LAYBUY
Pay it, easy.

Replacement Prospectus

Laybuy Group Holdings Limited

(ARBN 642 138 476)

Initial Public Offering

Joint Lead Managers:

BELL POTTER

Canaccord Genuity

Financial Adviser:

Venture Advisory

Important Information

General

Laybuy Group Holdings Limited ("**Laybuy**" or "**Company**") is a company incorporated in New Zealand (company number 8028865) and registered in Australia as a foreign company (ARBN 642 138 476). Applicants purchasing Shares in the Company under the Offer will receive a holding statement for Shares in the Company.

Defined terms and abbreviations (including technical terms and abbreviations) used in this Prospectus have the meanings given in the Glossary in Section 13.

Offer

The Offer contained in this Prospectus is an invitation to acquire Shares in the Company. This Prospectus is issued by Laybuy and SaleCo for the purposes of Chapter 6D of the Corporations Act.

Expiry day

No Shares will be allotted or issued on the basis of this Prospectus later than 13 months after the date of the Original Prospectus (defined below).

Prospectus

This is a replacement Prospectus dated 10 August 2020 and a copy of this Prospectus was lodged with ASIC on that date. This replacement prospectus replaces the prospectus dated 31 July 2020 ("**Original Prospectus**") that was lodged with ASIC on that day ("**Original Prospectus Date**"). This replacement Prospectus differs from the Original Prospectus in the following key areas:

- the 'Key dates' in the 'Key information and important dates' Section have been revised, and corresponding changes have been made to these dates throughout the Prospectus;
- the indicative capitalisation and ownership information in 'Key Offer statistics' and Sections 1.1, 1.6, 7.4.5, 8.5.1, 8.5.2 and 11.3 have been updated to reflect that the Note Conversion is assumed to occur on the new Allotment Date of 3 September 2020 (not 11 September 2020). Resulting changes have also been made to the Share numbers in Sections 7.5 and 11.12;
- Section 1.3 omits discussion of the annualised GMV based on the quarter to June 2020;
- Section 1.3 includes Repeat Customer and Repeat Merchant numbers as at 30 June 2020;
- Section 3.2 includes Repeat Customer numbers for the UK for the twelve-month period to July 2020;
- Figure 5.1 includes Repeat Customers and Repeat Merchants as well as Active Customers and Active Merchants; and
- the Statement of Financial Position in Section 5.4.2 includes an additional note in respect of the total receivables to 31 March 2020.

The lodgement of a replacement prospectus has also required certain references to 'this Prospectus' and 'the date of this Prospectus' to be amended to refer to the 'Original Prospectus' and 'Original Prospectus Date' respectively, and to reflect the fact that the Company has now applied to the ASX for admission to the Official List and for quotation of its Shares on the ASX.

Neither ASIC, the ASX nor any of their officers take any responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates.

A paper copy of this Prospectus is available to Australian and New Zealand residents, free of charge, by calling the Offer Information Line on 1800 236 994 (within Australia) or +61 1800 236 994 (outside Australia) between 8:30am and 5:30pm (AEST) from Monday to Friday during the Offer Period. This Prospectus is also available in electronic form to Australian and New Zealand residents at https://www.laybuyinvestors.com. The Offer constituted by this Prospectus in electronic form is only available to persons in Australia and New Zealand. It is not available to persons in other jurisdictions. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. If you are unsure about the completeness of this Prospectus received electronically, or a print-out of it, you should contact the Company.

Applications for Shares under this Prospectus may only be made on the Application Form attached to or accompanying this Prospectus in its hard copy form, or its soft copy form which must be downloaded in its entirety from https://www.laybuyinvestors.com. By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus. Refer to Section 8.8 for further information about Applications.

Application for admission and quotation on the ASX

The Company has applied to be admitted to the Official List of the ASX and for quotation of the Shares on the ASX. The fact that the ASX may admit the Company to the Official List is not to be taken in any way as an indication of the merits of the Shares, the Offer or the Company.

Exposure Period

The Corporations Act prohibits the Company from processing Applications in the seven day period after the date of lodgement of the Original Prospectus with ASIC ("**Exposure Period**"). This period may be extended by ASIC for a further period of up to seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds under the Offer. The examination may result in the identification of certain deficiencies in this Prospectus, in which case Applications may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications received under this Prospectus during the Exposure Period will not be processed until after the expiry of the Exposure Period.

Note to New Zealand residents – mutual recognition warning statements

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the *Financial Markets Conduct Act 2013* and Part 9 of the Financial Markets Conduct Regulations 2014.

This Offer and the content of this Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and the regulations made under that Act set out how the Offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, New Zealand (http://www.fma.govt.nz). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

Other foreign jurisdictions

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make an offer. No action has been taken to register or qualify the Shares or the Offer under this Prospectus, or to permit a public offering of Shares, in any jurisdiction other than Australia and New Zealand.

The Offer is not being extended to any investor outside of Australia and New Zealand, other than to persons to whom it is permissible to offer securities without a disclosure document. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws. The return of a duly completed Application Form (or, in the case of investors in the United States, a confirmation letter provided by the Joint Lead Managers) will be taken by the Company to constitute a representation and warranty made by the Applicant to the Company that there has been no breach of such laws and that all necessary approvals and consents have been obtained.

Financial information and amounts

The Historical Financial Information included in this Prospectus has been prepared and presented in accordance with New Zealand equivalents to International Financial Reporting Standards ("**NZ IFRS**") and International Financial Reporting Standards ("**IFRS**") and is expressed in New Zealand dollars, except where otherwise stated. The financial amounts referred to in this Prospectus are expressed in New Zealand dollars unless stated otherwise.

Some numerical figures included in this Prospectus have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them.

Management Information

This document contains certain statements regarding preliminary financial information for Q1 FY2021 which has been derived from management accounts. This financial information is preliminary in nature and may not reflect the complete results of Q1 FY2021 and is subject to change. Additional items that would require material adjustments to the preliminary financial information may yet be identified. Neither PwC nor PwCS have audited, reviewed, compiled, or applied agreed-upon procedures with respect to the preliminary financial information and, accordingly, do not express an opinion or any other form of assurance with respect thereto.

Forward looking statements

This Prospectus may contain forward looking statements (statements as to the future) which are typically identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'anticipates', 'intends' and other similar words.

You should consider that as such statements relate to future matters, they are subject to inherent risks, uncertainties and assumptions that could cause actual results or events to differ materially from those foreshadowed in the forward looking statement. Neither the Company, SaleCo, the Directors of the Company and SaleCo, nor any other person named, with their consent, in this Prospectus can assure you that any forward looking statement or projected result will be achieved.

Given the current uncertainties regarding the impact of the COVID-19 pandemic on trading conditions, the Company, and the financial markets world-wide, investors are cautioned not to place undue reliance on the current trading outlook.

Industry Data

This Prospectus, including the overviews of the industry and the markets in which Laybuy operates in, uses market data, industry forecasts and projections ("**Industry Data**"). Laybuy has based some of this information on market research prepared by third parties. The information contained in forecasts and reports of third parties includes assumptions, estimates and generalisations that Laybuy and SaleCo believe to be reliable, but Laybuy and SaleCo cannot warrant or guarantee the completeness of such information.

Unless otherwise indicated, the Industry Data used in this Prospectus is current as at the date of the Prospectus. Investors should note that industry and market data, and statistics, are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. No assurance can be given as to the reasonableness of any forward looking statements contained in this Prospectus or that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward looking statements.

Reliance

No person is authorised to give any information or make any representation in connection with the Offer that is not contained in this Prospectus. Investors should not rely on any information which is not contained in this Prospectus in making a decision as to whether to acquire securities in the Company under the Offer. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company, SaleCo, the Directors of the Company or SaleCo, or any other person in connection with the Offer. The Company's business, financial condition, results of operations and prospects may have changed since the date of this Prospectus.

Privacy

By completing an Application Form, you are providing personal information to the Company and the Share Registry, which is contracted by the Company to manage Applications, and consent to the collection and use of that personal information in accordance with these terms. If you do not wish to provide this information, the Company may not be able to process your Application. The Company and the Share Registry will collect, hold and use your personal information in order to assess and process your Application, and if successful, administer shareholdings in the Company.

The Company and the Share Registry may disclose your personal information, for purposes related to your investment, to their agents and service providers, including:

- the Joint Lead Managers in order to assess your Application;
- the Share Registry for ongoing administration of the Company's registers;
- the printers and the mailing house for the purposes of preparation and distribution of statements and for handling of mail; and
- legal and accounting firms, auditors and other advisers for the purpose of administering and advising on the Shares for associated actions.

Under the *Privacy Act 1988* (Cth) or the *Privacy Act 1993* (NZ) (as applicable), you may request access to your personal information that is held by, or on behalf of, the Company. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Company,

Important Information (continued)

or the Share Registry, details of which are set out elsewhere in this Prospectus.

The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

Reference to time

All references to time in this Prospectus refer to Australian Eastern Standard Time, unless stated otherwise.

Photographs and diagrams

Photographs used in this Prospectus which do not have any descriptions are for illustration only and should not be interpreted to mean that any person shown endorses this Prospectus or its contents or that the assets shown in them are owned by the Company.

Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available as at the date of this Prospectus.

Investment decision

The information in this Prospectus is not financial product advice or a recommendation to acquire securities in the Company and has been prepared without taking into account the objectives, financial situation or needs of individuals. This Prospectus should not be construed as financial, taxation, legal or other advice. The Company is not licensed to provide financial product advice in respect of its securities or any other financial products.

This Prospectus is important and should be read in its entirety prior to making an investment decision. If you do not fully understand this Prospectus or are in doubt as to how to deal with it, you should consult your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest in the Shares. There are risks associated with an investment in the Company and the Shares offered under this Prospectus should be regarded as a speculative investment. You should consider the risk factors set out in Section 4 of this Prospectus in light of your personal circumstances (including financial and tax issues). There may also be risk factors in addition to these that should be considered in light of your personal circumstances.

Except as required by law, and only to the extent so required, neither the Company nor any other person warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

Currency conversions

Where an amount is expressed in this Prospectus in New Zealand dollars and Australian dollars, or New Zealand dollars and British pounds, the conversion is based on the Indicative Exchange Rate (being NZ$1.00 = A$0.9385 or £0.52). The amount when expressed in Australian dollars, New Zealand dollars or British pounds (as applicable) may change as a result of fluctuations in the exchange rate between those currencies.

Use of trademarks

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

Fully-diluted figures

Except where the context otherwise requires, where a figure in this Prospectus is expressed to be, or to be based on, the "fully-diluted" number of Shares in the Company, it takes into account Shares, and the issued Options, Warrants and Convertible Notes on an as-converted basis (with the Note Conversion assumed to occur on the Allotment Date).

Pre- and post-allotment figures

In this Prospectus, there are numerous references to the capital structure of the Company or figures which are based on the capital structure of the Company, at a particular point in time.

Section 8.5 describes the capital structure of the Company in detail, including the events that will affect the capital structure on or about the time of allotment under the Offer.

In other Sections of this Prospectus where a figure is expressed to be, or to be based on, the number of Shares or other securities on issue:

- immediately prior to allotment under (or completion of) the Offer, the figure is calculated on the basis that the UK Transaction, the Top Hat, the Note Conversion and the Legacy Option Replacement are treated as having occurred (with the Note Conversion occurring on the Allotment Date), and no other Options or Warrants are exercised or lapse before allotment; and
- immediately following allotment under (or completion of) the Offer, or on Listing, the figure also takes into account the Sell Down described in Section 11.6, the issue of the maximum number of Shares to be issued under the Offer (i.e. assuming that all Eligible Employees take up their entitlement under the Employee Gift Offer), and the Options to be issued to Directors and employees at or about the time of allotment (and in any event, prior to Listing) as described in Sections 7.5.2 and 7.5.3).

