer Notice, instructing the Escrow Agent to release the share certificate and the blank share transfer form from the Escrow Account to the Purchasers, to permit the Purchasers to Divest the number of the Escrowed Shares with a value equal to the amount of the Warranty Claim or the payment due to the Purchasers pursuant to clauses 10.1 and 11.2 (“Sale Shares”);
    - (iii) the Purchasers must Divest the Sale Shares and receive the funds received from the Divestment as settlement in full for the Warranty Claim or the payment due to the Purchasers pursuant to clauses 10.1 and 11.2.
- 4.6 Where the Purchasers are owed an amount from LSA to satisfy a Warranty Claim, or a payment is due to the Purchasers pursuant to clauses 10.1 or 11.2, and that amount cannot be satisfied by cash in the Escrow Account or the Divestment of Escrowed Shares in the Escrow Account pursuant to clause 4.5(e), the Purchasers will not be limited to the Escrow Account and may receive a direct payment from the Vendors.

- 4.7 On the Payment Date, if the total of all Pending Warranty Claim Amounts is less than AUD1,300,000, SPS Australia and LSA jointly must, within 5 days deliver to the Escrow Agent an executed Transfer Notice instructing the Escrow Agent to release Escrowed Shares and/or cash (to the extent that cash is in the Escrow Account) with a value equal to AUD1,300,000 to the Vendors.
- 4.8 For the avoidance of doubt, if the total of all Pending Warranty Claim Amounts on the Payment Date is more than AUD1,300,000, no amount of Escrowed Shares or cash will be released from the Escrow Account to the Vendors in accordance with clause 4.7.
- 4.9 On the Final Payment Date, SPS Australia and LSA jointly must within 5 days deliver to the Escrow Agent an executed Transfer Notice, instructing the Escrow Agent to release the balance of the Escrowed Shares and the cash (if any) remaining in the Escrow Account that exceeds the total of all Pending Warranty Claim Amounts to the Vendors.
- 4.10 Following the date that any Pending Warranty Claim is Settled or Determined for an amount less than the amount reserved for a Pending Warranty Claim, SPS Australia and LSA jointly must within 5 days, deliver to the Escrow Agent an executed Transfer Notice, instructing the Escrow Agent to:
- (a) if there is cash in the Escrow Account, pay cash to the Purchasers equal to the amount required to satisfy the Settled or Determined Pending Warranty Claim; or
  - (b) if there is no cash in the Escrow Account, release the share certificate and the blank share transfer form from the Escrow Account to the Purchasers, to permit the Purchasers to Divest the number of the Escrowed Shares with a value equal to the amount required to satisfy the Settled or Determined Pending Warranty Claim and receive the funds received from the Divestment as settlement in full for the amount required to satisfy the Settled or Determined Pending Warranty Claim; and
  - (c) release to the Vendors the amount of Escrowed Shares and cash (if any) remaining in the Escrow Account that equals the difference between the amount reserved for such Settled or Determined Pending Warranty Claim and the amount required to satisfy such Settled or Determined Pending Warranty Claim.
- 4.11 If either of LSA or SPS Australia fails to execute the Transfer Notice in accordance with this Agreement either LSA or SPS Australia may give written notice to the other parties of its intention to rely on clause 4.12.
- 4.12 At the expiration of the 5 day notice period referred to in this clause 4, the Transfer Notice may be signed by either of LSA or SPS Australia, and it will constitute a valid Transfer Notice for the purposes of this Agreement.
- 4.13 Any bank or other charges arising in the Escrow Account and expenses of the Escrow Agent shall be paid by the Purchasers.
- 4.14 Where cash is paid to the Purchasers pursuant to clause 4, the cash deducted shall be in full and final settlement of the Warranty Claim in question.
- 4.15 For the purposes of this clause 4, settlement shall mean an agreement in writing signed by LSA and a Purchaser in respect of one or more relevant Warranty Claims, and a determination shall mean (i) a final determination by the Expert; or (ii) a judgement of the Federal Court of Australia or courts of Victoria, Australia.

**Cross Indemnity**

- 4.16 Each of LSA and SPS Australia (“Indemnifying Party”) indemnify and agree to keep indemnified the other (“Innocent Party”) for any claim, loss, liability, cost or expense suffered by the Innocent Party relating to any Claim which relates to or arises in any way from any conduct, act, default or omission of the Indemnifying Party in respect of the Escrow Agreement.

**5 Completion****Time and place of Completion**

- 5.1 Completion must take place at the offices of the Stakeholder on the Completion Date, or at such other place as the parties may agree.

**Obligations of the Purchasers on Completion**

- 5.2 At Completion the Purchasers must:
- (a) pay to the Vendors the Completion Payment Amount;
  - (b) deliver to the Escrow Agent the share certificates for the Escrowed Shares;
  - (c) deliver to the Vendors as required counterparts of documents referred to in clause 5.3(a), if required to be executed by a Purchaser;
  - (d) deliver to the Vendors a copy of an extract of the minutes of the meeting of the board of directors of each of the Purchasers approving the purchase of the Assets on the terms of this Agreement and if necessary, authorising the Purchasers’ representative or attorney to execute it for and on behalf of that Purchaser;
  - (e) execute and deliver to the Escrow Agent the Escrow Agreement;
  - (f) execute and deliver to LSA the Sub-lease and Licence; and
  - (g) perform all other obligations to be performed by it on Completion under any other clause of this Agreement.

**Obligations of the Vendors on Completion**

- 5.3 At Completion the Vendors must:
- (a) deliver to the Purchasers:
    - (i) a form of transfer in favour of SPS Commerce for each Domain Name, in duly registrable form, together with any approvals or consents which are necessary to enable SPS Commerce to use and be registered as the registrant of the Domain Name;
    - (ii) the Deed of Assignment of Intellectual Property, together with any approvals or consents which are necessary to enable SPS Commerce to use and be registered as the owner of the Intellectual Property;



- (iii) originals of all documents of title for all Intellectual Property Rights and any forms necessary to record SPS Commerce as the owner of the Intellectual Property Rights and register the change of ownership of the Intellectual Property Rights (other than the Business Names, Domain Names and Trade Marks);
- (iv) for the Business Names:
  - (A) forms of transfer of and originals of all documents of title for each Business Name for each State and Territory in which it is registered; and
  - (B) any consents which are necessary to enable SPS Commerce to use, and to be registered as owner of the Business Names;
- (v) in principle written consent of the lessor to the assignment of the Property Lease to SPS Australia and the Rental Contracts to SPS Commerce, and any other third party whose consent the Purchasers reasonably require in connection with the sale or assignment of the Assets to the Purchasers, those consents to be on terms reasonably satisfactory to the Purchasers;
- (vi) transfer of ownership forms, certificates of registration and other documents of title for any motor vehicles forming part of the Plant and Equipment;
- (vii) employment agreements in a form acceptable to the Purchasers executed by the Key Employees;
- (viii) the Deeds of Release duly executed by each Security Interest Holder;
- (ix) any other assignments and documents the Purchasers reasonably require to transfer the Assets to the Purchasers free of all Third Party Interests (and achieve registration where applicable);
- (x) executed and stamped originals of all Contracts;
- (xi) any other document reasonably required by the Purchasers to evidence the title of the Vendors to the Assets;
- (xii) possession of the Property, Plant and Equipment, Computer Software, Books and Records (excluding the Retained Books and Records), Rental Assets, Licensed Software, Confidential Information and any other Assets of which physical possession must pass;
- (xiii) certified copies of those of the Retained Books and Records as the Purchasers reasonably require;
- (xiv) all keys to the Property;
- (xv) a copy, on USB or CD Rom, of the Data Room Documentation;
- (xvi) a certified copy of an extract of the minutes of general meetings of the companies known by the Company Names at which special resolutions have been passed changing the names of those companies to names not including the word "Leadtec" or any similar word or words;
- (xvii) any consents of the Vendors and Vendor Associates the Purchasers require to use those words in their own name;

- (xviii) certified copies of written resolutions of the board of directors of each of the Vendors approving the sale of the Assets on the terms of this Agreement and authorising Scott Needham to execute it for and on behalf of the Vendors;
  - (xix) a certified copy of a written resolution of the board of directors of LTG approving its entry into this Agreement as a Vendor Guarantor and authorising Scott Needham to execute it for and on behalf of LTG;
  - (xx) executed forms of transfer in favour of SPS Commerce of the existing telephone, email addresses, FTP sites and facsimile services used by the Business;
- (b) execute and deliver to the Purchasers the Sub-lease and Licence;
  - (c) execute and deliver to the Escrow Agent the Escrow Agreement; and
  - (d) do all other things which are required by this Agreement to be done by the Vendors at Completion, or which are reasonably required by the Purchasers, to give to the Purchasers the full possession and benefit of the Assets.

#### **Non-compliance by the Vendors or Purchasers**

- 5.4 If the Vendors or the Purchasers have not complied with any of the material provisions of clause 5.2 or 5.3 on the Completion Date, the non defaulting party may at its option:
- (a) defer Completion for up to 28 days after the Completion Date (in which event the provisions of this clause 5.4 will apply to the deferred Completion); or
  - (b) proceed with Completion so far as is practical without effecting to its rights under this Agreement; or
  - (c) terminate this Agreement by notice to the defaulting party.

## **6 Completion Accounts**

### **Preparation and review of Completion Accounts**

- 6.1 Within 90 Business Days after Completion, the Purchasers must prepare the Completion Accounts in the form set out in Part B of Schedule 2 and in accordance with the Completion Accounts Principles, and provide a copy, together with copies of the working papers relating to the preparation of the Completion Accounts, to LSA.
- 6.2 The Purchasers must, pursuant to its preparation of the Completion Accounts in accordance with clause 6.1, instruct its accountant to calculate the amounts for Working Capital and Debt.
- 6.3 Within 15 Business Days after the Purchasers provide a copy of the Completion Accounts to LSA under clause 6.1, LSA may:
- (a) accept those Completion Accounts by notice to the Purchasers, in which case those Completion Accounts will constitute the Final Completion Accounts; or
  - (b) dispute the correctness of those Completion Accounts by issuing a Dispute Notice to the Purchasers setting out in reasonable detail the basis of the dispute and the Disputed Items and the proposed amendments to the Completion Accounts required to resolve the Disputed Items.

- 6.4 If LSA neither accepts the Completion Accounts nor disputes the correctness of the Completion Accounts, in each case in accordance with clause 6.3, the Completion Accounts provided under clause 6.1 will constitute the Final Completion Accounts.
- 6.5 The cost of preparing the Completion Accounts under clause 6.1 will be borne by the Purchasers.

### **Dispute**

- 6.6 If LSA issues a Dispute Notice under clause 6.3(b), the Purchasers and LSA must negotiate in good faith and use all reasonable endeavours to resolve the Disputed Items and agree upon the form and content of the Completion Accounts within 10 Business Days after the issue of a Dispute Notice and those agreed Completion Accounts will constitute the Final Completion Accounts.
- 6.7 If the Disputed Items are not resolved and the form and content of the Completion Accounts is not agreed in the period referred to in clause 6.6, the Purchasers and LSA must appoint an Expert and promptly (and in any case within three Business Days of its appointment) refer the Disputed Items to the Expert for determination.
- 6.8 The Expert must be selected by agreement between the Purchasers and LSA or, failing agreement within five Business Days after the Purchasers or LSA first request the appointment of an Expert, as nominated by the President for the time being of the Law Institute of Victoria.
- 6.9 The Expert must be directed by the Purchasers and LSA to settle any Disputed Items within 20 Business Days of its appointment by:
- (a) applying the Completion Accounts Principles;
  - (b) having regard to any written submissions made to the Expert by the Purchasers, LSA or their respective Representatives. Unless otherwise agreed by the Expert, all submissions must be provided to the Expert within 10 Business Days of its appointment;
  - (c) making any enquiries or inspections as the Expert considers in its absolute discretion to be necessary or desirable; and
  - (d) determining only whether the proposed amendments to the Completion Accounts set out in the Dispute Notice are correct in whole or in part and providing a report of its determination and a copy of the Completion Accounts amended, if necessary, to reflect its determination, to the Purchasers and the Vendors and those Completion Accounts will constitute the Final Completion Accounts.
- 6.10 The Purchasers and LSA must procure that all records, working papers and other information within their possession or under their control relating to the Assets or the Business as may be required by the Expert for the purposes of settling any Disputed Items, are made available upon the request of the Expert.

### **Determination of Expert**

- 6.11 In making its determination the Expert will act as an expert and not as an arbitrator.

- 6.12 The determination of the Expert as to the Disputed Items and whether the proposed amendments to the Completion Accounts set out in the Dispute Notice are correct in whole or in part will be final and binding on the parties, except in the case of manifest error, in which case the relevant part of the determination will be void and the matter must be remitted to the Expert for correction.

**Costs**

- 6.13 Except as contemplated in clauses 6.5 and 6.14, each party must bear its own costs in complying with this clause 6 and in particular, must bear the costs of their own Representatives.
- 6.14 The costs of the Expert will be borne by the parties in accordance with the Expert's determination or, if there is no determination, 50% by LSA and 50% by the Purchasers.

**True-up following Completion Accounts process**

- 6.15 If the amount of the Working Capital is:
- (a) less than the Target Working Capital, LSA must pay on the Adjustment Date to the Purchasers, as a reduction in the Purchase Price, an amount equal to the shortfall; or
  - (b) greater than the Target Working Capital, the Purchasers must pay on the Adjustment Date to LSA, as an increase in the Purchase Price, an amount equal to the excess.

**No limitations**

- 6.16 Clause 22 does not apply to any payment required to be made under this clause 6.

**7 Employees****Offers of employment**

- 7.1 SPS Australia must offer employment to those Employees it wishes to employ:
- (a) in respect of the Key Employees, prior to the Completion Date, with effect from Completion; or
  - (b) in respect of all other Employees by letter, on terms substantially similar to those specified in Annexure 3, on the Completion Date, with effect from the date that each other Employee accepts the offer of employment, which must be no later than the Last Employee Transfer Date.
- 7.2 The terms of the employment offered must be at least as favourable as the terms of employment of those Employees with the Vendors, except if an Employee's compensation as at the Completion Date is materially higher than the prevailing market rate.
- 7.3 The parties must use all reasonable efforts to encourage the Employees to whom offers are made to accept SPS Australia's offer as soon as possible after the offer is made and prior to the Last Employee Transfer Date.

**Vendors' obligations to Transferring Employees**

- 7.4 LSA must ensure that all Transferring Employees are not restrained from commencing employment with SPS Australia on the relevant Employee Transfer Date by reason of a post-employment restraint.
- 7.5 As soon as possible after the Last Employee Transfer Date, LSA must confirm to SPS Australia in writing that it has delivered to each Transferring Employee a deed poll executed by LSA, stating that LSA waives all of its rights to restrain each Transferring Employee pursuant to any post-employment restraint.
- 7.6 At or before the relevant Employee Transfer Date, LSA must pay (in accordance with the relevant agreements, statutes or awards) to each Transferring Employee all salary, wages, bonuses, allowances or commissions and rostered days off for the period ending immediately prior to the Employee Transfer Date.

**SPS Australia's obligations to Transferring Employees**

- 7.7 On and from the relevant Employee Transfer Date, SPS Australia must treat each Transferring Employee as having continuity of service for the purpose of all Employee Benefits.
- 7.8 For the avoidance of doubt, SPS Australia must Assume LSA's liability for statutory long service leave entitlements of the Transferring Employees and untaken statutory annual and personal leave entitlements for the Transferring Employees.

**Employee Benefits for Non-Transferring Employees**

- 7.9 On and from Completion, LSA will remain liable for the Employee Benefits in respect of the Non-Transferring Employees.

**Indemnity**

- 7.10 LSA unconditionally and irrevocably indemnifies the Purchasers from and against all actions, suits, claims, demands, losses, obligations, Liabilities and damages whether arising directly or indirectly, and any costs, charges and expenses incurred in connection with:
- (a) the entitlements to be paid by LSA under clause 7.6;
- (b) the entitlements Assumed by SPS Australia under clause 7.7, to the extent that those entitlements were not included in the Employee Benefits amount in the Final Completion Accounts (other than due to wage or salary increases following Completion); and
- (c) any breach by the Vendors of clause 7.17.
- 7.11 The Purchasers unconditionally and irrevocably indemnify LSA from and against all actions, suits, claims, demands, losses, obligations, Liabilities and damages whether arising directly or indirectly, and any costs, charges and expenses incurred in connection with the entitlements to be Assumed, paid or satisfied by SPS Australia under clauses 7.7 and 7.8, to the extent that those entitlements were included in the calculation of the Employee Benefits amount in the Final Completion Accounts.

**Supply of Contracted Employees and Transition Services**

- 7.12 LSA will;

- (a) supply to SPS Australia, the Employee Services from the Effective Time to the Last Employee Transfer Date;
- (b) supply to SPS Australia, the Transition Services from the Effective Time to the date that is the later of 3 (three) weeks from the Effective Time or the date that is last date of the Employee who is providing the Transition Service's termination notice period ("Services Period"); and
- (c) ensure that the Employee Services are supplied by each Contracted Employee until the earlier of the following in each case:
  - (i) the resignation of the Contracted Employee;
  - (ii) the Employee Transfer Date; and
  - (iii) the Last Employee Transfer Date,(the "Transition Period").

7.13 During the Transition Period:

- (a) each Contracted Employees will remain an employee of LSA for all purposes and will not be considered an employee of SPS Australia;
- (b) LSA will continue to pay the Contracted Employee in accordance with clause 7.6;
- (c) all Employee Benefits will continue to accrue in respect of each Contracted Employee; and
- (d) LSA will continue to be responsible for its occupational health and safety and workers' compensation obligations with respect to the Contracted Employees as specified under relevant legislation.
- (e) Each Employee providing Transition Services will remain an employee of LSA for all purposes and will not be considered an employee of SPS Australia.
- (f) LSA will make all payments, and provide all benefits, to or in respect of any Employee providing Transition Services as required by his or her contract of employment with LSA, applicable legislation and any applicable award or industrial agreement except as otherwise agreed by the parties under this Agreement including, without limitation, wages, allowances and superannuation and will continue to account for and withhold and/or remit all income and other taxes incurred as a result of all payments made or benefits provided.