Contents

Important Information		IFC
Key Information and Important Dates		04
Letter from the Chairman		06
1	Investment Overview	07
2	Industry Background	23
3	Company Overview	32
4	Risks	53
5	Financial Information	63
6	Investigating Accountant's Report	77
7	Board, Senior Management and Corporate Governance	84
8	Details of the Offer	97
9	Material Contracts	108
10	Taxation	116
11	Additional Information	121
12	Glossary	133
Appendix: Significant Accounting Policies		140
Corporate Directory		IBC

Key Information and Important Dates

Key dates

Lodgement of Original Prospectus with ASIC	31 July 2020
Opening Date of Offer	12 August 2020
Closing Date of Offer	25 August 2020
Settlement Date of Offer	2 September 2020
Allotment Date of Shares	3 September 2020
Shares expected to commence trading on ASX	7 September 2020
Expected dispatch of holding statements	8 September 2020

Dates may change

The above dates are subject to change and are indicative only. The Company reserves the right to change the dates and times of the Offer, including to close the Offer early, extend the Offer or accept late Applications, without notifying any recipient of this Prospectus or any Applicants, subject to the Corporations Act, the Listing Rules and other applicable laws. Applicants are encouraged to submit their Applications as early as possible after the Offer opens.

Any variations to the dates and times of the Offer will require the consent of the Joint Lead Managers (not to be unreasonably withheld).

Key Offer statistics

Offer price for each New Share	A$1.41
Total number of Shares available under the Offer	56,776,583
Total number of New Shares to be issued under the Offer	28,407,789
Total number of Sale Shares to be sold under the Offer	28,368,794
Total number of Shares on issue at completion of the Offer	174,463,646
Gross proceeds of the Offer	A$80.0 million
Indicative market capitalisation at completion of the Offer[1]	A$246.0 million
Options on issue at completion of the Offer (over unissued Shares)	19,027,660
Warrants on issue at completion of the Offer (over unissued Shares)	3,074,325
Total securities on issue at completion of the Offer	196,565,631
Pro forma net cash at completion of the Offer[2]	A$46.1 million
Indicative enterprise value at completion of the Offer[3]	A$199.9 million
Indicative enterprise value/revenue for 12 months to 30 June 2020[4]	12.3x
Indicative enterprise value/annualised quarterly revenue[5]	8.8x

Notes:

1. The indicative market capitalisation is determined by multiplying the total number of Shares on issue at completion of the Offer by the Offer Price per Share. The Shares may not trade at the Offer Price after Listing. If the Shares trade below the Offer Price after Listing, the market capitalisation will be lower.
2. Pro forma net cash reflects pro forma cash of NZ$55.1 million less pro forma borrowings of NZ$6.0 million as shown in the 31 March 2020 pro forma balance sheet, converted at the Indicative Exchange Rate. No adjustments have been made for the cash impact of operations since 31 March 2020.
3. The indicative enterprise value is calculated as the indicative market capitalisation at the completion of the Offer less the pro forma net cash at the completion of the Offer.
4. The indicative enterprise value calculated per note 3 above, converted to New Zealand dollars, divided by Laybuy's revenue for the 12 months to 30 June 2020, which was approximately NZ$17,263,000.
5. The indicative enterprise value calculated per note 3 above, converted to New Zealand dollars, divided by four times Laybuy's revenue for the three months to 30 June 2020, which was approximately NZ$6,057,000.

How to invest

Completing and lodging an Application Form is the only way to apply for Shares. Instructions on how to apply for New Shares are set out in Section 8.8 and on the back of the Application Form.

Questions

If you have any questions about the Application Form, please contact the Share Registry, Link Market Services Limited, on 1800 236 994 (if calling within Australia) or +61 1800 236 994 (if calling from outside of Australia) from 8:30am to 5:30pm (AEST time) Monday to Friday.

If you have any doubt as to what to do in relation to the Offer, you should seek professional advice from a licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest in the Company.

Letter from the Chairman

31 July 2020

Dear Investors,

On behalf of the Board of Directors, I am pleased to offer you this opportunity to become a Shareholder of Laybuy Group Holdings Limited (“**Laybuy**” or the “**Company**”).

Laybuy is a buy-now-pay-later (“**BNPL**”) provider with a market leading position in New Zealand and growing presence in Australia and the United Kingdom.

The Laybuy payment platform enables customers to split the payment of purchases, both online and instore, across six, weekly, interest free instalments, the first being at the point of sale. Customers are typically subject to transaction limits of approximately NZ$120 to NZ$1,500, depending on their credit report score. Currently, Laybuy is available across a wide range of retail subsectors including fashion, travel, homewares, sports and entertainment.

Laybuy launched in New Zealand in May 2017 and after experiencing early success, a year later launched in Australia through existing New Zealand merchants and new Australian merchants. In February 2019 Laybuy officially launched in the larger UK market with shoe retailer Foot Asylum. For the 12 months ended 30 June 2020, Laybuy had more than 5,600 Active Merchants and over 470,000 Active Customers on its platform, representing an increase of ~50% and ~110% respectively compared to the prior 12-month period. The United Kingdom represents a significant opportunity for Laybuy with the Company already experiencing strong growth across all key operating metrics.

Laybuy has entered into a partnership with Mastercard, which will enable it to issue digital cards to Laybuy customers in New Zealand, and expects to launch a digital card in New Zealand, Australia and the United Kingdom by the end of 2020. Issuing a digital card to Laybuy customers will allow the Company to provide a fully functional ‘tap and go’ BNPL offering anywhere that offers contactless payment and Laybuy. The partnership is expected to broaden Laybuy’s revenue streams and deepen customer loyalty.

Laybuy is led by an experienced Board and management team with broad retail, commercial, governance and financial skillsets. Laybuy’s growth strategy is anchored around leveraging the Company’s scalable platform and has three key components: increase market share in already established geographies; rapidly grow in the United Kingdom and other international markets; and new platform enhancements to drive network effects.

The Offer outlined in this Prospectus is underwritten by Canaccord and Bell Potter and comprises a A$40 million primary issuance; a A$40 million sell-down by existing shareholders and an employee gift offer. The Offer proceeds from the primary issuance will primarily be used to fund receivables growth in the United Kingdom, increase sales and marketing in the United Kingdom, and increase staffing to support growth in the United Kingdom. On completion of the Offer, successful Applicants will hold 32.5% of the Shares and Existing Holders will hold 67.5% of the Shares.

This Prospectus contains detailed information about the Offer, the Company’s operations, performance, financial position and key personnel, as well as the broader sector it operates in. It also provides detailed information on the risks associated with an investment in Laybuy, which are set out in Section 4.

I encourage you to read this Prospectus in detail before making a decision to invest in Laybuy.

On behalf of the Board, I look forward to welcoming you as a Shareholder.

Steven Fisher
Chair

Section 1

Investment Overview

1 Investment Overview

1.1 Background

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information refer to</th></tr>
<tr><td>What is Laybuy?</td><td>Laybuy is a provider of buy-now-pay-later (“BNPL”) services that is currently offered to customers across New Zealand, Australia and the United Kingdom. Laybuy provides a payment platform that enables customers to split the payment of purchases, both online and instore, across six, weekly, interest free instalments, the first being at the point of sale.

Laybuy is strongly focused on continuing its growth in the United Kingdom while solidifying its position as a leading BNPL provider in New Zealand, growing its Australian business and expanding into other international markets.</td><td>Section 3</td></tr>
<tr><td>What is Laybuy’s history?</td><td>Gary Rohloff, together with his wife Robyn and two sons James and Alex, set up the Laybuy platform after Gary identified a market opportunity, having observed that the traditional ‘layby’ payment method was not customer friendly and was a cumbersome product for merchants to administer.

Some of Laybuy’s key milestones have been:
<table>
<tr><td>May 2017</td><td>The Rohloffs launch the Laybuy business in New Zealand</td></tr>
<tr><td>Jan 2018</td><td>Completes the milestone of 100,000 customer accounts</td></tr>
<tr><td>May 2018</td><td>Launches in Australia, through existing New Zealand Merchants and new Australian Merchants</td></tr>
<tr><td>Feb 2019</td><td>Officially launches in the United Kingdom with shoe retailer, Foot Asylum</td></tr>
<tr><td>Jul 2019</td><td>Achieves the milestone of NZ$1 million GMV across New Zealand, Australia and the United Kingdom in one day</td></tr>
<tr><td>Oct 2019</td><td>Launches Laybuy App (see Section 3.3.1)</td></tr>
<tr><td>Feb 2020</td><td>Reaches over 100,000 Active Customers in the United Kingdom</td></tr>
<tr><td>Feb 2020</td><td>Launches with JD Sports and announces the Mastercard partnership</td></tr>
<tr><td>Mar 2020</td><td>Reaches over 1 million customer accounts globally</td></tr>
<tr><td>Mar 2020</td><td>Launches with online clothing retailer, Boohoo and The Hut Group in the United Kingdom</td></tr>
<tr><td>Apr 2020</td><td>Launches with Briscoes online, one of New Zealand’s largest homeware retailers</td></tr>
<tr><td>Apr 2020</td><td>Launches with UK Premier League Football Club, Arsenal</td></tr>
<tr><td>June 2020</td><td>Mastercard approves issuing license for New Zealand (see Section 3.5.5)</td></tr>
<tr><td>June 2020</td><td>Launches with Cotton On, a global fashion and stationery retailer</td></tr>
</table></td><td>Section 3.2</td></tr>
<tr><td>What industry does Laybuy operate in?</td><td>Laybuy operates in the BNPL industry.

The BNPL industry has been growing rapidly due to factors such as increasing consumer demand for credit alternatives.

Australia and New Zealand are some of the most mature markets for BNPL in terms of adoption by consumers. Key regions such as the United Kingdom and North America are at earlier stages of adoption for BNPL services and as such should represent significant growth opportunities for BNPL providers.</td><td>Section 2</td></tr>
</table>

Topic	Summary	For more information refer to
What is BNPL?	BNPL is a form of Point-of-Sale ("**PoS**") financing. Generally, the BNPL provider pays the merchant (on behalf of the customer) the cost of the good or service at the time of sale (minus the fees payable to the BNPL provider by the merchant) and the customer receives the good or service up front. The customer then pays the BNPL provider for the good or service, typically in instalments with no interest and no or minimal fees. From a consumer's perspective, a BNPL platform could be described as combining the benefits of the traditional in-store layby concept (the ability to pay over a set period of time via interest-free instalments) and payment via a credit card (a third party is covering the upfront payment to the merchant such that the consumer can take possession of the products or services as soon as payment has been processed). The use of BNPL services by consumers is largely driven by consumer payment trends, such as the trend towards electronic payment methods and a decline in credit card use, as well as the volume and size of overall consumer spending (see Section 2.4 below). Technological innovation has further facilitated the adoption of BNPL services by improving the BNPL user experience and streamlining customer credit assessments.	Section 2
Why is the Offer being conducted?	The Offer is being conducted to: • provide Laybuy with funding to support its growth strategies, including by investing in: » receivables book growth in the United Kingdom and supporting its funding facilities in relation to this activity; » increased sales and marketing in the United Kingdom; and » increased staffing to support the growth in the United Kingdom; • provide Laybuy with the benefits of an increased brand profile that arises from being a listed entity; • provide Laybuy with access to listed capital markets to support future growth; • allow the Selling Shareholders to realise part of their investment in Laybuy; and • fund general working capital requirements.	Section 8.3
What is the historical financial performance of Laybuy?	A selected summary of Laybuy's statutory historical consolidated statements of financial performance for the Historical Period is set out below. Prospective investors should read Section 5.3 for full details on Laybuy's historical financial performance.	Section 5.3

NZ$ 000's	FY18	FY19	FY20
Revenue	**1,931**	**7,156**	**13,747**
Cost of services provided	(745)	(2,750)	(4,548)
Gross margin	**1,186**	**4,406**	**9,198**
Receivables impairment expenses	(774)	(1,667)	(9,217)
Net transaction margin	**412**	**2,739**	**(19)**
Operating expenses	(1,380)	(5,759)	(16,187)
Operating profit/(loss)	**(968)**	**(3,020)**	**(16,206)**
Non-operating expenses	(39)	(561)	69
Net profit/(loss)	**(1,007)**	**(3,581)**	**(16,137)**

Note:

1. The pro forma financial loss for FY18, FY19 and FY20 was NZ$(2,763), NZ$(5,337) and NZ$(17,428) respectively. A reconciliation between the statutory and pro forma loss is set out in Section 5.3.3.

1 Investment Overview (continued)

Topic	Summary	For more information refer to
What are the key financial metrics of Laybuy?	Laybuy's key financial metrics over the Historical Period are as follows:	Section 5.3.5

Financial metrics	FY18	FY19	FY20
GMV (NZ$000's)	**38,083**	**126,156**	**226,595**
Revenue % of GMV	5.1%	5.7%	6.1%
Cost of services provided % of GMV	2.0%	2.2%	2.0%
Receivables impairment expense % of GMV	2.0%	1.3%	4.1%
Net transaction margin % of GMV	**1.1%**	**2.2%**	**0.0%**

Topic	Summary	For more information refer to
What is Laybuy's financial position before and after the Offer?	The table below sets out the summarised statutory and pro forma consolidated historical statement of financial position of the Group as at 31 March 2020. Prospective investors should read Section 5.4 for full details on Laybuy's financial position before and after the Offer.	Section 5.4

NZ$000's	Statutory FY20	Pro forma FY20
Cash and cash equivalents	9,856	55,116
Receivables	15,084	15,084
Other current and non-current assets	3,912	6,659
Total assets	**28,852**	**76,859**
Trade and other payables	7,538	7,538
Borrowings	6,018	6,018
Convertible notes	14,808	–
Other liabilities	1,240	3,204
Total liabilities	**29,604**	**16,760**
Net assets/(liabilities)	**(752)**	**60,098**
Shareholders equity	20,343	84,168
Accumulated losses	(20,784)	(23,759)
Reserves	(311)	(311)
Total Equity	**(752)**	**60,098**

Notes:

1. A reconciliation between the statutory and pro forma balance sheet is set out in Section 5.4.2.
2. The figures in the table above have been subject to rounding adjustments and may not sum.

Topic	Summary	For more information refer to
What will be the capital structure of Laybuy on quotation of its Shares on the ASX?	Following allotment under the Offer and upon quotation on the ASX, Laybuy will have the following securities on issue:	Section 8.5.1

	Number	Undiluted %	Fully-diluted %
Shares held by Existing Holders	91,631,206	52.5%	46.6%
Indicative number of Shares to be issued on conversion of principal and accrued interest under Convertible Notes	25,039,064	14.4%	12.7%
Number of Shares to be issued under Legacy Option Replacement	1,016,793	0.6%	0.5%
New Shares issued to investors under the Offer	28,407,789	16.3%	14.5%
Sale shares transferred to new investors under the Offer	28,368,794	16.3%	14.4%
Subtotal (Shares)	174,463,646	100.0%	88.8%
Options	**19,027,660**	**–**	**9.7%**
Warrants	**3,074,325**	**–**	**1.6%**
Subtotal (Options & Warrants)	22,101,985	–	11.2%
Total (fully-diluted)	**196,565,631**	**–**	**100.0%**

Note:

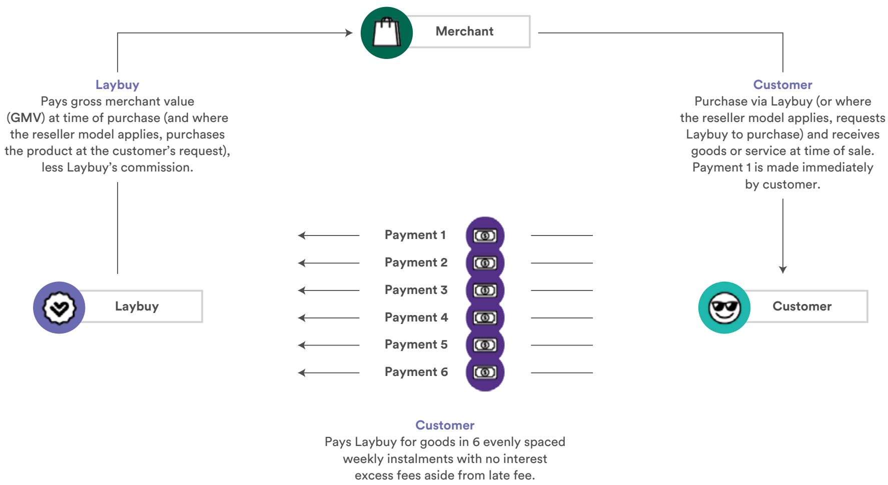
1. See footnotes to table in Section 8.5.1 regarding the basis on which these figures are calculated.

The Options listed include 400,000 Options to be issued to Non-executive Directors (with an exercise price equal to the Offer Price), and 4,627,660 Options to be issued to employees (including Gary Rohloff, the Managing Director) (with an exercise price of nil). All of these Options will be granted on the Allotment Date and will expire no more than 15 years from the date of grant.

The Warrants will all have an exercise price of A$1.41 per Share and expire on the fifth anniversary of the date of their issue.

1.2 Key features of Laybuy's products and services

Topic	Summary	For more information refer to
What is Laybuy's product and service offering?	Laybuy provides a BNPL payment platform that enables customers to split the payment of purchases, both online and instore, across six, weekly, interest free instalments. No interest or fees are charged to the customer except for potential late fees if a payment is not made on time. Laybuy offers an attractive proposition for Merchants and customers. For Merchants, the potential benefits include: • access to Laybuy's network of customers; • access to customers in new geographies through Laybuy Global; and • potential for increased average order values and reduced cart abandonment. For customers, the potential benefits include: • a flexible and budget friendly weekly payment option to purchase goods and services; • easy sign up process; and • access to a wide range of retail Merchants in-store and online.	Sections 3.3 and 3.5

Topic	Summary	For more information refer to
What is Laybuy's business and revenue model?	Laybuy generates income by charging Merchants a percentage of the value of each transaction a customer makes using Laybuy and by charging fees to customers for late payments.  	Section 3.4
What is the target market for Laybuy?	Laybuy is currently a leading BNPL provider in New Zealand, and has a growing presence in the United Kingdom and in Australia. Laybuy entered the United Kingdom officially in 2018 (following a soft launch in 2017) and is strongly focused on continuing its growth in the United Kingdom while solidifying its position as a leading BNPL provider in New Zealand and growing its Australian business. Laybuy's platform appeals to consumers across a range of age demographics, particularly younger consumers (or "millennials") who may be seeking alternatives to traditional credit cards. Key retail industry subsectors in which Laybuy is offered include fashion, travel, sports and entertainment, homewares, electronics, health and beauty and more.	Section 2
Who are Laybuy's key competitors?	Recent growth in the BNPL sector, coupled with relatively low barriers to entry, has seen a rapid increase in the number of new BNPL providers. Laybuy views its key competitors as BNPL providers in New Zealand, the United Kingdom and Australia, including Klarna, Afterpay/Clearpay, and Zip. One of the primary differentiators between BNPL providers is the difference in payment schedules. Typically, Laybuy's customers repay their purchase over six, weekly payments. Some of Laybuy's competitors require their customers to pay instalments fortnightly or monthly, or spread payments over a longer time period. Laybuy considers itself a dominant BNPL provider in the New Zealand market, and views its key competitors in that market as Afterpay and Zip. The Australian market is more competitive than New Zealand, with Afterpay, Zip, Klarna, LatitudePay, Openpay and others competing for market share. Competition in the United Kingdom is lower compared to Australia and New Zealand. Key players observed by Laybuy in the United Kingdom market include Klarna and Clearpay.	Section 2.6
What is Laybuy's growth strategy?	Laybuy intends to grow through: • increasing market share in its already established geographies (New Zealand, the United Kingdom and Australia); • capitalising on its success in the United Kingdom by continuing to rapidly grow in that market and expand into other international markets; and • leveraging strategic partnerships and opportunities for platform improvements (e.g. the Mastercard collaboration project).	Section 3.6

1.3 Key investment highlights

Topic	Summary	For more information refer to
Laybuy is a fast-growing BNPL provider with a market leading position in New Zealand and a growing presence in the United Kingdom and Australia	Since commencing in 2017, Laybuy's business has grown rapidly. Key highlights include: • one of the leading BNPL providers in New Zealand, and a growing presence in Australia; • an established and fast growing presence in the high growth UK market; • 5,672 Active Merchants as at 30 June 2020 (including 5,265 Repeat Merchants); and • 472,961 Active Customers as at 30 June 2020 (including 297,436 Repeat Customers).	Sections 3 and 5.3.5
Differentiated offering	Laybuy differentiates itself from other BNPL and traditional credit offerings through the combination of the following features: • Weekly payments. Laybuy aims to be the leading weekly BNPL provider; • Laybuy never charges interest; • First to the market with Laybuy Boost, which allows customers to increase the value of their purchase. This lifts Laybuy's return as its commission is charged on the total value of the transaction; • Laybuy is currency agnostic through Laybuy Global, enabling international purchases with seamless currency conversion; • Laybuy is available in-store and online; and • Laybuy runs credit checks via independent third parties, and uses fraud mitigation technologies.	Sections 3.5.1 and 3.5.2
Experienced management team	Laybuy has built a strong management team with retail, finance and technology expertise. The team is led by Gary Rohloff, who has had significant retail and finance management experience.	Sections 7.1 and 7.2
Highly scalable technology platform	The Laybuy platform technology is simple at its core; integrations with larger merchants can take less than a week and smaller merchants can integrate without Laybuy support due to its platform integrations. Enabling new geographies from a technology perspective is also relatively straightforward; the platform was built from the beginning with a view to facilitating use in international markets beyond New Zealand and is currency agnostic.	Section 3.10
Capital efficient business model	Laybuy uses a capital efficient business model due to the weekly payment cycle of its platform. As Laybuy receives weekly payments, it is then able to redeploy this capital to fund other customers' purchases. One of the benefits of the weekly payment cycle compared to fortnightly or monthly payments is that Laybuy can more efficiently use its capital base. Weekly payments mean that Laybuy turns over its capital base approximately 21 times per year compared to 18 times for fortnightly payment options. Following completion of the Offer, Laybuy expects to have sufficient debt and equity funding in place to support annual GMV of approximately NZ$4 billion (which is more than 8 times Laybuy's annualised GMV for the quarter to June 2020).	Section 3.5.4

1 Investment Overview (continued)

Topic	Summary	For more information refer to
Strategic Partnerships	**Merchant Partnerships** Laybuy has developed a number of strategic partnerships which are aimed at strengthening the business model across multiple high growth sectors, and widening its appeal to different groups of merchants and target consumers. These include JD Sports, the Hut Group, Boohoo Group Plc, Cotton On and others. **Major sporting clubs** Laybuy's relationships with major English Premier League Football clubs are also expected to assist Laybuy to grow awareness of the Laybuy platform, drive customer acquisition and increase revenue and transactional volumes: • Laybuy provides BNPL services for this year's FA Cup winner, Arsenal FC's, online store. Laybuy launched on the Arsenal store in the United Kingdom for merchandise in April 2020 and Australia and New Zealand are expected to launch during the third quarter of 2020. • Laybuy is the official BNPL partner of Manchester United and Manchester City FC in New Zealand, Australia and the United Kingdom. **Card partnership** Laybuy has entered into a partnership with Mastercard which will enable it to issue digital cards to Laybuy customers in New Zealand. Laybuy has also engaged a major payments technology specialist to bring a digital card to market in both Australia and the United Kingdom. Issuing a digital card to Laybuy customers will allow Laybuy to provide a fully functional 'tap and go' BNPL offering anywhere that offers both contactless payment and Laybuy. The product aims to transform the customer and merchant experience for in-store BNPL transactions.	Sections 3.5.5 and 3.9

1.4 Summary of key risks

There are a number of risks associated with an investment in the Company that may affect its financial performance, financial position, cash flows, distributions, growth prospects and share price. The following table is a summary of the specific key risks that the Company is exposed to. Further details about these and other general risks associated with an investment in the Company are set out in Section 4. An investment in an early stage company such as Laybuy is speculative and you should consult your professional advisers before deciding whether to apply for Shares.