7.14 During the Transition Period, SPS Australia will:

- (a) be responsible for the day to day control of each Contracted Employee;
- (b) maintain a safe and hazard-free workplace;
- (c) provide each Contracted Employee with all facilities, equipment and materials necessary to provide the Employee Services; and
- (d) promptly and fully communicate with LSA on all matters relating to the supply of the Employee Services.

- 7.15 Subject to LSA's compliance with clause 7.16 below, the Purchasers shall pay to LSA an Employee Service Fees in respect of any Employee Services provided by Contracted Employees pursuant to clause 7.12 above.
- 7.16 LSA will issue the Purchasers with a valid tax invoice for all Employee Service Fees incurred within 14 days of the Last Employee Transfer Date.
- 7.17 Subject to LSA's compliance with clause 7.18 below, the Purchasers shall pay to LSA a Transition Services Fee in respect of any Transition Services provided by LSA or an Employee of LSA pursuant to clause 7.12 above.
- 7.18 LSA will issue the Purchasers with a valid tax invoice for the Transition Services Fee incurred within 14 days of the end of the Services Period.
- 7.19 LSA must effect and maintain public liability insurance in the amount of AUD 20 million in relation to the performance of the Employee Services for the duration of the Transition Period.
- 7.20 Subject to clauses 7.6 and 7.7 but without limiting clause 7.9, LSA will remain liable for all Employee Benefits in respect of Contracted Employees.

## **8 Superannuation**

### **LSA's obligations**

- 8.1 LSA must maintain superannuation contributions for each Transferring Employee at the level required by law up to the termination of each Employee's employment with LSA. LSA must pay any outstanding contributions to the superannuation fund of each Transferring Employee on or before the termination of each Employee's employment with LSA.
- 8.2 LSA unconditionally and irrevocably indemnifies the Purchasers from and against all actions, suits, claims, demands, losses, obligations, Liabilities and damages whether arising directly or indirectly, and any costs, charges and expenses incurred in connection with the superannuation contributions to be paid by LSA under clause 8.1.

### **SPS Australia's obligations**

- 8.3 SPS Australia must pay the full amount of superannuation contributions required to be paid for each Transferring Employee under law or the terms of their employment (including terms contained in any industrial instrument) on and from the Completion Date.

## **9 Liabilities**

### **Assumption of Assumed Liabilities**

- 9.1 The Purchasers will:
- (a) Assume the Assumed Liabilities from the Effective Time; and
- (b) be responsible for all Assumed Liabilities of the Business and the Assets immediately after the Effective Time.

**Indemnity by Purchasers**

- 9.2 The Purchasers unconditionally and irrevocably indemnify the Vendors from and against all actions, suits, claims, demands, losses, obligations, Liabilities and damages arising directly or indirectly from any breach or default by the Purchasers after the Completion Date in connection with the Assumed Liabilities.

**Limitation on liabilities Assumed by Purchasers**

- 9.3 The Purchasers Assume no responsibility for any of the Excluded Liabilities and the Vendors will remain solely responsible for the payment, satisfaction and discharge of all Excluded Liabilities.
- 9.4 If a Purchaser:
- (a) become aware that the Vendors have failed to discharge any Excluded Liability; and
  - (b) reasonably believes that this failure may damage the Goodwill, it may give notice of that fact to the Vendors, and if the Vendors do not provide reasonable evidence that the Excluded Liability in question is disputed, the Purchasers:
  - (c) may pay and discharge the Excluded Liability on the Vendors' behalf; and
  - (d) will be entitled to immediate reimbursement from the Vendors of the amount paid by the Purchasers, together with interest accrued at the Interest Rate calculated on a daily basis and compounded at monthly intervals from the date of payment to the date of reimbursement.

**Indemnity by Vendors**

- 9.5 The Vendors unconditionally and irrevocably indemnify the Purchasers from and against all actions, suits, claims, demands, losses, obligations, Liabilities and damages arising directly or indirectly from and any costs, charges and expenses incurred in connection with the Excluded Liabilities.

**Adjustments**

- 9.6 Except as otherwise provided in this Agreement, all revenue, charges and outgoings of a periodical or recurring nature in respect of the Business or any of the Assets must be apportioned on a pro-rata basis so that such part of the relevant charges and outgoings:
- (a) that relate to the period up to and including the Effective Time, are the responsibility of the Vendors; and
  - (b) that relate to the period after the Effective Time, are the responsibility of the Purchasers.
- 9.7 Adjustments at the Effective Time must be accounted for in the calculation of Working Capital.



## 10 Post-Completion payments for Recurring Customer terminations

### Payments

- 10.1 Subject to clause 10.3, if, during the period of 6 months from the Completion Date, a Recurring Customer Agreement is terminated, LSA must pay to the Purchasers, an amount equal to that Recurring Customer's Recurring Customer Revenue.
- 10.2 For the purposes of clause 10.1:
- (a) subject to clause 10.2(b), terminated means the Recurring Customer or a Purchaser providing notice of termination of a Recurring Customer Agreement to LSA within 6 months of the Completion Date, provided that such Recurring Customer Agreement is not reactivated at any time during the 12 months after the Completion Date; and
- (b) a Recurring Customer Agreement is not terminated, and LSA is not required to pay to the Purchasers, an amount equal to that Recurring Customer's Recurring Customer Revenue if:
- (i) the Recurring Customer continues to use and pay for services provided by the Business pursuant to their Recurring Customer Agreement despite the same not being assigned or novated within 6 months from Completion; or
- (ii) the Recurring Customer terminates their Recurring Customer Agreement due to a material change to the terms as those that were offered by LSA prior to Completion.
- 10.3 LSA is not obliged to pay any amount to the Purchasers, if LSA's directors as at Completion are not given reasonable opportunity to convince the terminating Recurring Customer not to terminate its Recurring Customer Agreement with a Purchaser.
- 10.4 For the avoidance of doubt, LSA makes no representation or warranty as to the volume of services used and paid for by a Recurring Customer after Completion.
- 10.5 Subject to clause 4.6, any amount owed to the Purchasers pursuant to clause 10.1, must be paid from the Escrow Account in accordance with clause 4.5, on the date that is one year after the Completion Date ("Recurring Customer Termination Payment Date").

### Calculation of Recurring Customer Revenue

- 10.6 30 days prior to the Recurring Customer Termination Payment Date, the Purchasers must calculate the Recurring Customer Revenue amount and provide the Recurring Customer Revenue amount, together with copies of the working papers relating to the preparation of the Recurring Customer Revenue amount, to LSA.
- 10.7 The determination of the Purchasers as to the Recurring Customer Revenue amount will be final and binding on the parties, except in the case of manifest error, in which case the Purchasers must, within 15 days after the Purchasers provides a copy of the Recurring Customer Revenue amount to LSA under clause 10.6 dispute the correctness of the Recurring Customer Revenue amount by issuing a notice to the Purchasers setting out in reasonable detail the basis of the dispute.
- 10.8 If LSA does not dispute the correctness of the Recurring Customer Revenue amount within the time period set out in clause 10.7, the Recurring Customer Revenue amount provided under clause 10.6 will constitute the final Recurring Customer Revenue amount.

**Dispute**

- 10.9 If LSA issues a notice under clause 10.7, the Purchasers and LSA must negotiate in good faith and use best endeavours to resolve the disputed Recurring Customer Revenue amount and agree upon the Recurring Customer Revenue amount within 10 days.

**11 Accounts Receivable****Receipt of debts owing to Vendor after Completion**

- 11.1 If a Purchaser receives a payment in respect of a debt owing to the Vendors that is not an Accounts Receivable, that Purchaser must:
- (a) hold the amount of the payment on trust for the Vendors pending payment to the Vendors in accordance with clause 11.1(b); and
  - (b) within 10 Business Days of receipt of the payment:
    - (i) notify the Vendors of the receipt of the payment, including details of the amount of the payment and the relevant Debtor; and
    - (ii) pay the amount of the payment to the Vendors.

**Receipt of Accounts Receivable after Completion**

- 11.2 If during the Collection Period the Vendors receive a payment in respect of an Accounts Receivable, the Vendors must:
- (a) hold the amount of the payment on trust for the Purchasers pending payment to the Purchasers in accordance with clause 11.2(b); and
  - (b) pay the aggregate amount of all such payments received by the Vendors in each whole or part (as applicable) of a calendar month occurring during the Collection Period to the Purchasers and provide to the Purchasers details of the amount of each payment and the relevant Debtor, in each case within five Business Days after the end of the calendar month.
- 11.3 The Vendors must use best endeavours to assist the Purchasers to collect all of the Accounts Receivable during the Collection Period.
- 11.4 Provided that Accounts Receivable was included in the calculation of Working Capital, if the Vendors do not receive a payment in respect of an Account Receivable within 90 days of that Accounts Receivable becoming due and payable, the Vendors must pay to the Purchasers an amount equal to the amount required to satisfy the full amount of the relevant Accounts Receivable.
- 11.5 Subject to clause 4.6, any amount owed to the Purchasers pursuant to clause 11.2, must be paid from the Escrow Account in accordance with clause 4.5.
- 11.6 If a Purchaser receives any Accounts Receivable which has already been satisfied by the Vendors pursuant to clause 11.2, that Purchaser will pay the same to the Vendors in accordance with clause 11.1.

## 12 Property Lease

### Assignment of Lease

- 12.1 In respect of the Property Lease:
- (a) on Completion or, subject to the Purchasers written consent, as soon as practicable after Completion, and subject to obtaining the lessor and mortgagee consent where required under the Property Lease, the Vendors will assign their rights and benefits under the Property Lease to SPS Australia with effect from Completion; and
  - (b) SPS Australia will accept the assignment, co-operate with the Vendors and the lessor, and will execute any agreements or deeds that may reasonably be required by the lessor as a condition of the lessor's consent.

### Indemnities

- 12.2 In respect of the Property Lease assigned under clause 12.1:
- (a) the Vendors are responsible for complying with all obligations under the Property Lease in respect of the period up to and including Completion, and will indemnify the Purchaser's and keep the Purchasers indemnified against all liabilities, claims, demands, actions, suits, proceedings, costs, damages and expenses arising out of or in relation to the non-payment, non-observance, or non-performance of any obligations arising in respect of the Property Lease on and before Completion; and
  - (b) SPS Australia will be responsible for complying with all obligations under the Property Lease in respect of the period following Completion, and the Purchasers will indemnify the Vendors against all liabilities, claims, demands, actions, suits, proceedings, costs, damages and expenses arising out of or in relation to the non-payment, non-observance, or non-performance of any obligations arising in respect of the Property Lease after Completion.
- 12.3 The Vendors will indemnify and agree to keep indemnified the Purchasers for any claim, loss, liability, cost or expense suffered by either of the Purchasers arising out of or in relation to the make-good provisions set out in the Property Lease, if the costs paid by the Purchasers to comply with the make-good provisions are more than AUD 30,000. Any reasonable amount exceeding AUD 30,000 will be reimbursed dollar-for-dollar by the Vendors to the Purchasers within 5 days from the date of the Purchasers' demand.

### Obligations pending assignments

- 12.4 If the Property Lease is not assigned to SPS Australia on Completion, then, pending the assignment after Completion:
- (a) the Vendors will, to the extent they are lawfully able, procure that the Property Lease continue in full force and effect and will allow SPS Australia to use or occupy the Leasehold Property; and
  - (b) SPS Australia will, to the extent it is lawfully able, perform all obligations of the Vendors under the Property Lease in respect of the period following Completion, and the Vendors will, to the extent to which SPS Australia is unable to lawfully perform an obligation or exercise a right of the Vendors under the Property Lease, on the request and at the expense of the Purchasers, perform that obligation or exercise that right.

**December 2014 Sub-lease and Licence rent obligations**

- 12.5 The parties acknowledge and agree that if for the month of December 2014, the Purchasers are required to pay rent in relation to the Property pursuant to the terms of the Property Lease and rent in relation to the premises at 12 Wesley Court, Burwood East, Victoria pursuant to the terms of the Sub-lease and Licence, the Purchaser will:
- (a) not be obliged to comply with the terms of clause 3.1 of the Sub-lease and Licence for the month of December 2014; and
  - (b) notwithstanding any term of the Sub-lease and License, pay to LSA on 1 December 2014 a total of AUD 20,000 plus GST, as payment of all rent under the Sub-lease and Licence for the month of December 2014.
- 12.6 To the extent that the terms of clause 12.5 are inconsistent with the terms of the Sub-lease and Licence, the parties agree that the terms of clause 12.5 will prevail.

**13 Contracts****Assignment and novation**

- 13.1 The Vendors will use their best endeavours to effect the assignment of all the Vendors' interest in, or novation of, the Contracts to or in favour of SPS Commerce, on and from Completion, on terms, taken as a whole, no less favourable than the terms of the relevant Contract and obtain at its own expense any novation, consent or approval required from a third party.
- 13.2 The Vendors and the Purchasers agree that the Vendors will be deemed to have used their best endeavours in relation to the Contracts, if the Vendors:
- (a) send a letter in a form reasonably agreed by the relevant Vendor and the Purchasers to each party to a Contract; and
  - (b) make their officers available to the Purchasers for 90 days from Completion to assist in introducing SPS Commerce to each party to a Contract.

**Alternative arrangements**

- 13.3 For any Contract which has not been assigned or novated under clause 13.1 on or before Completion, the Vendors, with effect on and from Completion:
- (a) assign to SPS Commerce all of their rights, title and interest under the Contract where those rights, title and interest may be assigned without the consent of any other party to the Contract; and
  - (b) must, for any Contract not falling within clause 13.3(a), to the extent practicable and appropriate to the nature of the Contract, until that assignment or novation occurs:
    - (i) grant to SPS Commerce a sub-lease or sub-licence or other right to use or occupy the subject matter of the Contract as if SPS Commerce had the same right, title and interest under the Contract as the Vendors; or
    - (ii) hold the benefit of the Contract for SPS Commerce; and
    - (iii) provide all necessary assistance to SPS Commerce in enforcing any rights, title or interest of the Vendors under the Contract including making or bringing a Claim as directed by the Purchasers (including in the Vendors' name) at the Purchasers' cost.

**Breaches prior to Completion**

- 13.4 The Vendors unconditionally and irrevocably indemnify the Purchasers from and against all actions, suits, claims, demands, losses, obligations, Liabilities and damages arising directly or indirectly from any costs, charges and expenses incurred in connection with, any breach of the Contracts by the Vendors on or prior to Completion.

**Breaches after Completion**

- 13.5 The Purchasers unconditionally and irrevocably indemnify the Vendors from and against all actions, suits, claims, demands, losses, obligations, Liabilities and damages arising directly or indirectly from, and any costs, charges and expenses incurred in connection with, any breach of the Contracts by SPS Commerce after Completion.

**GST**

- 13.6 If under any Contract for a taxable supply or a creditable acquisition the Vendors at Completion has not made the supply (or has made only part of it) or has not received the thing to be acquired (or has received only part of it), the Vendors and the Purchasers must, unless they agree to treat a particular supply or acquisition differently, each use best endeavours:
- (a) if a tax invoice has been issued, to have an adjustment note issued by the Vendors to the other party to the Contract or by that party to the Vendors; and
  - (b) if SPS Commerce enters into a new arrangement with the other party to the Contract for the supply or acquisition of the same thing (or the remaining part of it), to have a tax invoice for that supply or acquisition issued by SPS Commerce to that party or by that party to SPS Commerce.
- 13.7 Clause 13.6 does not apply to a supply or acquisition treated by Division 156 of the GST Act as being for a period or on a progressive basis, except in respect of the periodic or progressive component current at Completion.

**14 Escrowed Shares**

- 14.1 LSA represents, warrants and covenants to and with the Purchasers that:
- (a) it is acquiring the Escrowed Shares in accordance with this Agreement:
    - (i) for investment purposes only;
    - (ii) solely for LSA's own account; and
    - (iii) not with a view to, or for resale in connection with, any distribution or other disposition thereof in violation of the U.S. Securities Act of 1933 or any applicable Australian or state securities law;

- (b) the Escrowed Shares has not been registered for sale under the U.S. Securities Act of 1933 or applicable Australian or state securities laws, and may be sold or transferred only pursuant to registration under the U.S. Securities Act of 1933 and applicable Australian or state securities laws, or pursuant to an opinion of counsel acceptable to the Purchaser Guarantor that such registration is not required, and that a legend to the following effect will be applied to the certificate representing shares of Escrowed Shares issued to LSA (“Certificate”);
- “the securities represented by this Certificate have not been registered under the Securities Act of 1933, as amended (the “Securities Act”), and have not been registered under any foreign or state securities laws. These securities may not be sold, offered for sale or transferred without first obtaining (i) an opinion of counsel satisfactory to the Company that such sale or transfer lawfully is exempt from registration under the Securities Act and under the applicable foreign and state securities laws; or (ii) such registration has occurred”*,
- (c) it has such knowledge and experience in financial and business matters that it is capable of reading and interpreting financial statements and evaluating the merits and risks of the prospective investment in the Escrowed Shares and has the net worth to undertake such risks;
- (d) it is an “accredited investor” as defined in Regulation D promulgated under the U.S. Securities Act of 1933;
- (e) it has had access to sufficient information regarding Purchaser Guarantor and its business and condition to make an informed decision to acquire the Escrowed Shares, including, without limitation, publicly available information filed by Purchaser Guarantor with the U.S. Securities and Exchange Commission on or before the Completion Date (including the Risk Factors set forth therein);
- (f) it has performed, to its satisfaction, an independent investigation, examination, analysis and verification of the business, assets, liabilities, operations, prospects and condition (financial or otherwise) of the Purchaser Guarantor;
- (g) it has been provided with adequate access to the personnel, Property, assets, premises, books and records, and other documents and data of the Purchaser Guarantor and has had the opportunity to visit with the Purchaser Guarantor and meet with its representatives to discuss the foregoing matters;
- (h) all materials and information requested by LSA have been provided to LSA to its reasonable satisfaction;
- (i) in making its decision to enter into this Agreement and to consummate the transactions contemplated by this Agreement, LSA has relied solely upon its own investigation and the express representations and warranties of the Purchaser Guarantor set forth in this Agreement, and has not relied on any representations, warranties or other statements whatsoever, whether written or oral by the Purchasers, the Purchaser Guarantor, or any person acting on their behalf or otherwise, other than those expressly set forth in this Agreement;
- (j) it will not have any right or remedy arising out of any representation, warranty or statement of the Purchasers or Purchaser Guarantor in relation to the Escrowed Shares that is not set forth in this Agreement.
- 14.2 LSA acknowledges and agrees that, there are substantial restrictions on the transfer of the Escrowed Shares and LSA may not be able to liquidate an investment in the Escrowed Shares for an indefinite period.