Topic	Summary	For more information refer to
Ability to scale business	The ability of Laybuy to increase revenue and achieve profitability is dependent on its ability to profitably scale its business in its key markets, particularly, the United Kingdom. While Laybuy has been successful in achieving a market leading position in New Zealand in a short timeframe, there is no guarantee that Laybuy will be able to achieve the same level of rapid growth in the United Kingdom.	Section 4.2.1
Bad and doubtful debts	A current operating expense incurred by Laybuy relates to the service of bad and doubtful debts, which represents the portion of customers who delay or fail to meet their repayment obligations (outside of the initial deposit which is an upfront payment received by Laybuy). Several controls have been implemented by Laybuy, including external customer credit checks, however, as Laybuy's operations scale, continuous enhancements to the credit decision process may be required. A failure to implement any upgrade or enhancement, or failure to manage the upgrade or enhancement process efficiently and appropriately, may result in an increase in bad and doubtful debts, which will negatively impact Laybuy's profitability.	Section 4.2.2
Fraud	Laybuy is exposed to the risk that customers, employees, partners, individual borrowers and other third parties may seek to commit fraud against Laybuy or in connection with the products that Laybuy provides. Fraudulent behaviours could include individual customers or other parties conspiring to circumvent Laybuy's controls and process fraudulent transactions.	Section 4.2.3
Competitors and new technology offerings	Laybuy operates in a competitive environment in which systems and practices are subject to continual development and improvement, and new or rival offerings. There is a risk that new BNPL entrants (including retailers with white-labelled products) or existing competitors may deliver a superior solution and customer experience offering to that currently offered by Laybuy, or, subject to competition law constraints, consolidate with other providers to deliver enhanced scale benefits with which Laybuy is unable to compete with effectively.	Section 4.2.4

Topic	Summary	For more information refer to
Liquidity and funding	Laybuy's business model is reliant on the ability to fund Merchants as customers use Laybuy services to acquire products. There is a risk that, if sufficient liquid funds are not available to transfer to Merchants within the specific service level agreed in relation to purchases made by the customer, the Merchant will become dissatisfied and terminate their Merchant agreements, which could have an adverse effect on Laybuy's operations and financial performance. As Laybuy continues to grow and expand its market share, Laybuy may require additional capital funding.	Section 4.2.5
Debt funding facilities	Certain conditions precedent must be satisfied before Laybuy UK is able to drawdown funds under its new debt funding facility with Victory Park. Laybuy is working to satisfy the Victory Park conditions and proceed to financial close before completion of the Offer. Whilst Laybuy considers the conditions precedent to be standard for a financing facility of this type, if the relevant conditions are not satisfied (or waived) and the funds are not advanced, Laybuy's business would be adversely affected unless alternative funding sources were obtained. In addition, failure to meet financial covenants under the Group's debt funding facilities with Kiwibank and Victory Park, and the occurrence of other specified events may lead to an event of default or a review event under the facilities. If an event of default or a review event applicable to any given facility occurs, the Group could be required to make repayments in advance of the relevant maturity dates or the facilities could be terminated and/or enforcement of security thereunder.	Section 4.2.6
Dependency on third parties	**Provision of services** Laybuy has partnered with a number of third-party providers to deliver a reliable service to its customers. Services provided by third parties to Laybuy include, but are not limited to, identity verification, fraud checks, credit check services, middleware application development, payment processing and infrastructure support capabilities. There is a risk that a third-party provider may deliver a service below the expected standard, or there may be a disruption to the services provided by that third-party provider, to Laybuy. **Card project** Whilst Laybuy currently expects to launch a digital card by the end of 2020 and has engaged a major payment technology specialist to assist with the project, the timing of launch is dependent in part on the response and actions of third parties. As a result there is a risk that the launch of the project is delayed or does not proceed for reasons outside of Laybuy's control. If this were to occur, it may impact the future success and growth of Laybuy.	Section 4.2.7
Disruption of key business processes	Laybuy's business model relies on the execution of several critical business processes, particularly to support the on-boarding of new customers, service existing customers and to process transactions. Key business processes could be disrupted by events outside of Laybuy's control such as system infrastructure disruption.	Section 4.2.8
Information technology	Laybuy's operations are heavily reliant on information technology and the ability of Laybuy to provide reliable services is dependent on the performance of its and its third-party service providers' technology systems. Additionally, Laybuy's operations are dependent on the stability of connectivity as between the Merchant's platform and Laybuy's platform, to ensure the successful activation of a Merchant and completion of customer transactions. Laybuy may use third party service providers to develop, maintain and host this connectivity software, which provides both Laybuy and its Merchants with more limited oversight in ensuring the continued reliability and availability of the connectivity as between Laybuy and its Merchants.	Section 4.2.9
Cybersecurity and data protection	Given the nature of Laybuy's business, Laybuy collects and holds a significant amount of personal information about its customers. Laybuy's systems, or those of its third-party service providers, may fail, or be subject to disruption as a result of external threats or system errors. Cyber-attacks could also compromise or breach the safeguards implemented by Laybuy to maintain confidentiality in such information.	Section 4.2.10

1 Investment Overview (continued)

Topic	Summary	For more information refer to
Regulatory compliance	Laybuy is subject to a range of laws, regulations and industry compliance requirements in New Zealand, the United Kingdom and Australia, being the jurisdictions in which it currently conducts its business. Failure to comply with laws, regulations and industry compliance requirements in these jurisdictions (or in other jurisdictions in which Laybuy may operate in the future), or appropriately respond to any changes, could adversely impact Laybuy's reputation and financial performance. The BNPL industry is currently subject to increased focus of regulators in a range of jurisdictions, which are taking an increasingly active role in monitoring BNPL participants.	Section 4.2.11
Changes in laws and regulations	There is a risk that the current position with respect to regulation of BNPL arrangements in New Zealand, the United Kingdom or Australia is altered, which could result in Laybuy's existing operations becoming subject to additional legal, regulatory or industry compliance requirements together with the costs of those requirements. This may include the requirement for Laybuy to be subject to credit licensing, financial services licensing or other licensing or regulatory requirements or limitations. Laybuy may also become subject to additional legal, regulatory or industry compliance requirements if its business activities change.	Section 4.2.12
Anti-money laundering and counter-terrorism financing, and privacy legislation	In each of New Zealand, the United Kingdom and Australia, Laybuy is bound by, and must comply with, statutory obligations in relation to anti-money laundering and counter-terrorism financing laws, and privacy and data protection laws. Laybuy has identified issues and areas for improvement with some of its practices, as well as potential non-compliance or breaches of anti-money laundering and counter-terrorism financing, and privacy and data protection requirements. As a result, Laybuy has undertaken changes and is revising some of its processes to ensure that it complies with all of its obligations in each geography going forward. A failure by Laybuy to comply with its obligations (including past failures) may give rise to a risk that Laybuy may be subject to penalties, public censure and reputational damage as a result of such failures.	Section 4.2.13
Loss of merchant contracts and relationships	Laybuy's business depends on its contracts and relationships with key existing Merchant clients and attracting new merchant clients. There can be no guarantee that these contracts and relationships will continue or, if they do continue, that they will remain successful. Laybuy generally contracts with Merchants under relatively short-term arrangements on a non-exclusive basis, and Merchants are generally able to reduce or cancel their use of Laybuy's product and terminate relevant contracts without penalty at relatively short notice. Furthermore, some of the documentation relating to certain of Laybuy's Merchant relationships cannot be located, including with some of its top Merchants in New Zealand.	Section 4.2.14
Key personnel	Laybuy operates in a competitive market and is therefore required to continuously improve its product offering to ensure it remains innovative and relevant to the market and it is not superseded by competitive offerings. Laybuy's ability to ensure its products are continually improved relies on the expertise of its skilled workforce, in particular, its technology team.	Section 4.2.15
Intellectual property	Laybuy's ability to benefit from developing its brand, innovation it seeks to develop, and expertise depends in part upon its ability to protect its intellectual property and any improvements to it, as well as Laybuy's confidential information.	Section 4.2.16
COVID-19 and related impact on consumer spending	Laybuy's business depends on consumer spending, which has been, and may continue to be, impacted by the outbreak of COVID-19. The extent of any ongoing impact of COVID-19 on Laybuy's business will depend on future developments, including the duration and future spread of the outbreak within New Zealand, the United Kingdom and Australia, and the related impact on general economic conditions, consumer confidence and discretionary spending, all of which are highly uncertain.	Section 4.2.17

1.5 Directors and Key Employees

Topic	Summary	For more information refer to
Who are the Directors of Laybuy?	**Steven Fisher (Chair)** Mr Fisher has more than 30 years' experience in general management positions in the wholesale consumer goods industry and was previously chief executive of the Voyager Group. Mr Fisher is currently the non-executive chairman of Breville Group Limited and The Reject Shop Limited. **Gary Rohloff (Managing Director)** Mr Rohloff co-founded the Laybuy business in 2016 and has served as the Managing Director of the Company since that time. Mr Rohloff is responsible for the overall management and strategic direction of the Company. Mr Rohloff has held a number of CEO roles in the retail industry, including Number One Shoes, Warehouse Stationery and EziBuy. Prior to his retail experience, he worked in treasury roles and in banking. **Mark Haberlin (Director)** Mr Haberlin has significant expertise in senior finance and management roles, including having been a partner at PwC in Australia for 24 years and serving two of those years as chair. Mr Haberlin is currently a non-executive director of ASX-listed Abacus Property Group as well as two private companies. **Craig Styris (Director)** Mr Styris is an Executive Director of Pioneer Capital, a private and growth equity firm focused on investments in New Zealand businesses. Mr Styris has sourced and managed a number of investments for Pioneer Capital across a range of growth sectors. Mr Styris is currently a director of Natural Pet Food Group, Rockit Global, and Tom & Luke.	Section 7.1
Who are the Key Managers?	**Gary Rohloff (Managing Director)** See above bio. **Katrina Kirkcaldie (Chief Financial Officer)** Mrs Kirkcaldie is responsible for overseeing the Group's global finance function. Mrs Kirkcaldie has served as the Group's Chief Financial Officer since October 2019. Mrs Kirkcaldie has over 15 years of accounting and finance experience. Prior to commencing the role of CFO, Mrs Kirkcaldie held a number of roles within finance, software and retail organisations at firms including WhereScape, The Warehouse, EY and KPMG. **James Abbott (Chief Operating Officer)** Mr Abbott is responsible for the risk and product functions of the Group. Mr Abbott has served as Chief Operating Officer since February 2018. Mr Abbott has over 15 years' experience in finance and commercial banking. Prior to joining Laybuy, James spent five years working at Westpac as a Business Development and Key Account Manager for the Business Banking Unit. **Robyn Rohloff (Global Brand Director)** Mrs Rohloff co-founded the Laybuy business in 2016 with her husband, Gary Rohloff, and serves as Laybuy's Global Brand Director. Mrs Rohloff is responsible for all the brand, creative and PR aspects of the business. Mrs Rohloff has led the development of Laybuy's brand and creative initiatives from commencement of the business. She is ordinarily based in the United Kingdom to assist in developing the Laybuy team and growing the UK business. **Justin Soong (Chief Technology Officer)** Mr Soong is responsible for software development and architecture at Laybuy. Prior to Laybuy, Mr Soong held senior IT roles at Dovetail, a designer and builder of software, and Harmoney Ltd, a leading lending platform in Australia and New Zealand. **Mel Quirk (Chief People Officer)** Ms Quirk is responsible for the development and execution of Laybuy's people strategy. Ms Quirk has over 13 years of human resources experience. Prior to commencing her role at Laybuy, Ms Quirk held roles at Overland Footwear Group, Converga Pty Ltd and Mighty River Power. **Luke Flomo (Chief Revenue Officer (UK & Europe))** Mr Flomo is responsible for driving Laybuy's revenue growth in the United Kingdom and Europe, including managing sales, relationship management, partnerships and customer support. Mr Flomo has over 14 years' of experience in commercial sales functions in the financial services industry, including the payments industry. He previously held management roles at Klarna and Trustly.	Section 7.2

Topic	Summary	For more information refer to
Who are the Key Managers? continued	**Tim Rennie (General Counsel)** Mr Rennie is responsible for overseeing the Group's global legal function. Mr Rennie has over 15 years of legal experience. Prior to his appointment as General Counsel, Mr Rennie held a number of roles, including at Xero in New Zealand and senior roles at epay Worldwide and PayPoint in the United Kingdom. **Virginia Ballantyne (Senior Risk and Compliance Manager)** Ms Ballantyne joined Laybuy in May 2020 and is responsible for the Group's risk and compliance function. Prior to joining Laybuy, Ms Ballantyne was a Compliance Manager for Westpac Banking Corporation in New Zealand.	

1.6 Key people, interests and benefits

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information refer to</th></tr>
<tr><td>What are the Directors' shareholdings?</td><td>
The Directors are expected to hold a direct or indirect interest in the following securities on completion of the Offer, including Options to be granted to the Directors following completion of the Offer:
<table>
<tr><th></th><th colspan="4">Following completion of Offer</th></tr>
<tr><th>Director</th><th>Convertible Notes</th><th>Shares</th><th>Options</th><th>Holding % (fully-diluted)[1]</th></tr>
<tr><td>Steven Fisher</td><td>–</td><td>–</td><td>240,000</td><td>0.1%</td></tr>
<tr><td>Gary Rohloff</td><td>–</td><td>51,531,420</td><td>1,170,213</td><td>26.8%</td></tr>
<tr><td>Mark Haberlin</td><td>–</td><td>–</td><td>160,000</td><td>0.1%</td></tr>
<tr><td>Craig Styris</td><td>–</td><td>44,462,218</td><td>–</td><td>22.6%</td></tr>
</table>
Note:
1. See footnotes to table in Section 7.4.5 regarding the basis on which these figures are calculated.
One or more Non-executive Directors (or their associates) may apply for Shares under the Offer. If this were to occur, the figures in the table above would change. The Company will notify ASX of the Directors' interests at the time of Listing.
</td><td>Section 7.4.5</td></tr>
<tr><td>What significant interests or benefits are payable to the Directors and other key persons connected to Laybuy or the Offer?</td><td>
<table>
<tr><th>Key person</th><th>Interest or benefit</th></tr>
<tr><td>Managing Director</td><td>• Annual salary
• Short term incentive
• Grant of ZEPOs under the OIP
• Certain other non-cash benefits</td></tr>
<tr><td>Non-executive Directors (including Chair)</td><td>• Annual cash fee (including superannuation, if applicable)
• Grant of market-priced Options under the OIP (excluding Mr Styris)</td></tr>
<tr><td>CFO</td><td>• Annual salary
• Short term incentive
• Grant of ZEPOs under the OIP
• One-off cash bonus contingent on Listing
• Certain other non-cash benefits</td></tr>
<tr><td>Joint Lead Managers</td><td>Fees for services</td></tr>
<tr><td>Other advisors</td><td>Fees for services</td></tr>
</table>
Eligible Employees will also be offered A$1,000 of Shares under the Employee Gift Offer.
</td><td>Section 7.4</td></tr>
</table>

Topic	Summary	For more information refer to
Who are the significant Existing Holders of Laybuy and what will their interests be after completion of the Offer?	Following completion of the UK Transaction and the Top Hat (but prior to the Sell Down, the Note Conversion and the allotment under the Offer), 25% of the Shares will be held by each of Gary and Robyn Rohloff (i.e. 50% in total) and 50% will be held by Pioneer (on an undiluted basis). The direct and indirect holdings of significant Existing Holders immediately prior to, and following allotment, under the Offer will be as set out in the table below.	Section 8.5.2

	Pre-allotment			Post-allotment		
Holder	Securities	% of Shares (undiluted)	% of Securities (diluted)	Securities	% of Shares (undiluted)	% of Securities (diluted)
Pioneer	60,000,000 Shares 4,100,000 Convertible Notes	50.0%	39.1%	44,450,675 Shares	25.5%	22.6%
Gary and Robyn Rohloff	60,000,000 Shares 47,000 Convertible Notes	50.0%	36.5%	51,531,420 Shares 1,170,213 Options	29.5%	26.8%
Non-executive Directors	12,900 Convertible Notes	–	0.0%	11,543 Shares 400,000 Options	0.0%	0.2%
Other Employees, including other Key Managers	2,400,000 Options	–	1.5%	1,016,793 Shares 3,457,447 Options	0.6%	2.3%
Other Pre-IPO Investors	21,230,129 Convertible Notes	–	12.6%	20,676,632 Shares	11.9%	10.5%
Merchants	14,000,000 Options	–	8.5%	14,000,000 Options	–	7.1%
Victory Park	3,074,325 Warrants	–	1.9%	3,074,325 Warrants	–	1.6%
Subtotal (Existing Holders)	120,000,000 Shares 16,400,000 Options 25,390,029 Convertible Notes 3,074,325 Warrants	100.0%	100.0%	117,687,063 Shares 19,027,660 Options 3,074,325 Warrants	67.5%	71.1%
Shares to be issued under the Offer	–	–	–	28,407,789 Shares	16.3%	14.5%
Shares to be sold under the Offer	–	–	–	28,368,794 Shares	16.3%	14.4%
Total	**120,000,000 Shares 16,400,000 Options 25,390,029 Convertible Notes 3,074,325 Warrants**	**100.0%**	**100.0%**	**174,463,646 Shares 19,027,660 Options 3,074,325 Warrants**	**100.0%**	**100.0%**

Note:

1. See footnotes to table in Section 8.5.2 regarding the basis on which these figures are calculated.

Topic	Summary	For more information refer to
Are there any significant related party transactions?	There are no significant related party transactions other than the employment agreement with the Managing Director, the other service and appointment arrangements with or relating to the Non-executive Directors, and the indemnity deeds with each of the Directors. Additional related party arrangements are set out in Section 11.13.1.	Section 11.13.1

1.7 Summary of the Offer

Topic	Summary	For more information refer to
Who is the issuer of the Prospectus?	Laybuy and SaleCo are companies registered under the laws of New Zealand. Laybuy is the issuer of the Shares. SaleCo is transferring Shares being sold under the Offer.	Sections 11.1 and 11.6
What is the Offer?	The Offer is the offer provided under this Prospectus for investors to participate in the initial public offering of ordinary shares in Laybuy ("**Shares**") at an Offer Price of A$1.41 per Share. The Company and SaleCo are undertaking an offer of: • 28,407,789 New Shares to raise proceeds of A$40.0 million;[1] and • 28,368,794 Sale Shares to raise proceeds of A$40.0 million.	Section 8
What is SaleCo?	SaleCo is a special purpose vehicle incorporated in New Zealand, which has been established to enable Selling Shareholders to sell Shares into the Offer.	Section 11.6
Who are the Selling Shareholders?	The Selling Shareholders are certain Existing Holders (Gary Rohloff, Robyn Rohloff and Pioneer) who have elected to sell some of their shareholding into the Offer.	Section 11.6
How is the Offer structured?	The Offer will consist of: • the Institutional Offer, which consists of an invitation to certain Institutional Investors in Australia and a number of other authorised jurisdictions to apply for Shares; • the Broker Firm Offer, which is open to Australian and New Zealand resident Retail Investors and Sophisticated Investors who receive a firm allocation from their broker; • the Chairman's List Offer, which is open to persons in New Zealand, Australia and the United Kingdom who receive a Chairman's List Invitation; and • the Employee Gift Offer, which is open to Eligible Employees.	Section 8.2
Will the Company be adequately funded after completion of the Offer?	The Board is satisfied that upon completion of the Offer, the Company will have sufficient working capital to carry out its stated objectives.	Section 8.3
What rights and liabilities attach to the Shares being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 11.8.	Section 11.8
Will the Shares be quoted on the ASX?	The Company has applied to ASX for Official Quotation of all Shares on the ASX under the ticker "LBY".	Section 8.11
Is the Offer underwritten?	Yes, the Offer is fully underwritten by the Joint Lead Managers (except the Employee Gift Offer), subject to the terms in the Underwriting Agreement (see Section 9.6 for a summary of the Underwriting Agreement).	Section 9.6

1. Includes Shares offered by Company under Employee Gift Offer.

Topic	Summary	For more information refer to
What is the allocation policy applicable to the Offer?	The allocation of Shares under the Institutional Offer is determined by the Joint Lead Managers with the agreement of the Company. For Broker Firm Offer participants, the relevant broker will decide how it allocates Shares among its retail clients. The allocation of Shares under the Chairman's List Offer will be determined by the Company after consultation with the Joint Lead Managers. Under the Employee Gift Offer, each Eligible Employees will be offered the opportunity to apply for A$1,000 of Shares at no cost.	Section 8.7
What is the minimum Application under the Offer?	Applications under the Broker Firm Offer must be for a minimum of 1,419 Shares (A$2,000.79). There is no minimum Application amount under the Chairman's List Offer. Under the Employee Gift Offer, Eligible Employees will be offered the opportunity to apply for 709 Shares (A$1,000 worth of Shares) at no cost (see Section 8.8.4).	Section 8.6
When will I know if my Application has been successful?	A holding statement confirming your allocation under the Offer will be sent to you if your Application is successful. It is expected that initial holding statements will be dispatched by post on or about 8 September 2020.	Section 8.11
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on acquisitions of Shares under the Offer.	Section 8.9
What are the tax implications of investing in the Shares?	The tax consequences of any investment in Shares will depend on your personal circumstances. Prospective investors should obtain their own tax advice before deciding to invest.	Section 10
What is the Company's dividend policy?	Payment of dividends by the Company is at the discretion of the Board. The Directors have not provided any assurance of the future amount of dividends to be paid. In determining whether to declare future dividends, the Directors will consider the general business environment, the operating results and the financial condition of the Company, future funding requirements, capital management initiatives, taxation considerations, any contractual, legal or regulatory restrictions on the payment of dividends by the Company and any other factors the Directors may consider relevant at the time of their decision.	Section 11.10
How do I apply for the Shares?	Applicants under the Broker Firm Offer should follow the instructions provided by their broker. If you receive a Chairman's List Invitation to apply for Shares under the Chairman's List Offer and you wish to apply for all or some of those Shares, you should follow the instructions in the Chairman's List Invitation to apply. To apply under the Employee Gift Offer, you must complete the Employee Gift Offer Application Form in accordance with the instructions provided by the Company. The Joint Lead Managers have separately advised Institutional Investors of the application procedure under the Institutional Offer. To the extent permitted by law, an application by an Applicant under the Offer is irrevocable.	Section 8.8
Can the Offer be withdrawn?	The Company reserves the right not to proceed with the Offer at any time before the issue and transfer of Shares to Successful Applicants. If the Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.	Section 8.13
Where can I find more information?	Questions relating to Applications for Shares can be directed to the Share Registry, Link Market Services Limited, on 1800 236 994 (if calling within Australia) or +61 1800 236 994 (if calling from outside of Australia) Monday to Friday.	Section 8.14

1.8 Proposed sources and uses of funds associated with the Offer

The Offer is being conducted to:

- provide Laybuy with funding to support its growth strategies, including by investing in:
  - receivables book growth in the United Kingdom and supporting its funding facilities in relation to this activity;
  - increased sales and marketing in the United Kingdom; and
  - increased staffing to support the growth in the United Kingdom;
- provide Laybuy with the benefits of an increased brand profile that arises from being a listed entity;
- provide Laybuy with access to listed capital markets to support future growth;
- allow the Selling Shareholders to realise part of their investment in Laybuy;
- pay the costs of the Offer; and
- fund general working capital requirements.