- 14.3 The s represent and warrant to LSA, that the Purchaser Guarantor has taken all necessary actions to permit the Purchaser Guarantor to issue the Escrowed Shares and that the Escrowed Shares are duly authorized, validly issued and non-assessable and no person will have any pre-emptive or other similar rights with respect thereof.
- 14.4 The Purchasers shall indemnify LSA in respect of all reasonable costs associated with the removal of the restrictive legend referred to in clause 14.1(b).

## 15 Post Completion matters

### Preservation of Books and Records

- 15.1 The Vendors must, for a period of 7 years after the Completion Date, preserve in good order and condition all the Retained Books and Records and must allow the Purchasers and their authorised representatives to have access and to take copies of extracts from the Retained Books and Records at all reasonable times.

### Forwarding of correspondence

- 15.2 For a period of 12 months following Completion, the Vendors must forward to the Purchasers all notices, correspondence, information or enquiries received by the Vendors in relation to the Business.

### Financing Change Statement

- 15.3 The Vendors must procure that, within 10 Business Days after the Completion Date, each Security Interest Holder registers a Financing Change Statement as required under the PPSA to reflect the release of the relevant Assets from all Security Interests other than Permitted Security Interests.

### Taxation information

- 15.4 The Vendors must, within 20 Business Days after the Completion Date, deliver to the Purchasers:
- (a) all relevant information in an appropriate form relevant to determining the Assets on Completion that constitute work that satisfies section 25-95(3)(b) of the *Income Tax Assessment Act 1997* (Cth); and
  - (b) a document containing such information as will enable the Purchasers to work out how section 40-75(5) and (6) of the *Income Tax Assessment Act 1997* (Cth) will apply to the Purchasers in respect of the Assets.
- 15.5 The Vendors do not represent or warrant that a Purchaser will be entitled to any taxation relief, concession or other benefit in respect of the Assets.

### Access to Books and Records

- 15.6 The Purchasers must, for a period of 7 years after the Completion Date, preserve in good order and condition all the Books and Records and must allow the Vendor and its authorised Representatives to have access and to take copies of extracts from the Books and Records at all reasonable times to enable the Vendors to comply with its obligations pursuant to any applicable law or regulation, provided that the Vendors pay all reasonable costs incurred by the Purchasers in doing so.

**Discharge of guarantees**

- 15.7 The Purchasers will use their best endeavours to procure that all bonds, guarantees and any other securities provided by the Vendors (or a Related Body Corporate of the Vendors) that exclusively relate to the Business, including without limitation, securities that relate to:
- (a) the Property Lease;
  - (b) the supply of services to the Leasehold Property or the Business; or
  - (c) any of the Contracts;
- are refunded or released on Completion. The Purchasers will enter into substitute guarantees or lodge or provide substitute bonds, deposits or other securities for like amounts.
- 15.8 If a Claim is made under any bond, guarantees or any other security referred to in clause 15.7 following Completion but before release of that bond, guarantee or other security, the Purchasers will indemnify the Vendors in respect of the amount of the Claim, but only to the extent that the Claim relates to a matter which has occurred after Completion.
- 15.9 If a Claim is made under any bond, guarantees or any other security referred to in clause 15.7 following Completion whether before or after release of that bond, guarantee or other security, the Vendors will indemnify the Purchasers in respect of the amount of the Claim, but only to the extent that the Claim relates to a matter which has occurred prior to Completion.

**Vendors' Insurance**

- 15.10 Following Completion for a period of two years, the Vendors will have in place all necessary professional indemnity insurance to a level substantially similar to that which was in place prior to Completion to cover any and all professional indemnity claims that would have been covered by the policy prior to Completion, that may arise post-Completion, but relate to the period prior to Completion.

**16 Goods and Services Tax****Adjustment for GST**

- 16.1 If a Supply made under or in connection with this Agreement is a Taxable Supply under the GST Act (which the Vendors may, without prejudice to any other means of establishing that fact, establish by provision to the Purchasers of an assessment, ruling or any other demand by the Commissioner of Taxation), then the recipient of the Supply will pay the supplier any GST Amount for which the supplier becomes liable, calculated as:

$$A \times R$$

where:

A is the Consideration for the sale of the Business pursuant to the terms of this Agreement; and

R is the rate of GST,

plus one half (50%) of all penalties and general interest charges under the GST Act in relation thereto.



- 16.2 Subject to clause 16.4, the payment covered by clause 16.1 must be made by the recipient in cash to the supplier at the same time as making payment of any Consideration on which the supplier's GST liability is calculated.
- 16.3 The recipient must pay any GST Amount it is required to pay under this Agreement in full and without deduction, despite any entitlement that it may have to a credit or offset.

**Tax invoice and input tax credit**

- 16.4 The recipient is not obliged to pay any GST Amount to the supplier until:
- (a) the supplier has issued a valid Tax Invoice for the relevant Taxable Supply; and
  - (b) the recipient has obtained the full benefit of any input tax credit for the GST Amount (whether by way of a credit against a GST liability or a refund).

**Adjustment Event**

- 16.5 If at any time an adjustment is made or required to be made between the supplier or any other payer of GST and the relevant taxing authority on account of any amount paid as GST as a consequence of any Taxable Supply made or deemed to be made under or in connection with this Agreement by the supplier, a corresponding adjustment must be made between the supplier and the recipient and any payment necessary to give effect to the adjustment must be made.

**GST Warranty**

- 16.6 Each Purchaser warrants to the Vendors that:
- (a) SPS Commerce has filed its registration under the GST Act; and
  - (b) no circumstances exist at the Completion Date which would require the Commissioner of Taxation to cancel that registration.

**17 Warranties and indemnity****Vendors' Warranties**

- 17.1 The Vendors represent, warrant and covenant to and with the Purchasers that each statement contained in Part A of Schedule 1 (each a "Warranty") is now and will be true, accurate and not misleading at Completion (except that where any such statement is expressed to be made only at a particular date it is given only at that date).
- 17.2 Each Warranty is separate and independent and unless expressly provided is not limited by reference to any other Warranty or provision of this Agreement.
- 17.3 Where any statement in the Warranties is qualified by the expression "so far as the Vendors are aware" or "to the best of the Vendors' knowledge and belief" or any similar expression, or any similar expression referring to the Vendors or the Vendor Guarantors' awareness or knowledge, that statement will be deemed to include an additional statement that it has been made after due and careful enquiry and includes all matters, events or circumstances of which the Vendors or the Vendor Guarantors should reasonably be aware or know (excluding patent searches).

- 17.4 Where any statement in the Warranties is qualified by the expression “fairly and accurately” or any similar expression that statement will be deemed to include an additional statement that sufficient detail has been provided to identify the nature and scope of the matters disclosed.
- 17.5 The Purchasers represent to the Vendors that, as at the Completion Date, it is not aware of any matter or thing that would entitle a Purchaser to make a Claim against the Vendors in respect of any Warranty.

**Vendor Guarantor Warranties**

- 17.6 Each Vendor Guarantor represents, warrants and covenants to and with the Purchasers that each statement contained in Part B of Schedule 1 is now and will be true, accurate and not misleading at Completion (except that where any such statement is expressed to be made only at a particular date it is given only at that date).

**Reliance**

- 17.7 The Vendors and the Vendor Guarantors acknowledge that the Purchasers have been induced to enter into this Agreement by the Warranties and the Vendor Guarantor Warranties and has fully relied upon the truth and accuracy of the Warranties and the Vendor Guarantor Warranties.

**Disclosure Material**

- 17.8 The Warranties are subject only to the extent of matters fairly and accurately disclosed in the Disclosure Material.
- 17.9 No other information relating to the Vendors, the Business or the Assets, of which a Purchaser has knowledge (actual or constructive) and no investigation by or on behalf of a Purchaser will prejudice any claim made by the Purchasers under the Warranties or operate to reduce any amount recoverable by the Purchasers.

**Indemnity**

- 17.10 The Vendors indemnify the Purchasers from and against all proceedings, actions, claims, demands, losses (including any decrease in the value of the Assets, whether or not realised), Liabilities, damages, costs and expenses which may be made or brought against or suffered or incurred by a Purchaser, and which arise directly or indirectly out of or in connection with any Warranty being untrue, inaccurate or misleading, or any breach of this Agreement by the Vendors (“Indemnified Matters”) whether or not the Indemnified Matters are in the parties’ reasonable contemplation as at the date of this Agreement.
- 17.11 The liability of the Vendor or Vendor Guarantor in respect of any Indemnified Matters will be reduced or extinguished to the extent that the Indemnified Matter has arisen from any breach by a Purchaser of this Agreement or from a Purchaser’s fraud, dishonesty, deliberate misconduct, or negligent act or omission.

**Prompt disclosure of breach**

- 17.12 The Vendors must immediately disclose to the Purchasers anything which may arise or become known to it which:
- (a) is a breach of or is inconsistent with any Warranty; or

- (b) has or is likely to have, an adverse effect on the financial position or prospects of the Business.

#### **Assignment of Warranties**

- 17.13 The benefit of the Warranties may not be assigned in whole or in part.

#### **Warranty/indemnity payments**

- 17.14 If any sum payable by the Vendors to the Purchasers under this clause 17 is subject to Tax (whether by way of deduction or withholding or direct assessment of the Purchasers), the sum must be increased by the amount necessary to ensure that after deduction, withholding or payment of Tax, the Purchasers will receive an amount equal to the sum otherwise required to be made.

#### **Reduction of Purchase Price**

- 17.15 Any monetary compensation received by a Purchaser as a result of any Claim will be in reduction and refund of the Purchase Price.

#### **Limitations and exclusions to apply**

- 17.16 Clause 22 will apply to this clause in respect of the liability of the Vendors or Vendor Guarantor under this clause 17.

#### **No rescission**

- 17.17 The Purchasers have no right to rescind or terminate this Agreement after Completion by reason of any breach of any of the Warranties.

### **18 Vendor Guarantee and indemnity**

#### **Consideration**

- 18.1 Each Vendor Guarantor agrees that it has entered into this Agreement for valuable consideration including the Purchasers entering into this Agreement.

#### **Guarantee**

- 18.2 Each Vendor Guarantor unconditionally and irrevocably guarantees to the Purchasers the due and punctual performance by the Vendors of the Guaranteed Obligations.

#### **Vendor right to demand**

- 18.3 If the Vendors default in the performance of the Guaranteed Obligations in accordance with this Agreement, the Vendor Guarantors must perform the Guaranteed Obligations immediately on demand by the Purchasers.

#### **Principal debtor**

- 18.4 If the Guaranteed Obligations are not fully enforceable against or not fully recoverable from the Vendor as debtor or from the Vendor Guarantors as surety for any reason, including:
- (a) any legal limitation, disability or lack of capacity, power or authority affecting the Vendors or the Vendor Guarantors or an improper exercise of power or authority by any person; or

- (b) any provision of this Agreement or any transaction relating to the Guaranteed Obligations being or becoming void, voidable, unenforceable or time-barred,

the Guaranteed Obligations:

- (c) are recoverable from, or enforceable against, the Vendor Guarantors as though they had been incurred and owing by the Vendor Guarantors and the Vendor Guarantors were the sole and principal debtors in respect of the Guaranteed Obligations; and
- (d) must be paid or performed by the Vendor Guarantors immediately on demand by the Purchasers.

### **Indemnity**

- 18.5 The Vendor Guarantors unconditionally and irrevocably indemnify the Purchasers against all Claims arising directly or indirectly from, or which a Purchaser suffers or incurs in connection with:
- (a) the failure of the Vendor Guarantors or the Vendors to duly and punctually comply with or perform their obligations or purported obligations under or in connection with this Agreement;
- (b) any representation or warranty made by the Vendor Guarantors or the Vendors under this Agreement being or becoming untrue or misleading; or
- (c) the exercise or attempted exercise by a Purchaser of a right or power under this clause 18.
- 18.6 The indemnity in clause 18.5 remains in effect even if the guarantee under clause 18.2 is not or ceases to be valid or enforceable against the Vendor Guarantors for any reason.
- 18.7 The Vendor Guarantors must immediately on demand by a Purchaser pay to the Purchasers any amount certified by the Purchasers as payable under clause 18.5.

### **Continuing and independent guarantee and indemnity**

- 18.8 The guarantees and indemnities in this clause 18:
- (a) are continuing obligations;
- (b) survive termination of this Agreement;
- (c) extend to cover this Agreement as amended, varied or replaced, whether with or without the consent of the Vendor Guarantors;
- (d) are independent of, and not in substitution for or affected by, another security interest or guarantee or other document or agreement which a Purchaser or another person may hold concerning the Guaranteed Obligations; and
- (e) continue in full force and effect until all of the Guaranteed Obligations and all of the Vendor Guarantors' obligations under or in connection with this Agreement have been irrevocably performed in full, regardless of any intermediate payment or discharge in whole or in part.

**Enforcement against the Vendor Guarantor**

- 18.9 The Purchasers may enforce this clause 18 against the Vendor Guarantors without first having to resort to any other guarantee or security interest or other agreement relating to the Guaranteed Obligations.
- 18.10 Each Vendor Guarantor waives any rights that it may have of first requiring the Purchasers (or any other person for whose benefit the guarantee and indemnity in this clause 18 is given) to commence proceedings, or enforce any other right, against the Vendors or any other person before claiming under this clause 18.

**Obligations of Vendor Guarantors unaffected**

- 18.11 The Vendor Guarantors' obligations under this Agreement are not released or discharged by:
- (a) an Insolvency Event occurring in respect of the Vendors or either of the Vendor Guarantors;
  - (b) any time, waiver, consent, indulgence or other concession granted to the Vendors;
  - (c) a release, forbearance to sue, discharge, relinquishment, compounding or compromising of the obligations of any party to this Agreement or of the Purchasers or in respect of the Guaranteed Obligations;
  - (d) any change in the constitution of the Vendors or the Vendor Guarantors or their absorption in, amalgamation with or merger into, or the acquisition of all or part of their undertaking by, any other person;
  - (e) an amendment of, supplement to or replacement of the obligations of any party to this Agreement including any amendment, supplement or replacement under which the Vendors' obligations are increased, the Vendors incur additional obligations or the time and method of payment by the Vendors is varied;
  - (f) an obligation of any party to this Agreement being or becoming illegal, void, voidable or unenforceable (regardless of whether by reason of a legal limitation, disability or incapacity on the part of a Purchaser and whether this Agreement is void ab initio or is subsequently avoided);
  - (g) any part of the Guaranteed Obligations being or becoming irrecoverable or never having been recoverable;
  - (h) a rule of law or equity to the contrary;
  - (i) the partial performance of the Guaranteed Obligations;
  - (j) a Purchaser granting any time or other indulgence or concession to, compounding or compromising with, or wholly or partially releasing the Vendors or the Vendor Guarantors of any obligation; or
  - (k) another thing happening that might otherwise release, discharge or affect the obligations of the Vendor Guarantors under this Agreement.

**Vendor Guarantors' agreement**

- 18.12 Each Vendor Guarantor agrees that in entering into this Agreement and in proceeding to Completion, it has not relied on any statement, representation, warranty, inducement, condition, forecast or other conduct which may have been made by or on behalf of any Relevant Party.

**Limitations and exclusions to apply**

18.13 Clause 22 will apply to this clause in respect of the Liability of the Vendor Guarantors under this clause 18.

**19 Purchaser Warranties****Warranties**

- 19.1 Each Purchaser represents and warrants to the Vendors that each of the following statements (“Purchaser Warranties”) is true and correct immediately before Completion:
- (a) it has full power and authority to enter into and perform this Agreement;
  - (b) it has taken all necessary action to authorise its entry into, delivery and performance of this Agreement;
  - (c) the entry into and performance of this Agreement does not breach:
    - (i) any obligation (including any statutory, contractual or fiduciary obligation) of the Purchasers;
    - (ii) any law; or
    - (iii) the constitution of the Purchasers,
  - (d) it is able to pay its debts as and when they fall due;
  - (e) is not insolvent or presumed to be insolvent under any law;
  - (f) is not insolvent under administration as defined in section 9 of the Corporations Act 2001 (Cth) or has not taken any action which could result in that event; and
  - (g) no litigation, arbitration, mediation, conciliation, criminal or administrative proceedings are current, pending or (to the knowledge of any of its officers after due inquiry) threatened which, if adversely determined, could have a material adverse effect on its ability to perform its obligations under this Agreement.

**Warranties independent**

- 19.2 Each of the Purchaser Warranties is to be construed independently of the others and is not limited by reference to any other Purchaser Warranty.

**Reliance**

- 19.3 The Vendors acknowledge that in entering into the Agreement, the Vendors have relied on the Purchaser Warranties.

**Warranties remain in effect**

- 19.4 Each of the Purchaser Warranties remains in full force and effect after Completion.