Further details about the sources of the funds that will be used to carry out these objectives (including the proceeds under the Offer) and how those funds will be allocated are set out in the tables below and in Section 8.4.

Sources of proceeds	(A$ '000)	(NZ$ '000)	% of funds raised
Cash proceeds received from issue of Shares by the Company under the Offer	40,000	42,621	50%
Cash proceeds received from sale of Shares by SaleCo under the Offer	40,000	42,621	50%
Total	**80,000**	**85,242**	**100%**

Use of proceeds	(A$ '000)	(NZ$ '000)	% of funds raised
Payment of proceeds by SaleCo to Selling Shareholders[1]	40,000	42,621	50.0%
Funding and support for growth in the UK receivables book	18,200	19,393	22.8%
Sales and marketing in the United Kingdom (for merchant and consumers)	7,700	8,205	9.6%
Staffing to support the growth of the business in the United Kingdom	3,300	3,516	4.1%
Costs of the Offer	5,997	6,390	7.5%
Other working capital[2]	4,803	5,117	6.0%
Total	**80,000**	**85,242**	**100%**

Notes:

1. Selling Shareholders will also pay selling fees to the Joint Lead Managers for the sale of shares by SaleCo. These fees will be paid directly from the proceeds to be received from SaleCo.
2. Includes NZ$868,000 of tax withholding expenses associated with the Legacy Option Replacement. See Note 3 in Section 5.4.2 for more information.

The above table is a statement of current intentions as at the date of this Prospectus. Investors should be aware that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments and market and general economic conditions. In light of this, the Board reserves the right to alter the way the funds are applied.

Section 2

Industry Background

2 Industry Background

2.1 Introduction

Laybuy is a provider of a buy-now-pay-later ("**BNPL**") service that is currently offered to consumers across New Zealand, Australia and the United Kingdom ("**UK**").

BNPL is a form of Point-of-Sale ("**PoS**") financing. Generally, the BNPL provider pays the merchant the cost of the good or service at the time of sale (minus the fees payable to the BNPL provider by the merchant) and the customer receives the good or service up front. The customer then pays the BNPL provider for the good or service, typically in instalments with no interest and no or minimal fees except for potential late fees if a payment is not made on time.

BNPL providers partner with merchants to provide consumers with easy to manage, periodic payment options for goods and services. The merchants can benefit by gaining access to the BNPL providers' customers as BNPL providers promote their merchants to their customer base.

BNPL services are available online and in-store across a wide range of retail merchants including fashion, travel, sports and entertainment, homewares, electronics, health and beauty and more.

The BNPL industry has been growing rapidly due to factors such as increasing consumer demand for credit alternatives. Australia and New Zealand are some of the most mature markets for BNPL in terms of adoption by consumers. Key regions such as the United Kingdom and North America are at earlier stages of adoption for BNPL services and as such should represent significant growth opportunities for BNPL providers.

2.2 Consumer payment options

Consumers have increasingly adopted electronic payment methods over the last decade, such as cards, direct transfers and online payment platforms, instead of using cash and cheques to make payments. The COVID-19 pandemic is further driving the use of electronic, digital and non-traditional payment methods.

From a consumer's perspective, a BNPL platform could be described as combining the benefits of the traditional in-store layby concept (the ability to pay over a set period of time via interest-free instalments) and payment via a credit card (a third party is covering the upfront payment to the merchant such that the consumer can take possession of the products or services as soon as payment has been processed).

Figure 2.1 below shows the key differences between BNPL, the traditional layby store concept and credit cards.

Figure 2.1: Comparison between certain consumer payment options: BNPL, the traditional layby store concept and credit cards

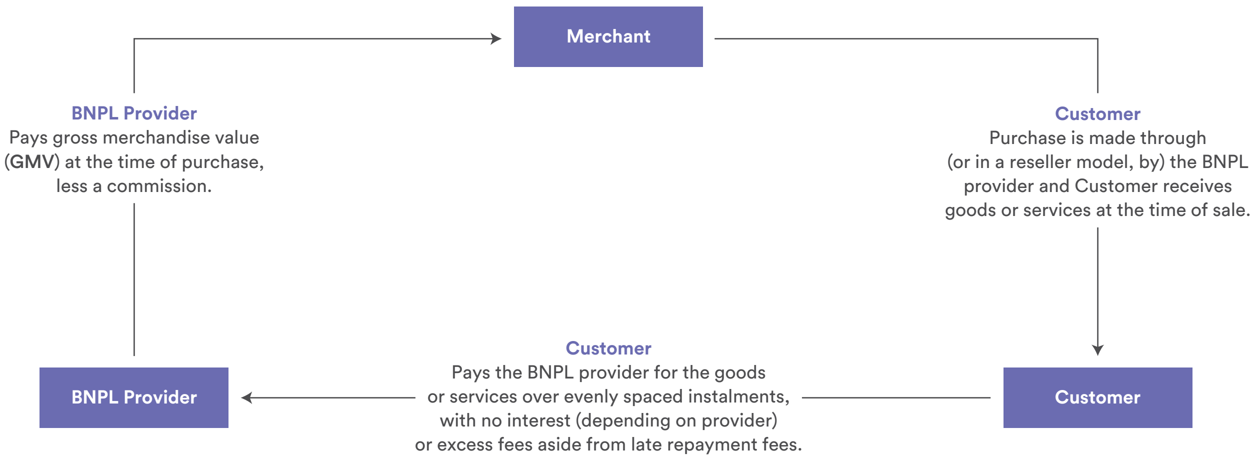
	BNPL platform	Traditional layby concept	Credit card
Transaction experience	Customer purchases (or requests the purchase of) and receives a good or service, which is subsequently paid off over a period of time. Purchase price is paid to the merchant by the BNPL provider at PoS (minus the fees payable to the BNPL provider by the merchant).	Customer pays the purchase price to the merchant directly (including an initial instalment at PoS), however, the merchant generally holds the good or service until the purchase price is fully paid.	Customer purchases and receives a good or service, using credit provided by a financial institution. This credit is then paid off over a period of time. Purchase price is paid to the merchant by the credit provider at PoS.
Payment schedule	Payment is made by the customer to the BNPL provider in scheduled instalments until fully paid off. Repayment is on a per transaction basis.	Payment made to the merchant with the amount and timing of instalments largely driven by the customer but generally by the end of a set period of time.	Payment made to the credit provider. The amount spent on the purchase price forms part of the consumer's credit balance, which is paid off over a period time. Timing and amounts of repayments is dependent on consumer's arrangement with the credit provider.
Fees	No interest payable on outstanding balance. Typically only set fees for late payments per individual transaction.	Cancellation fees may be charged by the merchant if the layby agreement has been cancelled or breached by the customer. Interest, administrative or late payment fees may or may not apply, depending on the layby contract.	Annual card fee, interest (if an outstanding balance is carried on the card) and fees for late payment (at an account level).

2.3 Overview and drivers of the BNPL sector

BNPL is a contemporary form of payment method, where payments for transactions are typically spread across a period of time in instalments. As the name implies, the customer receives the good or service "now" and pays the BNPL provider the full amount "later", typically through instalments with no interest and no (or minimal) additional fees, except for late fees if a payment is not made on time.

BNPL services are generally used for smaller, discretionary transactions. One of the key distinguishing factors between BNPL providers is the frequency of instalments payable by the customer, which can be equal weekly, fortnightly or monthly instalments.

Figure 2.2: Overview of the typical BNPL process



The use of BNPL services by consumers is largely driven by consumer payment trends, such as the trend towards electronic payment methods and a decline in credit card use, as well as the volume and size of overall consumer spending (see Section 2.4 below). Technological innovation has further facilitated the adoption of BNPL services by improving the BNPL user experience and streamlining customer credit assessments.

Consumers across a range of income brackets are attracted to BNPL services. Laybuy believes one of the key value propositions of BNPL services is that they allow consumers to manage payments with respect to their individual budgets. (See Section 3.5.2 in relation to the potential benefits of the Laybuy platform for customers.)

BNPL services can provide lead generation for merchants and enable consumers to make purchases that they otherwise might not be willing or able to finance. Consequently, merchants that partner with BNPL providers could benefit from an uplift in sales (including increased average order values), higher conversion rates (i.e. proportion of visitors to a store who make a purchase) and lower product returns (by only requiring, for instance, 1/6th of the payment upfront, customers may be less likely to have "buyer's remorse"). (See Section 3.5.1 in relation to the potential benefits of the Laybuy platform for merchants.)

2.4 Retail market overview

Laybuy is currently available in New Zealand, Australia and the United Kingdom.

Figure 2.3 below shows the total size of the retail market for the year ended 31 December 2019, measured by aggregating the value of each retail transaction, in each of the countries where Laybuy is currently operating.

2 Industry Background (continued)

Figure 2.3: Total retail market sizes in New Zealand, Australia and the United Kingdom

Categories of transactions included as retail transactions for these purposes include the following:

Figure 2.4: Categories of transactions included as retail transactions

New Zealand	Australia	UK
• Supermarket and grocery stores	• Food retailing	• Predominantly food stores
• Specialised food	• Household goods retailing	• Non-specialised stores
• Liquor	• Clothing	• Textile
• Non-store and commission-based retailing	• Footwear and personal accessory retailing	• Clothing and footwear stores
• Department stores	• Department stores	• Household goods stores
• Furniture	• Other retailing	• Other stores
• Hardware	• Cafes	• Non-store retailing
• Recreational goods	• Restaurants	
• Clothing	• Takeaway food services	
• Electrical and electronic goods		
• Pharmaceutical and other store-based retailing		
• Accommodation		
• Food and beverage services		
• Motor vehicles and parts		

2.5 Target geographic markets

Laybuy is currently a leading BNPL provider in New Zealand and has a growing presence in the United Kingdom and in Australia. Laybuy's growth strategy is focused on the United Kingdom market where it is positioning itself as the leading weekly-payment BNPL provider, both instore and online. It views the United Kingdom as having the most "blue sky" opportunity, where the size of the retail market is approximately 2.2 times the size of the Australian retail market (based on total retail market expenditure in 2019).

Laybuy initially entered the United Kingdom in 2018 and is strongly focused on continuing its growth in the United Kingdom while solidifying its position as a leading BNPL provider in New Zealand and growing its Australian business.

2.5.1 New Zealand

(a) Consumer retail market in New Zealand

The total size of the New Zealand retail market in 2019 was approximately NZ$89.7 billion, of which approximately NZ$4.8 billion was spent online. The New Zealand retail market is exhibiting a shift towards online spending, which grew by 17% in 2019, while spending at physical stores over the same period remained flat. From March 2019 to March 2020, the number of purchases by New Zealand consumers increased by 6%, with the total value of domestic online purchases increasing by 24% and international online purchases decreasing by 18%.

(b) BNPL adoption in New Zealand

Adoption of BNPL solutions has occurred rapidly in New Zealand. In a report issued by NZ Post, it was estimated that 20% of all online clothing and footwear spend in 2018 was made through BNPL providers. The proportion of total spend made through BNPL providers is expected to continue to grow.

The BNPL user base mentioned in the NZ Post report was dominated by females (70% of BNPL users) who are typically of younger ages (61% of BNPL users were female and under 45 years old).

2.5.2 Australia

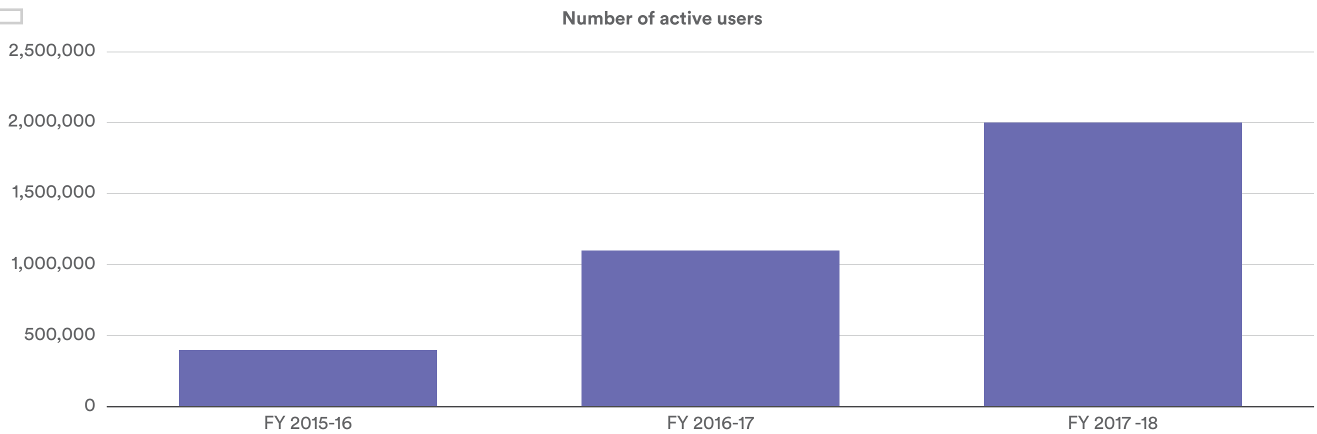
(a) Consumer retail market in Australia

The Australian retail market was approximately A$330 billion of retail spend in 2019, of which approximately A$31 billion was spent online. In terms of the number of consumers who use eCommerce, Statista estimates that by 2021, the eCommerce market penetration rate (that is, the percentage of the Australian population who shop online) will reach ~75% in Australia, with approximately 19 million consumers buying online.

(b) BNPL adoption in Australia

Historically, there has been a strong appetite for BNPL services in Australia, with the number of BNPL providers and transactions growing rapidly since 2015. In the 2015-16 financial year, it was estimated that there were approximately 400,000 consumers in Australia who had used at least one BNPL arrangement from a provider within the last 12 months. This increased to more than 2 million in the 2017-18 financial year, representing approximately 10% of the adult population in Australia at the time.

Figure 2.5: Estimated number of active BNPL users in Australia. An "active" user is a consumer who used at least one BNPL arrangement within the relevant 12-month period (source: ASIC Report 600 ("Review of buy now pay later arrangements") published November 2018)



2 Industry Background (continued)

Australian consumers have demonstrated a high level of repeat usage for BNPL services. Consumer research conducted by ASIC found that more than four in five consumers who had used a BNPL arrangement within the 12 months to January 2018 planned to do so again.

As shown in Figure 2.6, as at September 2019, Australians between the ages of 18 and 34 accounted for 56% of BNPL users over the preceding 12 months, with those in the 25-34 age range making up 34% of all BNPL users.

Figure 2.6: BNPL usage in Australia by Age Group in the year to September 2019 (source: Roy Morgan Single Source (Australia), October 2018 – September 2019, n=49,462)

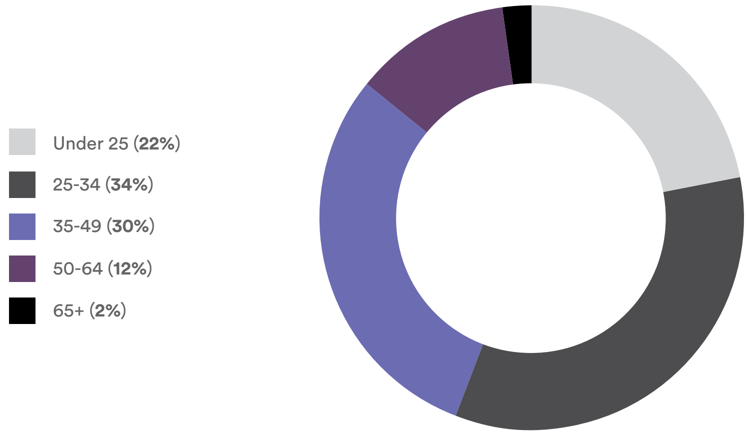
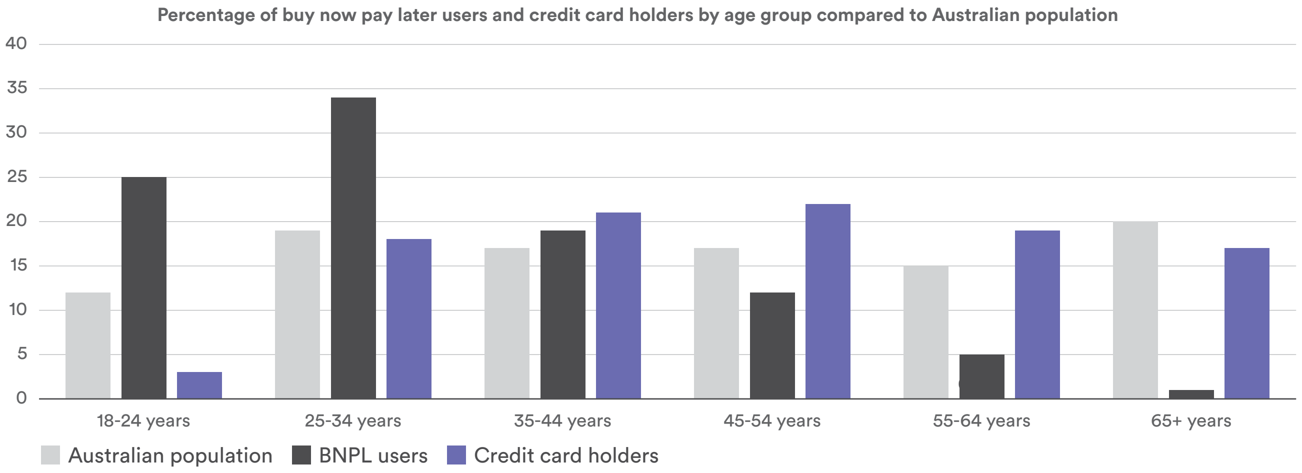


Figure 2.7 further demonstrates, based on ASIC data as at November 2018, that those in the 18-34 age demographic prefer to use BNPL arrangements over credit cards. By contrast, Australians over 50 make up only 14.2% of BNPL users despite being 40.7% of the population over 14 years of age. ASIC's research suggests this demographic generally prefers the use of credit cards over BNPL.

Figure 2.7: BNPL and credit card use by age category for the 12 months to 30 June 2018 (source: ASIC Report 600 ("Review of buy now pay later arrangements") published November 2018)

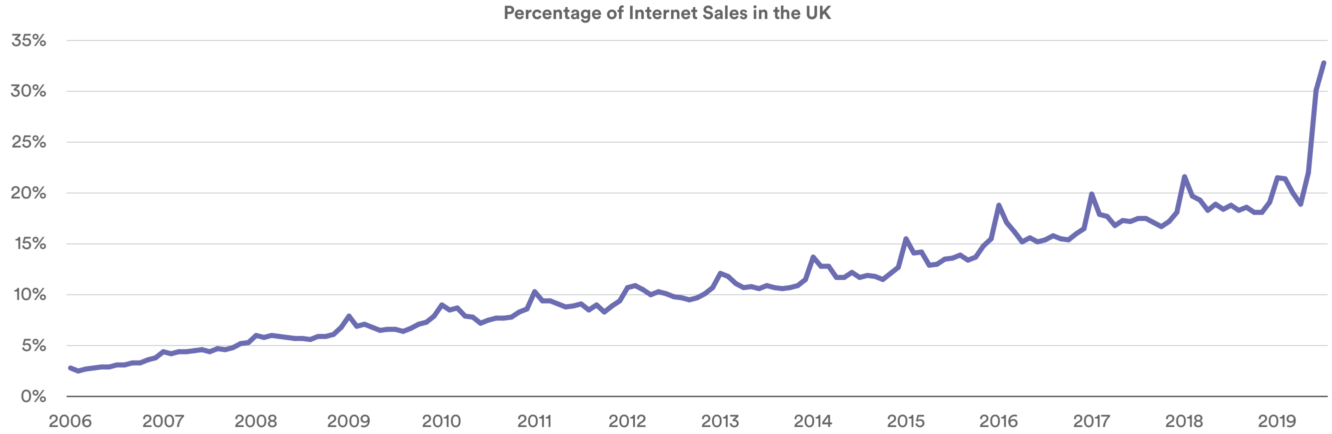


2.5.3 United Kingdom

(a) Consumer retail market in the United Kingdom

Laybuy believes the United Kingdom represents a significant commercial opportunity for BNPL providers due to the size of the overall retail market. The United Kingdom is approximately 2.2 times larger than Australia in terms of overall retail spending, and online purchases comprised 19.2% of total expenditure in 2019. This is substantially larger than Australia's proportion of online spending, at 9.3%. Consumer retail sales were approximately £393.8 billion in 2019, a growth of approximately 3.4% over the prior 12 months. Laybuy considers that there is potential for the success of BNPL providers in the Australian market to be replicated in the United Kingdom market on a larger scale.