**Warranties not affected by investigations**

- 19.5 Each of the Purchaser Warranties is not affected by any investigation made by or on behalf of the Vendors.

**20 Purchaser Guarantee and indemnity****Consideration**

- 20.1 The Purchaser Guarantor agrees that it has entered into this Agreement for valuable consideration including the Vendors entering into this Agreement.

**Guarantee**

- 20.2 The Purchaser Guarantor unconditionally and irrevocably guarantees to the Vendors the due and punctual performance by the Purchasers of the Purchaser Guaranteed Obligations.

**Vendors right to demand**

- 20.3 If a Purchaser defaults in the performance of the Purchaser Guaranteed Obligations in accordance with this Agreement, the Purchaser Guarantor must perform the Purchaser Guaranteed Obligations immediately on demand by the Vendors.

**Principal debtor**

- 20.4 If the Purchaser Guaranteed Obligations are not fully enforceable against or not fully recoverable from the Purchasers as debtor or from the Purchaser Guarantor as surety for any reason, including:
- (a) any legal limitation, disability or lack of capacity, power or authority affecting a Purchaser or the Purchaser Guarantor or an improper exercise of power or authority by any person; or
  - (b) any provision of this Agreement or any transaction relating to the Purchaser Guaranteed Obligations being or becoming void, voidable, unenforceable or time-barred,
- the Purchaser Guaranteed Obligations:
- (c) are recoverable from, or enforceable against, the Purchaser Guarantor as though they had been incurred and owing by the Purchaser Guarantor and the Purchaser Guarantor were the sole and principal debtors in respect of the Purchaser Guaranteed Obligations; and
  - (d) must be paid or performed by the Purchaser Guarantor immediately on demand by the Vendors.

**Indemnity**

- 20.5 The Purchaser Guarantor unconditionally and irrevocably indemnifies the Vendors against all Claims arising directly or indirectly from, or which the Vendors suffer or incurs in connection with:

- (a) the failure of the Purchaser Guarantor or a Purchaser to duly and punctually comply with or perform their obligations or purported obligations under or in connection with this Agreement;
  - (b) any representation or warranty made by the Purchaser Guarantor or a Purchaser under this Agreement being or becoming untrue or misleading; or
  - (c) the exercise or attempted exercise by the Vendors of a right or power under this clause 20.
- 20.6 The indemnity in clause 20.5 remains in effect even if the guarantee under clause 20.2 is not or ceases to be valid or enforceable against the Purchaser Guarantor for any reason.
- 20.7 The Purchaser Guarantor must immediately on demand by the Vendors, pay to the Vendors any amount certified by the Vendors as payable under clause 20.5.

#### **Continuing and independent guarantee and indemnity**

- 20.8 The guarantees and indemnities in this clause 20:
- (a) are continuing obligations;
  - (b) survive termination of this Agreement;
  - (c) extend to cover this Agreement as amended, varied or replaced, whether with or without the consent of the Purchaser Guarantor;
  - (d) are independent of, and not in substitution for or affected by, another security interest or guarantee or other document or agreement which a Purchaser or another person may hold concerning the Purchaser Guaranteed Obligations; and
  - (e) continue in full force and effect until all of the Purchaser Guaranteed Obligations and all of the Purchaser Guarantor obligations under or in connection with this Agreement have been irrevocably performed in full, regardless of any intermediate payment or discharge in whole or in part.

#### **Enforcement against the Purchaser Guarantor**

- 20.9 The Vendors may enforce this clause 20 against the Purchaser Guarantor without first having to resort to any other guarantee or security interest or other agreement relating to the Purchaser Guaranteed Obligations.
- 20.10 The Purchaser Guarantor waives any rights that it may have of first requiring the Vendors (or any other person for whose benefit the guarantee and indemnity in this clause 20 is given) to commence proceedings, or enforce any other right, against a Purchaser or any other person before claiming under this clause 20.

#### **Obligations of Purchaser Guarantors unaffected**

- 20.11 The Purchaser Guarantors' obligations under this Agreement are not released or discharged by:
- (a) an Insolvency Event occurring in respect of a Purchaser or the Purchaser Guarantor;
  - (b) any time, waiver, consent, indulgence or other concession granted to a Purchaser;



- (c) a release, forbearance to sue, discharge, relinquishment, compounding or compromising of the obligations of any party to this Agreement or of a Purchaser or in respect of the Purchaser Guaranteed Obligations;
- (d) any change in the constitution of a Purchaser or the Purchaser Guarantor or their absorption in, amalgamation with or merger into, or the acquisition of all or part of their undertaking by, any other person;
- (e) an amendment of, supplement to or replacement of the obligations of any party to this Agreement including any amendment, supplement or replacement under which a Purchaser's obligations are increased, a Purchaser incurs additional obligations or the time and method of payment by a Purchaser is varied;
- (f) an obligation of any party to this Agreement being or becoming illegal, void, voidable or unenforceable (regardless of whether by reason of a legal limitation, disability or incapacity on the part of a Purchaser and whether this Agreement is void ab initio or is subsequently avoided);
- (g) any part of the Purchaser Guaranteed Obligations being or becoming irrecoverable or never having been recoverable;
- (h) a rule of law or equity to the contrary;
- (i) the partial performance of the Purchaser Guaranteed Obligations;
- (j) the Vendors granting any time or other indulgence or concession to, compounding or compromising with, or wholly or partially releasing a Purchaser or the Purchaser Guarantors of any obligation; or
- (k) another thing happening that might otherwise release, discharge or affect the obligations of the Purchaser Guarantor under this Agreement.

#### **Purchaser Guarantors' agreement**

- 20.12 The Purchaser Guarantor agrees that in entering into this Agreement and in proceeding to Completion, it has not relied on any statement, representation, warranty, inducement, condition, forecast or other conduct which may have been made by or on behalf of any Relevant Party.

#### **Limitations on Purchasers and Purchaser Guarantor's liability**

- 20.13 The Purchaser's and Purchaser Guarantor's total aggregate Liability for all Claims for breach of the Purchaser Warranties, including any Claim arising from a breach by a Purchaser or Purchaser Guarantor of a provision of this Agreement, is limited to an amount equal to the Purchase Price.
- 20.14 The Vendors may not make or bring, and the Purchasers and Purchaser Guarantor are not liable to the Vendors for, any Claim under or in connection with a breach of the Purchaser Warranties, or arising from a breach by a Purchaser or the Purchaser Guarantor of a provision of this Agreement unless and until the aggregate amount of all Claims exceeds AUD100,000, in which case the Purchasers will be liable for the whole amount and not merely the excess over AUD100,000.
- 20.15 The Vendors may not make or bring, and the Purchasers and Purchaser Guarantor are not liable to the Vendors, for any Claim under or in connection with a breach of the Purchaser Warranties, or arising from a breach by a Purchaser or the Purchaser Guarantor of a provision of this Agreement, unless the Claim has been notified to the Vendors within 24 months from the Completion Date.

20.16 For the avoidance of doubt, if one Vendor makes or brings a Claim (“Claiming Vendor”) against the Purchasers in respect of any matter under or in connection with this Agreement, the other Vendor may not make or bring the same Claim against the Purchasers, regardless of whether the Claiming Vendor is successful in obtaining an appropriate remedy for that Claim.

## 21 Non-compete

### General obligations

- 21.1 Subject to clause 21.5, the Vendors must not and must use its best endeavours to ensure that each of the Vendor Associates do not directly or indirectly, whether solely or jointly with any other person, and whether as principal, agent, director, executive officer, employee, shareholder, partner, joint venturer, adviser, consultant or otherwise:
- (a) for a period of 5 years after Completion, within any country in which the Business has been conducted carry on or be engaged or involved in any trade, business or undertaking which is in competition with the Business;
  - (b) for a period of 5 years after Completion canvass, solicit, or entice away from the Purchasers or the Business the custom of any person who as at Completion or at any time during the period of 12 months prior to Completion was a client, customer, identified prospective customer, representative or agent or correspondent of the Vendors or the Business or was in the habit of dealing with the Vendors or the Business;
  - (c) for a period of 5 years after Completion, employ, solicit, entice away from the Purchasers or the Business any person who as at Completion or at any time during the period of 12 months prior to Completion was an officer, manager, consultant or employee of the Vendors or the Business whether or not that person would commit a breach of contract by reason of leaving a Purchaser or the Business;
  - (d) at any time after Completion use or disclose, or permit any other person to use or disclose any Confidential Information (not being information which is or becomes available to the public other than by reason of a breach of this clause);
  - (e) use or register at any future time a name or trade mark which includes all or part of any Business Name, Trade Mark or any name of the Business, or any confusingly similar word or words in such a way as to be capable of or likely to be confused with the Business Names, Trade Marks or names of the Business;
  - (f) without the consent of the Purchasers (which consent shall not be unreasonably withheld) be employed or engaged in any company, firm or business which is a supplier to or a customer of the Business;
  - (g) in the course of carrying on any trade or business, claim, representation or otherwise indicate any present association with the Business or for the purpose of obtaining or retaining any business or custom, claim, representation; or

- (h) attempt, counsel, procure or otherwise assist any person to do any of the acts in clauses 21.1(a) to (g).

#### **Specific obligation with respect to certain Employees**

- 21.2 The Vendors must use their best endeavours to enforce any post-employment restraint in respect of the Business entered into by any Employees of LSA as at 1 October 2014 to whom an offer of employment was made pursuant to clause 7 of this Agreement, but who did not accept that offer.

#### **Penalty for breach**

- 21.3 If the Vendors fail to comply with clause 21.1(c) and as a result, the Vendor or a Vendor Associate employs, solicits, or entices away, any person who, as at Completion or at any time during the period of 12 months prior to Completion, was an officer, manager, consultant or employee of the Vendors or the Business, the Vendors will pay on demand to the Purchaser, an amount equal to five times the relevant officer, manager, consultant or employee's salary during the 12 months prior to Completion. This clause 21.3 does not apply to employees who were not offered employment by SPS Australia pursuant to clause 7, nor does it apply to Kelvin Needham, Scott Needham or Joshua Landau.

#### **Restraints fair and reasonable**

- 21.4 The Vendors acknowledge that:
- (a) the covenants given in clause 21.1 are material to the Purchasers' decision to enter into this Agreement; and
  - (b) the restraints contained in clause 21.1 are:
    - (i) fair and reasonable regarding the subject matter, area and duration; and
    - (ii) reasonably required by the Purchasers to protect the Business and the Assets.

#### **Exceptions**

- 21.5 Nothing in this clause 21 prevents the Vendors from holding for investment purposes only marketable securities quoted at the time of acquisition on a recognised stock exchange in Australia or elsewhere being collectively not more than 5% of the issued share capital of the listed company.
- 21.6 Nothing in clause 21.1(c) prevents the Vendors or the Vendor Associates from employing the following persons after Completion:
- (i) Kelvin Needham;
  - (ii) Scott Needham;
  - (iii) Joshua Landau; or
  - (iv) Delong Huang.

#### **Severability**

- 21.7 Each of the obligations set out in clause 21.1 is severable and independent so that if clauses 21.1 or any part of it is unenforceable then that clause or part will be deemed eliminated or modified to the extent necessary to make this Agreement or that clause or part enforceable.

## 22 Limitations on Liability

### Disclosure and knowledge limitations

- 22.1 A Purchaser may not make or bring a Claim in respect of any matter, and agrees the Warranties are given subject to all matters:
- (a) contained in the Disclosure Material; and
  - (b) which are or would be revealed by a search on the day that is five Business Days before the date of this Agreement of records open for public inspection, including those maintained by:
    - (i) the PPS Register;
    - (ii) ASIC;
    - (iii) the High Court, Federal Court or any Supreme Court of any State or Territory; and
    - (iv) IP Australia.

### Limitations on quantum

- 22.2 The Vendors' total aggregate Liability for all Claims, including any Warranty Claim, is limited as follows:
- (a) in respect of any Claim for breach of Schedule 1 Part A clauses 1.1, 1.2, 1.3, 1.4, 1.5 1.6, 3.1, 3.6 and 3.8 to an amount equal to the Purchase Price; and
  - (b) in respect of all other Claims under or in connection with this Agreement, to an amount equal to 50% of the Purchase Price.
- 22.3 A Purchaser may not make or bring, and the Vendors are not liable to the Purchasers for, any Claim under or in connection with this Agreement unless and until the aggregate amount of all Claims exceeds AUD100,000, in which case the Vendors will be liable for the whole amount and not merely the excess over AUD100,000.

### Time limit on Claims

- 22.4 A Purchaser may not make or bring, and the Vendors are not liable to the Purchasers for any Claim under or in connection with this Agreement including any Warranty Claim (other than a Claim in relation to a breach of a Tax Warranty), unless the Claim has been notified to LSA in accordance with clause 22.7 and/or clause 22.8 (as applicable) within 24 months from the Completion Date.
- 22.5 A Purchaser may not make or bring, and the Vendors are not liable to the Purchasers for any Claim in relation to a breach of a Tax Warranty under or in connection with this Agreement, unless the Claim has been notified to LSA in accordance with clause 22.7 and/or clause 22.8 (as applicable) within 6 years from the Completion Date.

- 22.6 A Purchaser may not make or bring, and the Vendors are not liable to the Purchasers for, any Claim under or in connection with clauses 22.4 and 22.5 of this Agreement, if legal proceedings in respect of that Claim have not been commenced against the Vendor by being validly served on the Vendor within 3 months of LSA receiving notice.

### Notice of Claims

- 22.7 If a Purchaser becomes aware of any matter that gives or may give rise to a Claim under or in connection with this Agreement:
- (a) the Purchasers must give notice of the Claim to LSA no later than 20 Business Days after a Purchaser becomes aware of the matter on which the Claim is based;
  - (b) the notice must contain:
    - (i) full details of the matter that gives or may give rise to the Claim;
    - (ii) if it is alleged that the matter referred to in clause 22.7(b)(i) constitutes a breach of this Agreement, the basis for that allegation; and
    - (iii) if reasonably practicable, an estimate of the amount of the loss or damage, if any, arising out of the Claim or the matter that gives or may give rise to the Claim; and
  - (c) the Purchasers must provide any documentation and information in relation to the Claim to LSA and must procure that, following a written request from LSA, the Vendor and its Representatives are provided with reasonable and prompt access to the Employees, Books and Records and the premises owned or occupied by the Purchasers for the purpose of evaluating and considering the Claim.

### Third Party Claims

- 22.8 If the matter that gives or may give rise to a Claim under or in connection with this Agreement arises in connection with a Claim by a third party against a Purchaser or a Liability of a Purchaser to a third party that may lead to Liability on the part of the Vendors under this Agreement ("Third Party Claim") then:
- (a) the Purchasers must notify LSA of the Third Party Claim within 20 Business Days of it becoming aware of the existence of the Third Party Claim;
  - (b) at the direction and expense of LSA, the Purchasers must either:
    - (i) take such action (including legal proceedings or making claims under any insurance policies) as LSA may require to avoid, dispute, resist, defend, appeal, compromise or mitigate the Third Party Claim; or
    - (ii) allow LSA to take over the conduct of the Third Party Claim and the Purchasers:
      - (A) must co-operate with LSA and do all things requested by LSA in respect of the Third Party Claim; and
      - (B) agrees that LSA may, with the prior written consent of the Purchasers, take such action as it may determine regarding the Third Party Claim, including negotiating, defending, settling, compromising and appealing the Third Party Claim; and

- (c) a Purchaser must not settle, make any admission of Liability or compromise any Third Party Claim, or any matter which gives or may give rise to a Third Party Claim, without the prior written consent of LSA.
- 22.9 LSA must, when taking action pursuant to a Third Party Claim under clause 22.8, keep the Purchasers regularly informed of the progress of the Claim, and ensure that the goodwill of the Business and the Purchasers is preserved.

#### Other limitations

- 22.10 A Purchaser may not make or bring, and the Vendors are not liable to the Purchasers for, any Claim under or in connection with this Agreement:
- (a) **failure to comply with notice provisions:** if a Purchaser has failed to comply in any material respect with clause 22.7 or clause 22.8 (as applicable), but only to the extent the amount of the Claim is increased as a result of a Purchaser's failure to comply with clause 22.7 or clause 22.8 (as applicable);
- (b) **authorised acts or omissions:** to the extent that the Claim arises from, or to the extent the amount of the Claim is increased as a result of, an act or omission:
- (i) carried out at the request or with the approval of a Purchaser or any of its Related Bodies Corporate or Representatives prior to Completion;
- (ii) carried out by a Purchaser or any of its Related Bodies Corporate or Representatives after Completion (which does not include the making of a Claim or commencement of proceedings); or
- (iii) which is expressly authorised or required by this Agreement;
- (c) **provision in Accounts or Final Completion Accounts:** to the extent that allowance, provision or reserve has been made (or otherwise taken account of or reflected) for any matter that gives or may give rise to the Claim in the Accounts or in the Final Completion Accounts;
- (d) **future events:** in respect of any failure to achieve any forecast or representation as to future events (except to the extent that any forecast or representation is fraudulent or intentionally misleading); or
- (e) **changes in law:** if the Claim arises as a result of or would not have arisen except as a result of:
- (i) the enactment or amendment of any legislation (including legislation which takes effect retrospectively);
- (ii) any change in the judicial interpretation of any law;
- (iii) any judgement that is delivered (other than any judgment in relation to a Claim under or in connection with this Agreement); or
- (iv) any change in the practice, policy or rulings of any Government Agency,
- in each case after the date of this Agreement.

**Third party recovery**

- 22.11 Where a Purchaser is entitled to recover any sum (whether by payment, discount, credit or otherwise) from any third party (including from an insurer or under an indemnity or guarantee) in relation to any matter for which a Claim is or could be made or brought against the Vendors by a Purchaser, the Vendors are not liable for that Claim unless:
- (a) the Purchasers demand against that third party and uses its best endeavours to obtain an appropriate remedy for that demand before making or bringing the Claim, and any sum recovered will reduce the amount of that Claim; and
  - (b) the Purchasers assign to the Vendors the benefit it may receive of any debts, claims or other actions from any third party, in respect of a Claim that has already been satisfied by the Vendors.
- 22.12 If the Vendors have paid any amount to a Purchaser in respect of any Claim under or in connection with this Agreement, and a Purchaser receives any sum (whether by payment, discount, credit or otherwise) in respect of the same matter giving rise to the Claim from any third party (including from an insurer or under an indemnity or guarantee), then the Purchasers must pay to the Vendors an amount equal to the lesser of:
- (a) the amount paid by the Vendors in respect of the Claim; and
  - (b) the value of the sum received from the third party.

**No double recovery**

- 22.13 The Purchasers will not be entitled to recover damages or obtain payment, reimbursement, restitution or indemnity more than once for the same loss, damage, Liability or breach of this Agreement.
- 22.14 For the avoidance of doubt, if one Purchaser makes or brings a Claim (“Claiming Purchaser”) against the Vendors in respect of any matter under or in connection with this Agreement, the other Purchaser may not make or bring the same Claim against the Vendors, regardless of whether the Claiming Purchaser is successful in obtaining an appropriate remedy for that Claim.

**Consequential loss**

- 22.15 The Vendors will not be liable to make any payment (whether by way of damages or otherwise to the Purchaser) for any indirect or consequential loss or loss of profits suffered by a Purchaser, arising under this Agreement, unless the indirect or consequential loss or loss of profits suffered by a Purchaser relates to a breach by the Vendors of the confidentiality provisions set out in clause 23 of this Agreement.

**Exceptions**

- 22.16 None of the limitations on the Liability of the Vendors set out in this clause 22 apply to any Claims against the Vendors to the extent that the Liability of the Vendors in respect of that Claim arises from the Vendors’ fraud, dishonesty or deliberate misconduct.
- 22.17 Clause 22.3, 22.4, 22.5 and 22.6 will not apply to any Claims arising under any of the indemnities given by either or both of the Vendors in favour of the Purchasers in clauses 7.10, 8.2, 9.5, 12.2(a), 12.3, 13.4, 15.9 or 17.10 of this Agreement.

## 23 Confidentiality and announcements

### Provisions to remain confidential

- 23.1 Subject to clauses 23.2 and 23.3, neither party may disclose without the other party's prior written consent:
- (a) the content or effect of this Agreement; or
  - (b) any Confidential Information.

### Permitted disclosures

- 23.2 A party may disclose matters referred to in clause 23.1:
- (a) to those of its employees, officers, professional or financial advisers and bankers as that party reasonably thinks necessary but only on a strictly confidential basis; or
  - (b) if required by law, after the form and terms of that disclosure have been notified to the other party (if legally permitted) and the other party has had a reasonable opportunity to comment on the form and terms.

### Announcements

- 23.3 A party may make announcements or statements at any time in the form and on the terms previously agreed by the parties in writing.

## 24 Notices

### Requirements

- 24.1 All notices must be:
- (a) in legible writing and in English;
  - (b) addressed to the recipient at the address or facsimile number set out below or to such other address or facsimile number as that party may notify to the other party:

to the Vendors:

Address:

30 Cotham Road, Kew VIC 3151, Australia

Attention:

Scott Needham

Email:

scott.needham@leadingtechnology.com

and

Address:

Level 5, North Building, 333 Collins Street, Melbourne VIC 3000, Australia



Attention:  
Peter Tunjic  
Email:  
peter@tunjic.com

to the Vendor Guarantors:

Address:  
12 Tennyson St, Kew VIC 3101, Australia  
Attention:  
Scott Needham  
Email:  
scott.needham@leadingtechnology.com

and

Address:  
Level 5, North Building, 333 Collins Street, Melbourne VIC 3000, Australia  
Attention:  
Peter Tunjic  
Email no:  
peter@tunjic.com

to a Purchaser:

Address:  
333 South Seventh Street, Suite 1000, Minneapolis, MN 55402, USA  
Attention:  
General Counsel  
Facsimile no:  
612 435 9401

to the Purchaser Guarantor:

Address:  
333 South Seventh Street, Suite 1000, Minneapolis, MN 55402, USA  
Attention:  
General Counsel  
Facsimile no:  
612 435 9401

with a copy to:

Address:

333 South Seventh Street, Suite 1000, Minneapolis, MN 55402, USA

Attention:

Mr Boyd Johnson

Facsimile no:

612 435 9401

with a copy to:

Address:

Level 28, AMP Centre, 50 Bridge Street, Sydney, NSW, Australia 2000

Attention:

Mr Ben McLaughlin & Ms Candice Heggelund

Facsimile no:

+61 2 9225 1595

- (c) signed by the party or where the sender is a company by an officer of that company or under the common seal of that company; and
  - (d) sent to the recipient by hand, prepaid post (airmail if to or from a place outside Australia), email or facsimile.
- 24.2 A notice sent to SPS Commerce will be deemed to be valid notice provided to both Purchasers in accordance with the terms of this clause 24.

#### Receipt

- 24.3 Without limiting any other means by which a party may be able to prove that a notice has been received by another party, a notice will be deemed to be duly received:
- (a) if sent by hand when left at the address of the recipient;
  - (b) if sent by pre-paid post, 3 days (if posted within Australia to an address in Australia) or 10 days (if posted from one country to another) after the date of posting; or
  - (c) if sent by facsimile, upon receipt by the sender of an acknowledgment or transmission report generated by the machine from which the facsimile was sent indicating that the whole facsimile was sent to the recipient's facsimile number;

but if a notice is served by hand, or is received by the recipient's facsimile on a day which is not a Business Day, or after 5.00 pm on a Business Day, the notice is deemed to be duly received by the recipient at 9.00 am on the first Business Day after that day.

## 25 General Provisions

### Costs

- 25.1 Each party must pay its own costs in respect of this Agreement and the documents contemplated by this Agreement except that the Purchasers must pay all stamp duty payable on this Agreement and the transfer of the Assets.
- 25.2 For the avoidance of doubt, the Purchasers are responsible only in relation to stamp duty in connection with this Agreement and the transfer of Assets, and is not responsible for any taxes, costs or payments associated with the transfer of any of the Escrowed Shares.

### Non-merger

- 25.3 The Warranties, other representations and covenants by the parties in this Agreement are continuing and will not merge or be extinguished on Completion.

### Effect of termination

- 25.4 If this Agreement is terminated lawfully in accordance with the terms of this Agreement:
- (a) the parties are released from the obligation to continue to perform this Agreement except those obligations contained in clauses 18, 20, 23, 24, and 25, and any other obligations which by their nature survive termination; and
  - (b) each party retains the rights it has against any other party for any past breach of the Agreement in connection with any Claim that has arisen on or before termination, including all rights under clause 22.

### Indemnities

- 25.5 The indemnities contained in this Agreement are:
- (a) continuing, separate and independent obligations of the parties from their other obligations, and survive the termination of this Agreement; and
  - (b) absolute and unconditional and unaffected by anything which otherwise might have the effect of prejudicing, releasing, discharging or affecting the liability of the party giving the indemnity.

### Invalid or unenforceable provisions

- 25.6 If a provision of this Agreement is invalid or unenforceable in a jurisdiction:
- (a) it is to be read down or severed in that jurisdiction to the extent of the invalidity or unenforceability; and
  - (b) that fact does not affect the validity or enforceability of that provision in another jurisdiction or the remaining provisions.

### Default interest

- 25.7 If a party fails to pay any amount payable under this Agreement on the due date for payment, that party must pay interest on the amount unpaid at the Interest Rate plus 5% per annum.

- 25.8 The interest payable under clause 25.7:
- (a) accrues from day to day from and including the due date for payment up to the actual date of payment, before and, as an additional and independent obligation, after any judgment or other thing into which the Liability to pay the amount becomes merged; and
  - (b) may be capitalised by the person to whom it is payable at monthly intervals
- 25.9 The right to payment of interest under clause 25.7 is without prejudice to any other rights a non-defaulting party may have against the defaulting party at law or in equity.

**Waiver and exercise of rights**

- 25.10 A waiver by a party of a provision or of a right under this Agreement is binding on the party granting the waiver only if it is given in writing and is signed by the party or an officer of the party granting the waiver.
- 25.11 A waiver is effective only in the specific instance and for the specific purpose for which it is given.
- 25.12 A single or partial exercise of a right by a party does not preclude another or further exercise of that right or the exercise of another right.
- 25.13 Failure by a party to exercise or delay in exercising a right does not prevent its exercise or operate as a waiver.

**Amendment**

- 25.14 This Agreement may be amended only by a document signed by all parties.

**Counterparts**

- 25.15 This Agreement may be signed in counterparts and all counterparts taken together constitute one document.

**Further assurances**

- 25.16 Each party must, at its own expense, whenever requested by another party, promptly do or arrange for others to do everything reasonably necessary to give full effect to this Agreement and the transactions contemplated by this Agreement.

**Assignment**

- 25.17 A party must not transfer, assign, create an interest in or deal in any other way with any of its rights under this Agreement without the prior written consent of the other parties.

**Entire agreement**

- 25.18 This Agreement is the entire agreement of the parties about the subject matter of this Agreement and supersedes any representations, negotiations, arrangements, understandings or agreements and all other communications.

**Rights cumulative**

25.19 The rights, remedies and powers of the parties under this Agreement are cumulative and not exclusive of any rights, remedies or powers provided to the parties by law.

**Jurisdiction**

25.20 Each party irrevocably and unconditionally:

- (a) submits to the non-exclusive jurisdiction of the courts of Victoria, Australia; and
- (b) waives any claim or objection based on absence of jurisdiction or inconvenient forum.

**Governing Law**

25.21 This Agreement is governed by the laws of Victoria, Australia.

**Execution**

**Executed** as an agreement.

**Signed by**  
**Leadtec Systems Australia Pty Ltd**  
by a director and secretary/director:

\_\_\_\_\_  
/s/ Scott Needham

Signature of director

\_\_\_\_\_  
Scott Needham

Name of director (please print)

**Signed by**  
**Scott Needham**  
in the presence of:

\_\_\_\_\_  
/s/ Peter Tunjic

Signature of witness

\_\_\_\_\_  
Peter Tunjic

Name of witness (please print)

**Signed by**  
**Advance Barcode Solutions Pty Ltd**  
by a director and secretary/director:

\_\_\_\_\_  
/s/ Scott Needham

Signature of director

\_\_\_\_\_  
Scott Needham

Name of director (please print)

\_\_\_\_\_  
/s/ Kelvin Needham

Signature of secretary/director

\_\_\_\_\_  
Kelvin Needham

Name of secretary/director (please print)

\_\_\_\_\_  
/s/ Scott Needham

Signature of Scott Needham

\_\_\_\_\_  
/s/ Kelvin Needham

Signature of secretary/director

\_\_\_\_\_  
Kelvin Needham

Name of secretary/director (please print)

**Signed by**  
**Leading Technology Group Pty Ltd**  
by a director and secretary/director:

/s/ Scott Needham  
Signature of director

Scott Needham  
Name of director (please print)

**Signed by**  
**SPS Commerce Australia Pty Ltd**  
by a director and secretary/director:

/s/ Archie Black  
Signature of director

Archie Black  
Name of director (please print)

**Signed by**  
**SPS Commerce, Inc**  
by an authorised representative in the presence of:

/s/ Boyd Johnson  
Signature of witness

Boyd Johnson  
Name of witness (please print)

/s/ Kelvin Needham  
Signature of secretary/director

Kelvin Needham  
Name of secretary/director (please print)

/s/ Kimberly Nelson  
Signature of secretary/director

Kimberly Nelson  
Name of secretary/director (please print)

/s/ Kimberly Nelson  
Signature of authorised representative

Kimberly Nelson  
Name of authorised representative (please print)

**Consent of Independent Auditors**

The Board of Directors  
Leadtec Systems Australia Pty Ltd:

We consent to the incorporation by reference in the registration statements on Form S-3 (Nos. 333-192392, 333-182097 and 333-174026) and on Form S-8 (Nos. 333-193544, 333-185972, 333-182007, 333-179236, 333-172073, 333-167315 and 333-167314) of SPS Commerce, Inc. of our report dated September 4, 2014, with respect to the consolidated statements of financial position of Leadtec Systems Australia Pty Ltd as of June 30, 2014 and 2013 and July 1, 2012, and the related consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the years ended June 30, 2014 and 2013, which report appears in the Form 8-K of SPS Commerce Inc. dated October 14, 2014.

/s/ KPMG

Melbourne, Australia

13 October 2014



P. 612-435-9400

333 South 7th St., Suite 1000  
Minneapolis, MN 55402

[spscommerce.com](http://spscommerce.com)

Contact:

Kay Rindels  
SPS Commerce  
866-245-8100  
[krindels@spscommerce.com](mailto:krindels@spscommerce.com)

### **SPS Commerce Acquires Leadtec**

Thousands of organizations across Australia and New Zealand join the SPS retail business network

Company to host conference call today at 5:00pm ET

MINNEAPOLIS, Oct. 13, 2014 – SPS Commerce, Inc. (Nasdaq: SPSC), a leader in retail cloud services, announces the acquisition of Leadtec, a leading provider of cloud-based supply chain solutions in Australia and New Zealand with thousands of trading partners. The acquisition expands the SPS community in the region, building on its current network of more than 55,000 customers in more than 50 countries. As part of the industry’s broadest retail business network, Leadtec’s customers will take advantage of a powerful suite of cloud-based products that provide the integration and collaboration needed for the omnichannel retail era.

“We are pleased to welcome Leadtec’s employees and customers to the SPS Commerce community,” states Archie Black, president and CEO of SPS Commerce. “SPS continues to grow its network to span the globe while enabling retailers and suppliers to collaboratively deliver a seamless experience for consumers in today’s omnichannel retail marketplace. This acquisition strengthens our international presence, adds key retailer relationships to the network and broadens our team of retail and supply chain experts in Australia, New Zealand and beyond.”

Leadtec has the largest trading partner network in Australia featuring established relationships with thousands of companies including most of the region’s largest retail companies such as 7-Eleven Stores, Coles Supermarkets Australia, David Jones, Myer and Woolworths Supermarket. Leadtec employees will continue to be based in Melbourne.

“Leadtec is delighted to join forces with SPS Commerce to bring the world’s largest retail business network to our customers, the Australian marketplace and across the region,” said Angela Hariohoedojo, CEO of Leadtec. “As retailers and suppliers look to innovate around omnichannel trends, the SPS Commerce network offers a collaborative way to boost the efficiency and sales performance of their supply chains, reduce inventory costs and increase sales.”

P. 612-435-9400

333 South 7th St., Suite 1000  
Minneapolis, MN 55402

[spscommerce.com](http://spscommerce.com)

### **Acquisition Details**

Under the terms of the acquisition agreement, SPS Commerce acquired all of Leadtec's assets, for approximately \$12.7 million in cash and \$2.2 million in stock for a total purchase price of approximately \$14.9 million USD. Leadtec is headquartered in Melbourne Australia. The acquisition will be recorded in SPS Commerce's fourth quarter and 2014 year-end financial statements.

For the fourth quarter of 2014, SPS Commerce anticipates the acquisition will add approximately \$750,000 of revenue and expects Adjusted EBITDA to be negatively impacted by approximately \$300,000. The company also anticipates in the fourth quarter 2014 a one-time expense of \$400,000 as part of the transaction to be reflected as other expense in the financial statements, and a small increase in share count of approximately 40,000 shares.

For fiscal 2015, the Company expects the acquisition will add approximately \$4.5 million of revenue. The Company also anticipates the acquisition to negatively impact Adjusted EBITDA by approximately \$500,000 in the first half of 2015; however, it will be accretive to Adjusted EBITDA in the fourth quarter of 2015.

The Company will provide consolidated fourth quarter 2014 guidance and an update to the full year 2014 outlook in its third quarter financial results press release to be issued on October 23, 2014.

### **Conference Call Information**

SPS Commerce will host a conference call today at 4:00 p.m. Central Time (5:00 p.m. Eastern Time). To access the call, please dial (877) 312-7508, or outside the U.S. (253) 237-1184, with Conference ID# 19910677 at least five minutes prior to the 4:00 p.m. CT start time. A live webcast of the call will also be available at [investors.spscommerce.com](http://investors.spscommerce.com) under the Events and Presentations menu. The replay will also be available on our website at [investors.spscommerce.com](http://investors.spscommerce.com).

### **About SPS Commerce**

SPS Commerce perfects the power of trading partner relationships with the industry's most broadly adopted, retail cloud services platform. As a leader in cloud-based supply chain management solutions, we provide prewired, proven integrations and comprehensive retail performance analytics to thousands of customers worldwide. With a singular focus on the retail

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marketplace, we revolutionized traditional EDI systems by developing a platform that enables highly cost-effective and reliable trading partner collaboration. SPS Commerce has achieved 54 consecutive quarters of revenue growth and is headquartered in Minneapolis. For additional information, please contact SPS Commerce at 866-245-8100 or visit [www.spscommerce.com](http://www.spscommerce.com).

SPS COMMERCE, SPS, and RETAIL UNIVERSE are marks of SPS Commerce, Inc. and Registered in U.S. Patent and Trademark Office. INFINITE RETAIL POWER, SPS logo and others are further marks of SPS Commerce, Inc. These marks may be registered or otherwise protected in other countries.

### **Use of Non-GAAP Financial Measures**

To supplement its financial statements, SPS Commerce also provides investors with Adjusted EBITDA, which is a non-GAAP financial measure. SPS Commerce believes that this non-GAAP measure provides useful information to management and investors regarding certain financial and business trends relating to its financial condition and results of operations. SPS Commerce's management uses this non-GAAP measure to compare the company's performance to that of prior periods for trend analyses and planning purposes. It uses Adjusted EBITDA for purposes of determining executive and senior management incentive compensation. This measure is also presented to the company's board of directors.

EBITDA consists of net income plus depreciation and amortization, interest expense, interest income, income tax (benefit) expense and other adjustments as necessary for a fair presentation. Adjusted EBITDA consists of EBITDA plus non-cash, stock-based compensation expense. SPS Commerce uses Adjusted EBITDA as a measure of operating performance because it assists the company in comparing performance on a consistent basis, as it removes from operating results the impact of the company's capital structure. SPS Commerce believes Adjusted EBITDA is useful to an investor in evaluating the company's operating performance because it is widely used to measure a company's operating performance without regard to items such as depreciation and amortization, which can vary depending upon accounting methods and the book value of assets, and to present a meaningful measure of corporate performance exclusive of the company's capital structure and the method by which assets were acquired.

P. 612-435-9400

333 South 7th St., Suite 1000  
Minneapolis, MN 55402

spscommerce.com

This non-GAAP measure should not be considered a substitute for, or superior to, financial measures calculated in accordance with generally accepted accounting principles in the United States. This non-GAAP financial measure excludes significant expenses and income that are required by GAAP to be recorded in the company's financial statements and are subject to inherent limitations.

### **Forward-Looking Statements**

This press release may contain forward-looking statements, including information about management's view of SPS Commerce's future expectations, plans and prospects, including our views regarding future execution within our business (including within Australia and New Zealand), the opportunity we see in the retail supply chain world and the expected financial impact of the Leadtec acquisition (including expected one-time charges) for the fourth quarter of 2014 and the full year of 2015, within the safe harbor provisions under The Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors which may cause the results of SPS Commerce to be materially different than those expressed or implied in such statements. Certain of these risk factors and others are included in documents SPS Commerce files with the Securities and Exchange Commission, including but not limited to, SPS Commerce's Annual Report on Form 10-K for the year ended December 31, 2013, as well as subsequent reports filed with the Securities and Exchange Commission. Other unknown or unpredictable factors also could have material adverse effects on SPS Commerce's future results. The forward-looking statements included in this press release are made only as of the date hereof. SPS Commerce cannot guarantee future results, levels of activity, performance or achievements. Accordingly, you should not place undue reliance on these forward-looking statements. Finally, SPS Commerce expressly disclaims any intent or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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Leadtec Systems Australia Pty Ltd  
ABN 52 007 455 601

Financial Statements  
30 June 2014

**Leadtec Systems Australia Pty Ltd**

Financial Statements

**For the year ended 30 June 2014**

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**Leadtec Systems Australia Pty Ltd****Consolidated statement of financial position  
For the year ended 30 June 2014***In thousands of Australian dollars*

|                                      | <i>Note</i> | <b>30 June<br/>2014</b> | <b>30 June<br/>2013</b> | <b>1 July<br/>2012</b> |
|--------------------------------------|-------------|-------------------------|-------------------------|------------------------|
| <b>Assets</b>                        |             |                         |                         |                        |
| Cash and cash equivalents            | 11          | 529                     | 348                     | 326                    |
| Trade and other receivables          | 10          | 754                     | 797                     | 728                    |
| Related party receivables            | 23(c)       | 3,040                   | 2,165                   | 1,368                  |
| Inventories                          |             | 41                      | 44                      | 39                     |
| Prepayments                          |             | 103                     | 100                     | 105                    |
| <b>Total current assets</b>          |             | <b>4,467</b>            | <b>3,454</b>            | <b>2,566</b>           |
| Property, plant and equipment        | 12          | 216                     | 163                     | 170                    |
| Intangible assets                    | 13          | 2,113                   | 2,103                   | 2,007                  |
| Deferred tax assets                  |             | —                       | —                       | 19                     |
| <b>Total non-current assets</b>      |             | <b>2,329</b>            | <b>2,266</b>            | <b>2,196</b>           |
| <b>Total assets</b>                  |             | <b>6,796</b>            | <b>5,720</b>            | <b>4,762</b>           |
| <b>Liabilities</b>                   |             |                         |                         |                        |
| Trade and other payables             | 17          | 299                     | 359                     | 490                    |
| Loans and borrowings                 | 16          | —                       | 50                      | 250                    |
| Employee benefits                    | 18          | 399                     | 400                     | 351                    |
| Deferred revenue                     |             | 591                     | 574                     | 589                    |
| Finance lease liability              |             | 75                      | 52                      | 46                     |
| <b>Total current liabilities</b>     |             | <b>1,364</b>            | <b>1,435</b>            | <b>1,726</b>           |
| Employee benefits                    | 18          | 75                      | 62                      | 69                     |
| Loans and borrowings                 | 16          | —                       | 263                     | 25                     |
| Finance lease liability              |             | 78                      | 38                      | 29                     |
| Deferred Tax Liability               |             | 17                      | 17                      | —                      |
| <b>Total non-current liabilities</b> |             | <b>170</b>              | <b>380</b>              | <b>123</b>             |
| <b>Total liabilities</b>             |             | <b>1,534</b>            | <b>1,815</b>            | <b>1,849</b>           |
| <b>Net assets</b>                    |             | <b>5,262</b>            | <b>3,905</b>            | <b>2,913</b>           |
| <b>Equity</b>                        |             |                         |                         |                        |
| Share capital                        |             | 1                       | 1                       | 1                      |
| Retained earnings                    |             | 5,261                   | 3,904                   | 2,912                  |
| <b>Total equity</b>                  |             | <b>5,262</b>            | <b>3,905</b>            | <b>2,913</b>           |

The above statement should be read in conjunction with the notes on pages 7 to 24 of these consolidated financial statements.

**Leadtec Systems Australia Pty Ltd****Consolidated statement of profit or loss and other comprehensive income  
For the year ended 30 June***In thousands of Australian dollars*

|                                   | <i>Note</i> | <b>2014</b>  | <b>2013</b>  |
|-----------------------------------|-------------|--------------|--------------|
| <b>Continuing operations</b>      |             |              |              |
| Revenue                           | 6           | 6,655        | 6,425        |
| Cost of sales                     |             | <u>(411)</u> | <u>(355)</u> |
| <b>Gross profit</b>               |             | <b>6,244</b> | <b>6,070</b> |
| Other income                      |             | 3            | 49           |
| Depreciation and amortisation     |             | (1,294)      | (1,215)      |
| Employee benefits expense         | 8           | (2,464)      | (2,577)      |
| Rental and building costs         |             | (489)        | (465)        |
| Professional fees and consultants |             | (126)        | (100)        |
| Office expenses                   |             | (119)        | (127)        |
| Insurance costs                   |             | (46)         | (45)         |
| Other expenses                    |             | <u>(122)</u> | <u>(153)</u> |
| <b>Operating profit</b>           |             | <b>1,587</b> | <b>1,437</b> |
| Finance income                    | 7           | 7            | 8            |
| Finance costs                     | 7           | <u>(54)</u>  | <u>(68)</u>  |
| <b>Net finance costs</b>          |             | <b>(47)</b>  | <b>(60)</b>  |
| <b>Profit before tax</b>          |             | <b>1,540</b> | <b>1,377</b> |
| Income tax expense                | 9           | <u>(183)</u> | <u>(185)</u> |
| <b>Profit for the year</b>        |             | <b>1,357</b> | <b>1,192</b> |
| <b>Other comprehensive income</b> |             | <b>—</b>     | <b>—</b>     |
| <b>Total comprehensive income</b> |             | <b>1,357</b> | <b>1,192</b> |

The above statement should be read in conjunction with the notes on pages 7 to 24 of these consolidated financial statements.



**Leadtec Systems Australia Pty Ltd**

## Consolidated statement of statement of changes in equity

| <i>In thousands of Australian dollars</i>        | Note  | Attributable to owners of the Company |                   |              |
|--|-------|---------------------------------------|-------------------|--------------|
|  |       | Share capital                         | Retained earnings | Total equity |
| Balance at 30 June 2013                          |       | 1                                     | 3,904             | 3,905        |
| <b>Total comprehensive income</b>                |       |                                       |                   |              |
| Profit for the year                              |       | —                                     | 1,357             | 1,357        |
| Other comprehensive income                       |       | —                                     | —                 | —            |
| Total comprehensive income                       |       | —                                     | 1,357             | 1,357        |
| <b>Transactions with owners of the Company</b>   |       |                                       |                   |              |
| Dividends  | 14(b) | —                                     | —                 | —            |
| <b>Balance at 30 June 2014</b>                   |       | <u>1</u>                              | <u>5,261</u>      | <u>5,262</u> |
|  |       |                                       |                   |              |
| <i>In thousands of Australian dollars</i>        | Note  | Attributable to owners of the Company |                   |              |
|  |       | Share capital                         | Retained earnings | Total equity |
| Balance at 1 July 2012                           |       | 1                                     | 2,912             | 2,913        |
| <b>Total comprehensive income for the period</b> |       |                                       |                   |              |
| Profit for the year                              |       | —                                     | 1,192             | 1,192        |
| Total other comprehensive income                 |       | —                                     | —                 | —            |
| Total comprehensive income                       |       | —                                     | 1,192             | 1,192        |
| <b>Balance at 30 June 2013</b>                   |       | <u>1</u>                              | <u>4,104</u>      | <u>4,105</u> |
| <b>Transactions with owners of the Company</b>   |       |                                       |                   |              |
| Dividends  | 14(b) | —                                     | (200)             | (200)        |
| <b>Total</b>                                     |       | <u>—</u>                              | <u>(200)</u>      | <u>(200)</u> |
| <b>Balance at 30 June 2013</b>                   |       | <u>1</u>                              | <u>3,904</u>      | <u>3,905</u> |

The above statement should be read in conjunction with the notes on pages 7 to 24 of these consolidated financial statements.

**Leadtec Systems Australia Pty Ltd****Consolidated statement of statement of cash flows  
For the year ended 30 June***In thousands of Australian dollars*

|  | <i>Note</i> | <b>2014</b>           | <b>2013</b>           |
|--|-------------|-----------------------|-----------------------|
| <b>Cash flows from operating activities</b>      |             |                       |                       |
| Cash receipts from customers                     |             | 7,367                 | 7,045                 |
| Cash paid to suppliers and employees             |             | <u>(4,677)</u>        | <u>(4,652)</u>        |
| Cash generated from operating activities         |             | 2,690                 | 2,393                 |
| Interest and other costs of finance paid         |             | (44)                  | (53)                  |
| Interest Income                                  |             | <u>7</u>              | <u>8</u>              |
| <b>Net cash from operating activities</b>        |             | <u><u>2,653</u></u>   | <u><u>2,348</u></u>   |
| <b>Cash flows from investing activities</b>      |             |                       |                       |
| Capitalised development costs                    |             | (1,225)               | (1,207)               |
| Acquisition of property, plant and equipment     |             | <u>(1)</u>            | <u>(5)</u>            |
| <b>Net cash used in investing activities</b>     |             | <u><u>(1,226)</u></u> | <u><u>(1,212)</u></u> |
| <b>Cash flows from financing activities</b>      |             |                       |                       |
| Proceeds from related party repayments           |             | 32                    | 64                    |
| Loans given to related parties                   |             | (875)                 | (946)                 |
| Repayment/proceeds of external borrowings        |             | (313)                 | 38                    |
| Repayment of finance leases                      |             | (90)                  | (70)                  |
| Dividends paid                                   |             | <u>—</u>              | <u>(200)</u>          |
| <b>Net cash (used in) financing activities</b>   |             | <u><u>(1,246)</u></u> | <u><u>(1,114)</u></u> |
| <b>Net increase in cash and cash equivalents</b> |             | 181                   | 22                    |
| Cash and cash equivalents at 1 July              | 11          | <u>348</u>            | <u>326</u>            |
| <b>Cash and cash equivalents at 30 June</b>      | 11          | <u><u>529</u></u>     | <u><u>348</u></u>     |

Non-cash financing transactions: During the year the group acquired assets under finance lease arrangements of \$145 thousand (2013: \$ 76 thousand), refer to note 12.

The above statement should be read in conjunction with the notes on pages 7 to 24 of these consolidated financial statements.

**1. Reporting entity**

Leadtec Systems Australia Pty Ltd (the “Company”) is a company domiciled in Australia.

The Company’s registered office is at Level 1, 5 Lakeside Drive, Burwood East, VIC 3151. The consolidated financial statements comprise the Company and its subsidiaries (collectively the “Group” and individually “Group companies”).

The Group is a for-profit entity and primarily is involved in providing messaging, catalogue synchronisation, scan packing/logistics and retail inventory/sales data services for trading partnerships in the grocery, retail, automotive and healthcare industries.

**2. Basis of accounting**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The Group did not prepare financial statements for previous periods. These are the Group’s first consolidated financial statements prepared in accordance with IFRSs and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied. The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014, the comparative information presented in these financial statements for the year ended 30 June 2013 and in the preparation of an opening IFRS statement of financial position at 1 July 2012 (the Group’s date of transition).

The consolidated financial statements were authorised for issue by the Board of Directors on 4 September 2014.

**3. Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis unless otherwise stated in note 25.

**4. Functional and presentation currency**

These consolidated financial statements are presented in Australian dollars, which is the Company’s functional currency. All financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

**5. Use of judgements and estimates**

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

**6. Revenue**

| <i>In thousands of Australian dollars</i> | 2014         | 2013         |
|---|--------------|--------------|
| Sale of goods                             | 251          | 219          |
| Rendering of services                     | 6,404        | 6,206        |
|   | <u>6,655</u> | <u>6,425</u> |

**Leadtec Systems Australia Pty Ltd**

Notes to the consolidated financial statements  
For the year ended 30 June

**7. Net finance costs**

| <i>In thousands of Australian dollars</i> | 2014      | 2013      |
|---|-----------|-----------|
| Interest income                           | 7         | 8         |
| <b>Finance Income</b>                     | <u>7</u>  | <u>8</u>  |
| Interest on loan                          | 17        | 12        |
| Lease expenses                            | 9         | 8         |
| Bank charges                              | 28        | 48        |
| <b>Finance Costs</b>                      | <u>54</u> | <u>68</u> |

**8. Employee benefit expenses**

| <i>In thousands of Australian dollars</i> | 2014         | 2013         |
|---|--------------|--------------|
| Wages and salaries                        | 1,973        | 1,972        |
| Superannuation expenses                   | 290          | 284          |
| Employment related taxes                  | 144          | 145          |
| Long service leave expenses               | 20           | 61           |
| Other                                     | 37           | 115          |
|   | <u>2,464</u> | <u>2,577</u> |

**9. Income taxes**

| <i>In thousands of Australian dollars</i> | 2014       | 2013       |
|---|------------|------------|
| Current year tax expense                  | 183        | 149        |
| Deferred tax expense                      | —          | 36         |
| <b>Tax expense</b>                        | <u>183</u> | <u>185</u> |

**Reconciliation of effective tax rate**

| <i>In thousands of Australian dollars</i>       | 2014       | 2013       |
|---|------------|------------|
| Profit before tax                               | 1,540      | 1,377      |
| Tax using the Company's domestic tax rate (30%) | 462        | 413        |
| Non-deductible expenses                         | 363        | 378        |
| Tax credits for development costs               | (642)      | (642)      |
| Change in temporary differences                 | —          | 36         |
|   | <u>183</u> | <u>185</u> |

## Leadtec Systems Australia Pty Ltd

Notes to the consolidated financial statements  
For the year ended 30 June

### 10. Trade and other receivables

| <i>In thousands of Australian dollars</i> | Note | 2014       | 2013       |
|---|------|------------|------------|
| Trade receivables                         |      | 711        | 759        |
| Accrued Income                            |      | 39         | 35         |
| Other                                     |      | 4          | 3          |
|   |      | <u>754</u> | <u>797</u> |

Information about the Group's exposure to credit and market risks, and impairment losses for trade receivables, is disclosed in the notes below.

### 11. Cash and cash equivalents

| <i>In thousands of Australian dollars</i>                               | 2014       | 2013       |
|---|------------|------------|
| Bank balances   | 529        | 348        |
| <b>Cash and cash equivalents in the statement of financial position</b> | <u>529</u> | <u>348</u> |
| <b>Cash and cash equivalents in the statement of cash flows</b>         | <u>529</u> | <u>348</u> |

**Leadtec Systems Australia Pty Ltd**

Notes to the consolidated financial statements  
For the year ended 30 June

**12. Property, plant and equipment**

**(a) Reconciliation of carrying amount**

*In thousands of Australian dollars*

|                                | Building<br>Improvements | Office<br>Equipment | Furniture<br>and<br>Fittings | Computer<br>Equipment | Total |
|--------------------------------|--------------------------|---------------------|------------------------------|-----------------------|-------|
| <b>Cost</b>                    |                          |                     |                              |                       |       |
| Balance at 1 July 2012         | 26                       | 87                  | 41                           | 750                   | 904   |
| Additions                      | —                        | —                   | 1                            | 76                    | 77    |
| Disposals                      | —                        | (41)                | —                            | (499)                 | (540) |
| Balance at 30 June 2013        | 26                       | 46                  | 42                           | 327                   | 441   |
| <b>Balance at 1 July 2013</b>  | 26                       | 46                  | 42                           | 327                   | 441   |
| Additions                      | —                        | —                   | —                            | 150                   | 150   |
| Disposals                      | —                        | —                   | —                            | (74)                  | (74)  |
| <b>Balance at 30 June 2014</b> | 26                       | 46                  | 42                           | 403                   | 517   |

*In thousands of Australian dollars*

|   | Building<br>Improvements | Office<br>Equipment | Furniture<br>and<br>Fittings | Computer<br>Equipment | Total |
|---|--------------------------|---------------------|------------------------------|-----------------------|-------|
| <b>Accumulated depreciation and impairment losses</b> |                          |                     |                              |                       |       |
| Balance at 1 July 2012                                | 3                        | 63                  | 22                           | 646                   | 734   |
| Depreciation  | 1                        | 6                   | 4                            | 73                    | 84    |
| Write back due to disposal                            | —                        | (41)                | —                            | (499)                 | (540) |
| <b>Balance at 30 June 2013</b>                        | 4                        | 28                  | 26                           | 220                   | 278   |
| Balance at 1 July 2013                                | 4                        | 28                  | 26                           | 220                   | 278   |
| Depreciation  | 1                        | 2                   | 3                            | 91                    | 97    |
| Write back due to disposal                            | —                        | —                   | —                            | (74)                  | (74)  |
| <b>Balance at 30 June 2014</b>                        | 5                        | 30                  | 29                           | 237                   | 301   |
| <b>Carrying Amounts</b>                               |                          |                     |                              |                       |       |
| at 1 July 2012  | 23                       | 24                  | 19                           | 104                   | 170   |
| at 30 June 2013                                       | 22                       | 18                  | 16                           | 107                   | 163   |
| at 30 June 2014                                       | 21                       | 16                  | 13                           | 166                   | 216   |

**12. Property, plant and equipment (continued)****(b) Leased plant and machinery**

The Group leases computer equipment under a number of finance leases. The leased equipment secures lease obligations. At 30 June 2014, the net carrying amount of leased equipment was \$157 thousand (2013: \$90 thousand).

**(c) Security**

At 30 June 2014 all assets of the Group formed security for the bank loan.

**13. Intangible assets and goodwill****(a) Reconciliation of carrying amount**

| <i>In thousands of Australian dollars</i>             | <b>Software costs</b> | <b>Goodwill</b> | <b>Total</b> |
|---|-----------------------|-----------------|--------------|
| <b>Cost</b>   |                       |                 |              |
| Balance at 1 July 2012                                | 1,108                 | 899             | 2,007        |
| Additions - internally developed                      | 1,225                 | —               | 1,225        |
| <b>Balance at 30 June 2013</b>                        | <u>2,333</u>          | <u>899</u>      | <u>3,232</u> |
| Balance at 1 July 2013                                | 2,333                 | 899             | 3,232        |
| Additions - internally developed                      | 1,207                 | —               | 1,207        |
| <b>Balance at 30 June 2014</b>                        | <u>3,540</u>          | <u>899</u>      | <u>4,439</u> |
| <br>  |                       |                 |              |
| <i>In thousands of Australian dollars</i>             | <b>Software costs</b> | <b>Goodwill</b> | <b>Total</b> |
| <b>Accumulated amortisation and impairment losses</b> |                       |                 |              |
| Balance at 1 July 2012                                | —                     | —               | —            |
| Amortisation  | 1,129                 | —               | 1,129        |
| <b>Balance at 30 June 2013</b>                        | <u>1,129</u>          | <u>—</u>        | <u>1,129</u> |
| Balance at 1 July 2013                                | 1,129                 | —               | 1,129        |
| Amortisation  | 1,197                 | —               | 1,197        |
| <b>Balance at 30 June 2014</b>                        | <u>2,326</u>          | <u>—</u>        | <u>2,326</u> |
| <b>Carrying Amounts</b>                               |                       |                 |              |
| at 1 July 2012  | 1,108                 | 899             | 2,007        |
| at 30 June 2013                                       | 1,204                 | 899             | 2,103        |
| at 30 June 2014                                       | <u>1,214</u>          | <u>899</u>      | <u>2,113</u> |

**13. Intangible assets and goodwill (continued)****(b) Impairment test**

For the purpose of impairment testing, goodwill is allocated to the Group's CGUs (operating divisions) as follows.

| <i>In thousands of Australian dollars</i> | 2014       | 2013       |
|---|------------|------------|
| Advanced Barcode Solutions (ABS)          | 899        | 899        |
|   | <u>899</u> | <u>899</u> |

The recoverable amount of the ABS CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The carrying amount of the CGU was determined to be lower than its recoverable amount.

Key assumptions used in the calculation of value in use were as follows.

| <i>In percent</i>            | 2014  | 2013  |
|------------------------------|-------|-------|
| Discount rate                | 12.50 | 12.50 |
| Terminal value growth rate   | 0.0   | 0.0   |
| Budgeted revenue growth rate | 0.0   | 0.0   |

The discount rate was a pre-tax measure based on the rate of bonds issued by the government and adjusted for a risk premium specific to the CGU. Five years of cash flows were included in the discounted cash flow model.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience.

Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

Change required for carrying amount to equal the recoverable amount

| <i>In percent</i>            | 2014    | 2013    |
|------------------------------|---------|---------|
| Increase in discount rate    | 12.00   | 12.00   |
| Decrease in budgeted revenue | (28.00) | (28.00) |



**14. Capital and reserves**

**(a) Share capital**

| <i>Number of ordinary shares</i> | <b>2014</b> | <b>2013</b> |
|----------------------------------|-------------|-------------|
| In issue at 1 July               | <u>1</u>    | <u>1</u>    |
| In issue at 30 June              | <u>1</u>    | <u>1</u>    |

The Company does not have authorised capital or par value in respect of its issued share. The issued share is fully paid. The holder of this share is entitled to receive dividends as declared from time to time.

**(b) Dividends**

The following dividends were declared and paid by the Company for the year.

| <i>In thousands of Australian dollars</i> | <b>2014</b> | <b>2013</b> |
|---|-------------|-------------|
| Dividends to ordinary shares              | —           | 200         |

After the reporting date no dividends were declared by the board of directors.

**15. Capital management**

The Group's policy is to ensure that sufficient capital is available to fund strategic projects approved by the board. Excess cash balances are transferred to the parent company.

**16. Loans and borrowings**

| <i>In thousands of Australian dollars</i> | <b>2014</b> | <b>2013</b> |
|---|-------------|-------------|
| Current liabilities                       | <u>—</u>    | <u>50</u>   |
| Secured bank loans                        | <u>—</u>    | <u>50</u>   |
| Non-current liabilities                   | <u>—</u>    | <u>263</u>  |
| Secured bank loans                        | <u>—</u>    | <u>263</u>  |

Secured bank loans include include a draw-down facility and is secured by all the Group's assets. The interest rate on the loan is 5.95% at year end.

17. Trade and other payables

| <i>In thousands of Australian dollars</i> | <b>Note</b> | <b>2014</b> | <b>2013</b> |
|---|-------------|-------------|-------------|
| <b>Trade payables</b>                     |             |             |             |
| Trade payables due to related parties     | 23(c)       | —           | 32          |
| Trade payables due to external parties    |             | <u>75</u>   | <u>55</u>   |
|   |             | <u>75</u>   | <u>87</u>   |
| <b>Other payables</b>                     |             |             |             |
| Lease related payable                     |             | 11          | 78          |
| Employee expenses payable                 |             | 81          | 82          |
| General sales taxes payable               |             | 50          | 55          |
| Accrued expenses                          |             | <u>82</u>   | <u>57</u>   |
|   |             | <u>224</u>  | <u>272</u>  |
| <b>Total Current Payables</b>             |             | <u>299</u>  | <u>359</u>  |

Information about the Group's exposure to liquidity risk is included in the notes below.

18. Employee benefits provision

| <i>In thousands of Australian dollars</i> | <b>2014</b> | <b>2013</b> |
|---|-------------|-------------|
| <b>Current employee benefits</b>          |             |             |
| Provision for annual leave                | 165         | 173         |
| Provision for long service leave          | <u>234</u>  | <u>227</u>  |
|   | <u>399</u>  | <u>400</u>  |
| <b>Non-current employee benefits</b>      |             |             |
| Provision for long service leave          | <u>75</u>   | <u>62</u>   |
|   | <u>75</u>   | <u>62</u>   |

**19. Financial instruments – Fair values and risk management**

The carrying amount of all financial assets and financial liabilities is a reasonable approximation of their fair value given the nature of these items.

Set out below is the designation by category of the carrying amounts of the Group's financial instruments

|   | Loans and<br>Receivables | Financial<br>liabilities at<br>amortised cost | Total carrying<br>value |
|---|--------------------------|---|-------------------------|
| <b>30 June 2014</b>                       |                          |   |                         |
| <i>In thousands of Australian dollars</i> |                          |   |                         |
| <b>Assets</b>                             |                          |   |                         |
| Trade and other receivables               | 3,794                    | —   | 3,794                   |
| Cash and cash equivalents                 | 529                      | —   | 529                     |
| <b>Total financial assets</b>             | <b>4,323</b>             | <b>—</b>                                      | <b>4,323</b>            |
| <b>Liabilities</b>                        |                          |   |                         |
| Trade and other payables                  | —                        | 299   | 299                     |
| Employee provisions                       | —                        | 474   | 474                     |
| Finance lease liability                   | —                        | 153   | 153                     |
| <b>Total financial liabilities</b>        | <b>—</b>                 | <b>926</b>                                    | <b>926</b>              |
| <br>                                      |                          |   |                         |
| <b>30 June 2013</b>                       |                          |   |                         |
| <i>In thousands of Australian dollars</i> |                          |   |                         |
| <b>Assets</b>                             |                          |   |                         |
| Trade and other receivables               | 2,962                    | —   | 2,962                   |
| Cash and cash equivalents                 | 348                      | —   | 348                     |
| <b>Total financial assets</b>             | <b>3,310</b>             | <b>—</b>                                      | <b>3,310</b>            |
| <b>Liabilities</b>                        |                          |   |                         |
| Trade and other payables                  | —                        | 359   | 359                     |
| Employee provisions                       | —                        | 462   | 462                     |
| Finance lease liability                   | —                        | 90  | 90                      |
| Loans and borrowings                      | —                        | 313   | 313                     |
| <b>Total financial liabilities</b>        | <b>—</b>                 | <b>1,224</b>                                  | <b>1,224</b>            |

**Financial risk management**

The Group has exposure to the following risks arising from financial instruments:

- credit risk (see (ii))
- liquidity risk (see (iii))
- market risk (see (iv))

**19. Financial instruments – Fair values and risk management (continued)***(i) Risk Management framework*

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors requires the management of the Company to prepare an annual review of the risks that they and the board believe are relevant to the Company. The board reviews the risks annually and agrees actions with the management to mitigate the risks based on their importance.

*(ii) Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and bank balances.

The carrying amount of financial assets represents the maximum credit exposure.

*Trade and other receivables*

There is no concentration of large individual trade creditors. Management review overdue receivables on a monthly basis and the board reviews overdue receivables on a quarterly basis.

Less than 0.01% of revenue has been impaired due to bad debts in the last financial year.

Where customers fall behind in their payments, the Company suspends their services.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

At 30 June 2014, the Group's most significant customer, a Victorian wholesaler, accounted for \$47 thousand of the trade and other receivables carrying amount (2013: \$23 thousand).

*Impairment*

At 30 June 2014, the aging of the trade and other receivables that were not impaired was as follows.

| <i>In thousands of Australian dollars</i> | <b>2014</b> | <b>2013</b> |
|---|-------------|-------------|
| Neither past due nor impaired             | 524         | 589         |
| Past due 1 - 30 days                      | 187         | 170         |
|   | <u>711</u>  | <u>759</u>  |

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full.

*Cash and cash equivalents*

The Group held cash and cash equivalents of \$529 thousand at 30 June 2014 (2013: \$348 thousand). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A, based on rating agency Standard & Poor's Stand Alone Credit Profile ratings.

**19. Financial instruments – Fair values and risk management (continued)***(iii) Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

In addition, the Group maintains the following line of credit:

- \$0.5 million that is secured and can be drawn down to meet short-term financing needs. Interest would be payable at a rate of BBSW plus 315 basis points (2013: BBSW plus 319 basis points).

*Exposure to liquidity risk*

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments.

**30 June 2014**

| <i>In thousands of Australian dollars</i> | <b>Carrying Amount</b> | <b>Total</b> | <b>Less than 1 year</b> | <b>1-5 yrs</b> |
|---|------------------------|--------------|-------------------------|----------------|
| Finance lease liabilities                 | 153                    | 185          | 87                      | 98             |
| Trade payables                            | 299                    | 299          | 299                     | —              |
|   | <u>452</u>             | <u>484</u>   | <u>386</u>              | <u>98</u>      |

**30 June 2013**

| <i>In thousands of Australian dollars</i> | <b>Carrying Amount</b> | <b>Total</b> | <b>Less than 1 year</b> | <b>1-5 yrs</b> |
|---|------------------------|--------------|-------------------------|----------------|
| Finance lease liabilities                 | 90                     | 125          | 48                      | 78             |
| Trade payables                            | 359                    | 359          | 359                     | —              |
| Secured bank loans                        | 313                    | 313          | 50                      | 263            |
|   | <u>762</u>             | <u>797</u>   | <u>457</u>              | <u>341</u>     |

*(iv) Market risk*

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Group's income or the value of its holdings of financial instruments.

The Group is not materially exposed to market or foreign exchange risk. Changes in interest rates would not materially affect profit for the year.

**20. List of subsidiaries**

Set out below is a list of material subsidiaries of the Group.

| Name                               | Principal place of business | Ownership interest |      |
|------------------------------------|-----------------------------|--------------------|------|
|                                    |                             | 2014               | 2013 |
| Advanced Barcode Solutions Pty Ltd | Australia                   | 100%               | 100% |

**21. Operating leases**

**(a) Leases as lessee**

The Group leases office under an operating lease. The lease is for a period of 5 years, with an option to renew the lease after that date.

*(i) Future minimum lease payments*

At 30 June, the future minimum lease payments under non-cancellable leases were payable as follows.

| <i>In thousands of Australian dollars</i> | 2014      | 2013       |
|---|-----------|------------|
| Less than one year                        | 61        | 362        |
| Between one and five years                | —         | 61         |
|   | <u>61</u> | <u>423</u> |

*(ii) Amounts recognised in profit or loss*

| <i>In thousands of Australian dollars</i> | 2014       | 2013       |
|---|------------|------------|
| Lease expense                             | <u>299</u> | <u>291</u> |
|   | <u>299</u> | <u>291</u> |

**22. Contingencies and commitments**

As at year end there are no outstanding commitments for capital expenditure and no other contingent liabilities.

**23. Related parties**

**(a) Parent and ultimate controlling party**

The ultimate controlling party of the Group is Leading Technology Group Pty Ltd.

**(b) Transactions with key management personnel**

The key management personnel compensation comprised the following:

| <i>In thousands of Australian dollars</i> | 2014       | 2013         |
|---|------------|--------------|
| Short-term employee benefits              | 934        | 1,016        |
|   | <u>934</u> | <u>1,016</u> |

Compensation of the Group's key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined contribution plan (see Note 8).

**(c) Other related party transactions**

The Company transacted with related parties in the Leading Technology Group. These transactions which are included in the table below related to staff payroll and were charged at cost.

The aggregate value of transactions with the Parent company and its subsidiaries were as follows.

| <i>In thousands of Australian dollars</i>                 | Amounts paid (received) for<br>the year ended |      | Balance outstanding<br>as at 30 June |              |
|---|---|------|--------------------------------------|--------------|
|   | 2014  | 2013 | 2014                                 | 2013         |
| <b>Staff payroll costs</b>                                |   |      |                                      |              |
| ElisaKit.com Pty Ltd (fellow subsidiary)                  | 16  | (26) | 39                                   | 35           |
| Life Research Pty Ltd (fellow subsidiary)                 | 19  | 38   | 196                                  | 191          |
| <b>Loans to/from related parties</b>                      |   |      |                                      |              |
| Leading Technology Group Pty Ltd (loan to Parent Company) |   |      | 2,805                                | 1,939        |
| S & J Needham Pty Ltd (loan from director)                |   |      | —                                    | (32)         |
|   |   |      | <u>3,040</u>                         | <u>2,133</u> |

Related party receivables are non-interest bearing and are payable on call. None of the balances are secured and no expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

**24. Subsequent events**

On 14 July 2014 the Company entered into a Letter of Intent to sell the business to an unrelated third party.

Other than the above, no matters have arisen subsequent to the balance date that have significantly affected or may significantly affect in future years the results of the Group's operations or state of affairs.

**25. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at 1 July 2012 for the purposes of the transition to IFRSs, unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

**(a) Basis of consolidation**

*(i) Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

*(ii) Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

**(b) Revenue**

*(i) Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

*(ii) Rendering of services*

Service revenue comprises the recurring monthly fee from customers who subscribe to the Group's software services. Revenue is recognised as the services are provided to the customer. Revenue that is unbilled at year end is recognised as accrued income within trade and other receivables.

Service revenue billed but not earned at the reporting date is recognised in the statement of financial position as deferred revenue.

**(c) Finance income and finance costs**

The Group's finance income and finance costs include:

- interest income;
- interest expense.

Interest income or expense is recognised using the effective interest method.



**25. Significant accounting policies (continued)**

**(d) Employee benefits**

*(i) Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

*(ii) Defined contribution plans*

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

**(e) Income tax**

*(i) Current tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

*(ii) Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

*(iii) Tax consolidation*

The Company and its wholly owned entities are part of a tax consolidated group with Company's parent and are therefore taxed as a single entity. Leading Technology Group Pty Ltd is the head entity in the tax-consolidation group.

The current and deferred tax amounts for the tax-consolidated group are recognised in separate financial statements of members of the tax consolidated group using a group allocation approach whereby each entity in the tax-consolidated group measures its current and deferred taxes as if it continued to be a separately taxable entity in its own right. Intercompany transactions are not eliminated.

**(f) Inventories**

Inventories are measured at the lower of cost and net realisable value and comprise bar-coding equipment and labels. The cost of inventories is based on the first-in, first-out principle.

**(g) Property, plant and equipment**

*(i) Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

**25. Significant accounting policies (continued)**

**(g) Property, plant and equipment (continued)**

*(ii) Depreciation*

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives of property, plant and equipment are as follows:

- office and computer equipment 3 - 5 years
- building improvements, furniture and fittings 5 - 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**(h) Intangible assets and goodwill**

*(i) Goodwill*

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

*(ii) Software development costs*

Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

*(iii) Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

*(iv) Amortisation*

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives are as follows:

- capitalised development costs 3 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**(i) Financial instruments**

The Group classifies non-derivative financial assets into the loans and receivables category. The Group classifies non-derivative financial liabilities into the other financial liabilities category.

*(i) Non-derivative financial assets and financial liabilities – recognition and derecognition*

The Group initially recognises loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

**25. Significant accounting policies (continued)**

**(i) Financial instruments (continued)**

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

*(ii) Non-derivative financial assets – measurement*

*Loans and receivables*

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

*(iii) Non-derivative financial liabilities – measurement*

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

*(iv) Share capital*

*Ordinary shares*

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

**(j) Impairment**

*(i) Non-derivative financial assets*

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- indications that a debtor or issuer will enter bankruptcy.

*Financial assets measured at amortised cost*

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

**25. Significant accounting policies (continued)**

**(j) Impairment (continued)**

*(ii) Non-financial assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(k) Leases**

*(i) Leased assets*

Assets held by the Group under leases that transfer to the Group substantially all the risks and rewards of ownership are classified as finance leases. The leased asset is measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

*(ii) Lease payments*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**26. New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have an effect on the consolidated financial statements of the Group, except for IFRS 9 Financial Instruments, which becomes mandatory for the Group's 2019 consolidated financial statements and is expected to impact the classification and measurement of financial assets. The extent of the impact has not been determined.

Directors' declaration

In the opinion of the directors of Leadtec Systems Australia Pty Ltd ('the Company'):

- (a) the consolidated financial statements and notes that are set out on pages 1 to 24:
  - (i) presents fairly the Group's financial position as at 30 June 2014 and of its performance, for the financial year ended on that date; and
  - (ii) comply with International Financial Reporting Standards; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Dated at Melbourne this 4<sup>th</sup> day of September 2014.

/s/ Scott Needham

\_\_\_\_\_  
Scott Needham

Director

## Independent Auditors' Report

The Board of Directors  
Leadtec Systems Australia Pty Ltd

We have audited the accompanying consolidated financial statements of Leadtec Systems Australia Pty Ltd and its subsidiary, which comprise the statements of financial position as of June 30, 2014 and 2013 and July 1, 2012 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the years ended June 30, 2014 and 2013, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Leadtec Systems Australia Pty Ltd and its subsidiaries as of June 30, 2014 and 2013 and July 1, 2012, and the results of their operations and their cash flows for the years ended June 30, 2014 and 2013 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ KPMG

Melbourne, Australia  
4 September 2014

**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

On October 12, 2014, SPS Commerce, Inc. acquired the assets of Leadtec Systems Australia Pty Ltd (“Leadtec”), a privately-held Australian company specializing in cloud-based integration solutions. The unaudited pro forma condensed combined financial statements and accompanying notes of the combined business set forth below give effect to the acquisition of Leadtec as a business combination using the acquisition method of accounting as defined in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 805, *Business Combinations*.

The unaudited pro forma condensed combined balance sheet as of June 30, 2014 is presented as if the acquisition had occurred on that date. The unaudited pro forma condensed combined statements of income for the six months ended June 30, 2014 and for the year ended December 31, 2013 are presented as if the acquisition had occurred on January 1, 2013.

The unaudited pro forma financial information presented, including the allocation of the purchase price, is based on the historical financial information of SPS Commerce and Leadtec, our estimates of the fair values of assets acquired and liabilities assumed, and assumptions that we believe are reasonable under the circumstances. Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the unaudited pro forma condensed combined financial statements.

The unaudited pro forma condensed combined financial statements are provided for illustrative purposes only and are not necessarily indicative of the financial position or results of operations that would have actually been reported had the acquisition occurred on the dates presented, nor is it necessarily indicative of our future financial position or results of operations as of or for any future date or periods. In addition, the unaudited pro forma condensed combined financial statements do not reflect any operating efficiencies and/or cost savings that we may achieve with respect to the combined companies and do not include the effects of future restructuring activities, if any, as a result of the acquisition. Actual amounts recorded as of the completion of the acquisition and thereafter may differ materially from the information presented in these unaudited pro forma condensed combined financial statements.

The unaudited pro forma condensed combined financial statements should also be read in conjunction with the historical financial statements and accompanying notes of:

- SPS Commerce, Inc. for the year ended December 31, 2013, included in our Annual Report on Form 10-K as filed with the Securities and Exchange Commission on February 20, 2014;
- SPS Commerce, Inc. for the period ended June 30, 2014, included in our Quarterly Report on Form 10-Q as filed with the Securities and Exchange Commission on July 31, 2014; and,
- Leadtec Systems Australia Pty Ltd for the years ended June 30, 2014 and 2013, included as Exhibit 99.2 to this Current Report on Form 8-K.

The historical financial statements and accompanying notes of Leadtec were prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board. For purposes of the pro forma financial statements, the amounts reported in Leadtec’s historical financial statements have been adjusted to reflect the application of accounting principles generally accepted in the United States of America (“GAAP”). These adjustments were primarily related to differences in the accounting treatment for capitalization of software costs and for financial statement classifications between IFRS and GAAP.

**SPS COMMERCE, INC.**  
**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**  
(In thousands)

|   | As of June 30, 2014 |                |  |                  |
|---|---------------------|----------------|--|------------------|
|   | Historical          |                | Pro Forma                              |                  |
|   | SPS<br>Commerce     | Leadtec        | Adjustments                            | Combined         |
| <b>ASSETS</b>                                   |                     |                |  |                  |
| <b>CURRENT ASSETS</b>                           |                     |                |  |                  |
| Cash and cash equivalents                       | \$136,508           | \$ 498         | \$ (12,682)(a)<br>(498)(b)<br>(704)(c) | \$123,122        |
| Accounts receivable, net                        | 13,348              | 710            |  | 14,058           |
| Related party receivable                        | —                   | 2,863          | (2,863)(b)                             |                  |
| Deferred costs, current                         | 10,415              | —              |  | 10,415           |
| Deferred income taxes, current                  | 1,272               | —              |  | 1,272            |
| Prepaid expenses and other current assets       | 3,346               | 136            |  | 3,482            |
| Total current assets                            | <u>164,889</u>      | <u>4,207</u>   | <u>(16,747)</u>                        | <u>152,349</u>   |
| PROPERTY AND EQUIPMENT, net                     | 9,036               | 203            |  | 9,239            |
| GOODWILL  | 25,487              | 423            | (423)(b)<br>10,130(d)                  | 35,617           |
| INTANGIBLE ASSETS, net                          | 15,683              | —              | 5,152(e)                               | 20,835           |
| <b>OTHER ASSETS</b>                             |                     |                |  |                  |
| Deferred costs, net of current portion          | 4,578               | —              |  | 4,578            |
| Deferred income taxes, net of current portion   | 10,294              | —              |  | 10,294           |
| Other non-current assets                        | 205                 | —              |  | 205              |
|   | <u>\$230,172</u>    | <u>\$4,833</u> | <u>\$ (1,888)</u>                      | <u>\$233,117</u> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>     |                     |                |  |                  |
| <b>CURRENT LIABILITIES</b>                      |                     |                |  |                  |
| Capital lease obligations, current              | \$ —                | \$ 71          |  | \$ 71            |
| Accounts payable                                | 2,999               | 282            |  | 3,281            |
| Accrued compensation and benefits               | 7,639               | 376            |  | 8,015            |
| Accrued expenses and other current liabilities  | 1,805               | —              |  | 1,805            |
| Deferred revenue, current                       | 6,912               | 557            |  | 7,469            |
| Total current liabilities                       | <u>19,355</u>       | <u>1,286</u>   | <u>—</u>                               | <u>20,641</u>    |
| <b>OTHER LIABILITIES</b>                        |                     |                |  |                  |
| Capital lease obligations, less current portion | —                   | 73             |  | 73               |
| Deferred revenue, less current portion          | 10,017              | —              |  | 10,017           |
| Deferred rent, less current portion             | 2,663               | —              |  | 2,663            |
| Other non-current liabilities                   | —                   | 87             |  | 87               |
| Total liabilities                               | <u>32,035</u>       | <u>1,446</u>   | <u>—</u>                               | <u>33,481</u>    |
| <b>STOCKHOLDERS' EQUITY</b>                     |                     |                |  |                  |
| Common stock                                    | 16                  | 1              | (1)(f)                                 | 16               |
| Additional paid-in capital                      | 243,901             | —              | 2,203(a)                               | 246,104          |
| Accumulated deficit                             | (45,780)            | 3,386          | (3,386)(f)<br>(704)(c)                 | (46,484)         |
| Total stockholders' equity                      | <u>198,137</u>      | <u>3,387</u>   | <u>(1,888)</u>                         | <u>199,636</u>   |
|   | <u>\$230,172</u>    | <u>\$4,833</u> | <u>\$ (1,888)</u>                      | <u>\$233,117</u> |

The accompanying notes are an integral part of the unaudited pro forma condensed combined financial statements.



**SPS COMMERCE, INC.**  
**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME**  
(In thousands, except per share amounts)

|   | For the Six Months Ended June 30, 2014 |               |                 |                 |
|---|--|---------------|-----------------|-----------------|
|   | Historical                             |               | Pro Forma       |                 |
|   | SPS<br>Commerce                        | Leadtec       | Adjustments     | Combined        |
| Revenues  | \$ 60,039                              | \$3,080       | \$ —            | \$ 63,119       |
| Cost of revenues  | 18,882                                 | 1,046         | —               | 19,928          |
| Gross profit  | <u>41,157</u>                          | <u>2,034</u>  | <u>—</u>        | <u>43,191</u>   |
| Operating expenses  |  |               |                 |                 |
| Sales and marketing   | 22,454                                 | 226           | —               | 22,680          |
| Research and development  | 6,339                                  | 688           | —               | 7,027           |
| General and administrative  | 9,353                                  | 347           | —               | 9,700           |
| Amortization of intangible assets                                   | 1,399                                  | —             | 410(e)          | 1,809           |
| Total operating expenses  | <u>39,545</u>                          | <u>1,261</u>  | <u>410</u>      | <u>41,216</u>   |
| Income from operations  | 1,612                                  | 773           | (410)           | 1,975           |
| Other income (expense)  |  |               |                 |                 |
| Interest income   | 99                                     | —             |                 | 99              |
| Other income (expense)  | (21)                                   | 1             |                 | (20)            |
| Total other income, net   | <u>78</u>                              | <u>1</u>      | <u>—</u>        | <u>79</u>       |
| Income before income taxes  | 1,690                                  | 774           | (410)           | 2,054           |
| Income tax expense  | (678)                                  | (84)          | (118)(g)        | (880)           |
| Net income  | <u>\$ 1,012</u>                        | <u>\$ 690</u> | <u>\$ (528)</u> | <u>\$ 1,174</u> |
| Net income per share  |  |               |                 |                 |
| Basic   | \$ 0.06                                |               |                 | \$ 0.07         |
| Diluted   | \$ 0.06                                |               |                 | \$ 0.07         |
| Weighted average common shares used to compute net income per share |  |               |                 |                 |
| Basic   | 16,183                                 |               | 44(h)           | 16,227          |
| Diluted   | 16,799                                 |               | 44(h)           | 16,843          |

The accompanying notes are an integral part of the unaudited pro forma condensed combined financial statements.

**SPS COMMERCE, INC.**  
**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME**  
(In thousands, except per share amounts)

|   | For the Year Ended December 31, 2013 |                 |                 |                 |
|---|--------------------------------------|-----------------|-----------------|-----------------|
|   | Historical                           |                 | Pro Forma       |                 |
|   | SPS<br>Commerce                      | Leadtec         | Adjustments     | Combined        |
| Revenues  | \$ 104,391                           | \$ 6,368        | \$ —            | \$ 110,759      |
| Cost of revenues  | 31,781                               | 2,278           | —               | 34,059          |
| Gross profit  | <u>72,610</u>                        | <u>4,090</u>    | <u>—</u>        | <u>76,700</u>   |
| Operating expenses  |                                      |                 |                 |                 |
| Sales and marketing   | 39,621                               | 508             |                 | 40,129          |
| Research and development  | 10,870                               | 1,482           |                 | 12,352          |
| General and administrative  | 17,189                               | 846             |                 | 18,035          |
| Amortization of intangible assets                                   | 3,158                                | —               | 869(e)          | 4,027           |
| Total operating expenses  | <u>70,838</u>                        | <u>2,836</u>    | <u>869</u>      | <u>74,543</u>   |
| Income from operations  | 1,772                                | 1,254           | (869)           | 2,157           |
| Other income (expense)  |                                      |                 |                 |                 |
| Interest income   | 112                                  | —               |                 | 112             |
| Other income (expense)  | (147)                                | 28              |                 | (119)           |
| Total other income (expense), net                                   | <u>(35)</u>                          | <u>28</u>       | <u>—</u>        | <u>(7)</u>      |
| Income before income taxes  | 1,737                                | 1,282           | (869)           | 2,150           |
| Income tax expense  | (686)                                | (178)           | (50)(g)         | (914)           |
| Net income  | <u>\$ 1,051</u>                      | <u>\$ 1,104</u> | <u>\$ (919)</u> | <u>\$ 1,236</u> |
| Net income per share  |                                      |                 |                 |                 |
| Basic   | \$ 0.07                              |                 |                 | \$ 0.08         |
| Diluted   | \$ 0.07                              |                 |                 | \$ 0.08         |
| Weighted average common shares used to compute net income per share |                                      |                 |                 |                 |
| Basic   | 15,201                               |                 | 44(h)           | 15,245          |
| Diluted   | 15,931                               |                 | 44(h)           | 15,975          |

The accompanying notes are an integral part of the unaudited pro forma condensed combined financial statements.

**Note 1. Basis of Presentation**

On October 12, 2014, we entered into and completed an asset purchase agreement with Leadtec Systems Australia Pty Ltd (“Leadtec”), a privately-held Australian company specializing in cloud-based integration solutions. Under the asset purchase agreement, we purchased and acquired substantially all of the assets of Leadtec for \$12.7 million in cash and 43,595 shares of our common stock. We also assumed certain liabilities of Leadtec.

The acquisition of Leadtec was accounted for pursuant to FASB ASC 805, *Business Combinations*. In accordance with ASC 805, we recognized separately from goodwill the fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date as defined by FASB ASC 820, *Fair Value Measurements and Disclosures*. Goodwill as of the acquisition date was measured as the excess of consideration transferred and the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

The unaudited pro forma condensed combined balance sheet as of June 30, 2014 is presented as if the acquisition had occurred on that date. The unaudited pro forma condensed combined statements of operations for the six months ended June 30, 2014 and for the year ended December 31, 2013 are presented as if the acquisition had occurred on January 1, 2013.

The unaudited pro forma financial information presented, including the allocation of the purchase price, is based on the historical financial information of SPS Commerce and Leadtec, our estimates of the fair values of assets acquired and liabilities assumed, and assumptions that we believe are reasonable under the circumstances.

In addition, the unaudited pro forma condensed combined financial statements do not reflect any operating efficiencies and/or cost savings that we may achieve with respect to the combined companies and do not include the effects of future restructuring activities, if any, as a result of the acquisition. Actual amounts recorded as of the completion of the acquisition and thereafter may differ materially from the information presented in these unaudited pro forma condensed combined financial statements.

**Note 2. Purchase Price and Purchase Price Allocation**

The purchase price consisted of the following (in thousands):

|                           |                  |
|---------------------------|------------------|
| Cash                      | \$ 12,682        |
| SPS Commerce common stock | <u>2,203</u>     |
|                           | <u>\$ 14,885</u> |

The number of shares of our common stock issued for the acquisition was 43,595 shares as calculated according to the terms of the purchase agreement. The fair value of the shares issued was determined using the closing price of our common stock on October 10, 2014.

The allocation of the fair value of assets acquired and liabilities assumed in the acquisition was as follows (in thousands):

|                                |                 |
|--------------------------------|-----------------|
| Current assets                 | \$ 846          |
| Property and equipment         | 203             |
| Intangible assets (see Note 3) | 5,152           |
| Goodwill                       | 10,130          |
| Current liabilities            | (1,286)         |
| Other liabilities              | (160)           |
|                                | <u>\$14,885</u> |

**Note 3. Pro Forma Adjustments (dollars in thousands)**

- (a) Purchase price equal to cash paid of \$12,682 and 43,595 shares of our common stock issued with a fair value of \$2,203 for the acquisition.
- (b) Eliminate Leadtec's cash and cash equivalents, related party receivables and goodwill as these were not acquired assets.
- (c) Estimated transaction costs not included in the historical balance sheet. These estimated costs are not included in the pro forma condensed combined statements of income.
- (d) Goodwill based on the purchase price allocation (see Note 2).
- (e) Estimated fair values of intangible assets acquired and the related amortization expense for the periods presented. Intangible assets will be amortized on a straight-line basis over their estimated useful lives.

The following table presents information related to the intangible assets acquired:

| <u>Acquired Intangible Assets</u> | <u>Estimated<br/>Fair<br/>Value</u> | <u>Estimated<br/>Life<br/>(Years)</u> | <u>Amortization<br/>Expense<br/>(Annual)</u> | <u>Amortization<br/>Expense<br/>(6 months)</u> |
|-----------------------------------|-------------------------------------|---------------------------------------|--|--|
| Customer relationships            | \$ 4,097                            | 9                                     | \$ 468                                       | \$ 220   |
| Technology                        | 895                                 | 2.5                                   | 368  | 174  |
| Non-competition agreements        | 160                                 | 5                                     | 33   | 16   |
| Total                             | <u>\$ 5,152</u>                     |                                       | <u>\$ 869</u>                                | <u>\$ 410</u>                                  |

- (f) Eliminate the historical shareholders' equity accounts of Leadtec upon acquisition.
- (g) Additional impact on the provision for income taxes resulting from the combined income of Leadtec and the pro forma adjustments for amortization expense for the periods presented using an income tax rate of 55.5%. This rate represents the expected tax impact considering our current tax elections and representations.
- (h) Additional weighted average common shares outstanding resulting from the common stock issued for the acquisition.