Figure 2.8: Internet sales as a percentage of total retail sales in the United Kingdom across the last 14 calendar years to May 2020. Part of the recent acceleration reflected in Figure 2.8 may have been attributable to COVID-19 impacts. (source: United Kingdom Office of National Statistics)



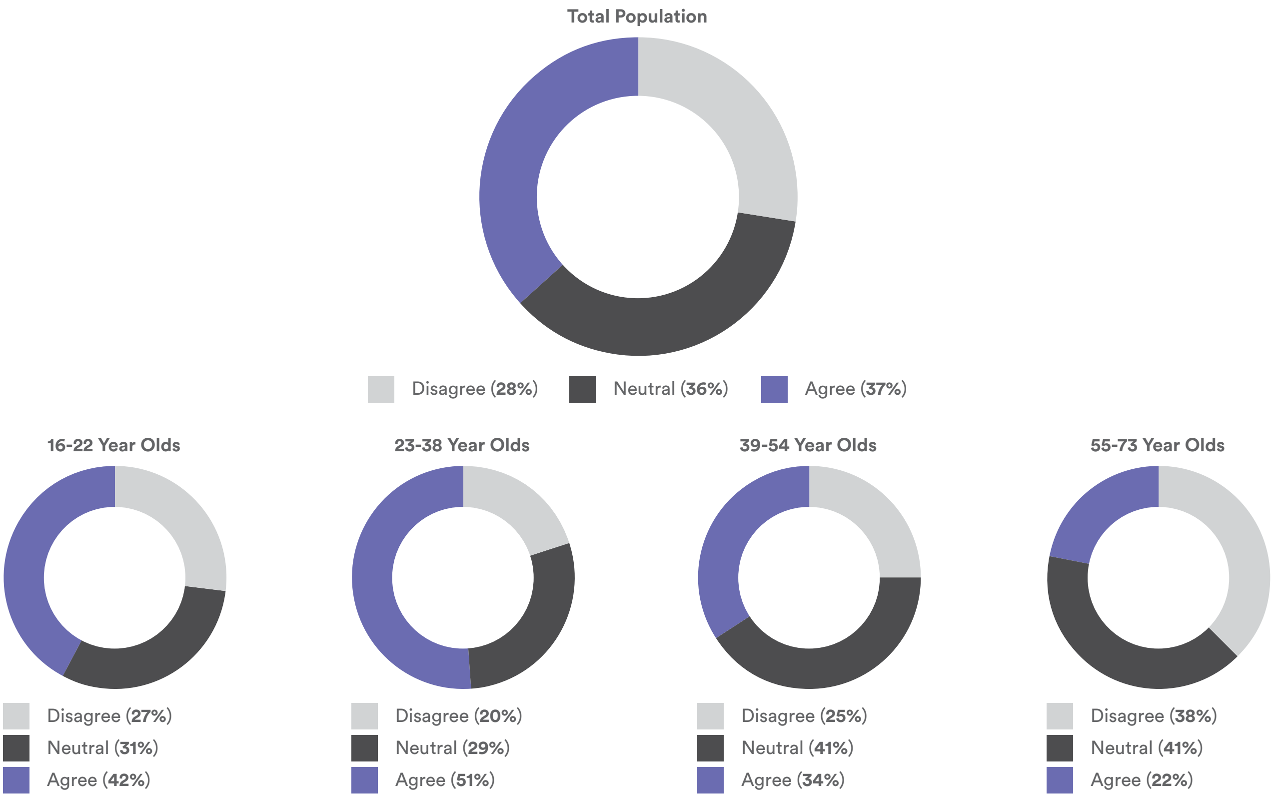
(b) BNPL adoption in the United Kingdom

BNPL services are a new value proposition to the payments industry in the United Kingdom with the adoption of BNPL considered immature in comparison to Australia. Kearney reports that the PoS credit market is growing by more than 15% per year.

This growth is underpinned by, among other things, younger consumers (or "millennials") who are seeking alternative and transparent financing options. These younger consumers are projected to overtake Baby Boomers (generally regarded as people having been born on or around 1946 to 1964) as the largest generation in the United Kingdom when it comes to purchasing.

Kearney's research revealed that the majority of UK consumers surveyed in the 23-38 age bracket preferred to shop at stores offering BNPL services when spending more than £250. The study also revealed that there were consumers in every age bracket surveyed (18-73) who had this preference.

Figure 2.9: A UK research report by Kearney analysing the United Kingdom consumer appetite for BNPL use showed 37% of respondents answered "agree" to the following question: "To what extent do you agree, or disagree, with the following statement: For purchases over £250, I prefer to shop with a retailer where I can "buy now, pay later" for my purchase." The report surveyed 2,239 UK consumers in September and October 2019



2.6 Competitive landscape

Recent growth in the BNPL sector, coupled with relatively low barriers to entry, has seen a rapid increase in the number of new BNPL providers. In particular, the potential for credit providers to create a rival product is considered high (this risk is further discussed in Section 4.2.4).

One of the primary differentiators between BNPL providers is the difference in payment schedules, e.g. frequency of instalments payable by the customer and overall length. Typically, Laybuy's customers repay their purchase over six, weekly payments. Some of Laybuy's competitors require their customers to pay instalments fortnightly or monthly, or spread payments over a longer time period. For example, payment by Afterpay customers is fortnightly over 8 weeks, and Openpay allows payments plans of up to 24 months. Laybuy's rationale for weekly repayments is based on its internal research and understanding that consumers prefer to budget weekly.

Laybuy considers itself a dominant BNPL provider in the New Zealand market, and views its key competitors in that market as Afterpay and Zip.

The Australian market is more competitive than New Zealand, with Afterpay, Zip, Klarna, and others competing for market share.

Competition in the United Kingdom is lower compared to Australia and New Zealand. Key players observed by Laybuy in the UK market include Klarna and Afterpay (through its subsidiary Clearpay).

The table below provides a high-level overview of Laybuy's understanding of the launch dates and repayment schedules of the BNPL providers which Laybuy perceives to be its key competitors.

		Business model (Primary instalment schedule)		
Company	Platform launch date	Weekly	Fortnightly	Monthly
New Zealand				
Laybuy	2017	Y		
Afterpay	2017		Y	
Zip[1]	2017	Y	Y	Y
Latitude, Genoapay	2016	Y		
Australia				
Laybuy	2018	Y		
Afterpay	2015		Y	
Zip[1]	2015	Y	Y	Y
Klarna	2020		Y	
United Kingdom				
Laybuy	2019	Y		
Clearpay (Afterpay)	2019		Y	
Zip	2019		Y	
Klarna	2016			Y[2]

Notes:

1. In New Zealand and Australia, Zip offers two products, Zip Pay and Zip Money. Zip Pay is a more comparable product to Laybuy, while Zip Money is a line of credit for larger purchases generally $1,000 and above with longer repayment periods. Laybuy understands that Zip Money is not currently offered in the United Kingdom.
2. Laybuy understands customers can either pay up to 30 days later or pay in three equal instalments 30 days apart.

Note that the information included in the above table is primarily for ease of comparison to Laybuy. Some of the BNPL providers listed in the table operate in additional geographic regions, and the business models of some of the BNPL providers listed in the above table varies between different geographic regions.

Section 3

Company Overview

3 Company Overview

3.1 Overview of Laybuy

Laybuy is a BNPL provider headquartered in New Zealand, with operations currently in New Zealand, Australia and the United Kingdom. Laybuy provides a payment platform that enables customers to split the payment of purchases, both online and instore, across six, weekly, interest free instalments, the first being at the point of sale. The Laybuy platform is available at merchants across a number of sectors of the retail industry.

Laybuy provides BNPL services through a reseller model in the United Kingdom, and operates a non-reseller model in New Zealand and Australia. In a non-reseller model, Laybuy pays the Merchant (on behalf of the customer) the cost of the good or service at the time of sale (minus the fees payable to Laybuy by the Merchant) and the customer receives the good or service up front. The customer then pays Laybuy for the good or service in six, weekly instalments with no interest and no fees except for potential late fees if a payment is not made on time.

The approach is similar in a reseller model: Laybuy purchases the product from the Merchant at the request of the customer, before arranging for its delivery to the customer in exchange for deferred payment by the customer. The customer then purchases the good or service from Laybuy, in six, weekly instalments with no interest and no fees except for potential late fees if a payment is not made on time.

Laybuy actively promotes its Merchants to its customers through various channels (see Section 3.5.3). Laybuy believes that this, together with BNPL services enabling consumers to make purchases that they otherwise might not be willing or able to finance, can facilitate an uplift in sales (including increased average order values), higher conversion rates (i.e. proportion of visitors to a store who make a purchase) and lower product returns (by only requiring 1/6th of the payment upfront, customers may be less likely to have “buyer’s remorse”) for Merchants.

3.2 History

Gary Rohloff, together with his wife Robyn and two sons James and Alex, set up the Laybuy platform after Gary identified a market opportunity, having observed that the traditional ‘layby’ payment method was not customer friendly and was a cumbersome product for merchants to administer. The family wanted to build a platform which would provide seamless execution between the customer and merchant, and unlike traditional ‘layby’, would allow the customer to have access to the good or service immediately.

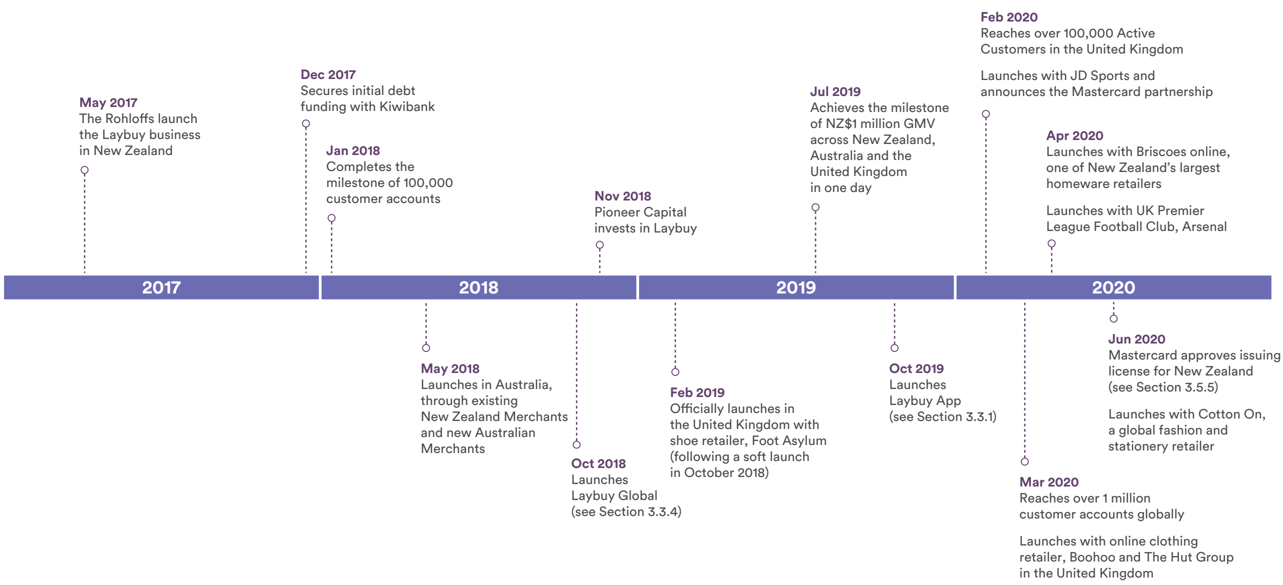
In the initial stages of development, Laybuy was designed to include flexible product features with a view to eventually being used in markets other than New Zealand. After initially launching in New Zealand, and experiencing early success, Laybuy launched in the Australian market to support Trans-Tasman merchants.

Around the time of Laybuy’s launch in Australia, the Company identified the United Kingdom as an attractive growth opportunity for Laybuy for several reasons:

- the high proportion of total sales being online (a significant portion of transactions conducted with Laybuy are online);
- similar regulatory environments to Australia and New Zealand; and
- BNPL providers already existed in the United Kingdom and therefore consumers and merchants were relatively familiar with the BNPL offering.

In February 2019, Laybuy officially launched in the United Kingdom with shoe retailer, Foot Asylum (after a soft launch in October 2018). For the twelve-month period to July 2020, Laybuy had over 200,000 Active Customers (including over 119,000 Repeat Customers) and 400 Active Merchants in the United Kingdom. From March 2019 to June 2020, Laybuy’s GMV grew at an average compounding rate of 19.3% per month.

Figure 3.1: Key Milestones in Laybuy’s history



3.3 Product overview

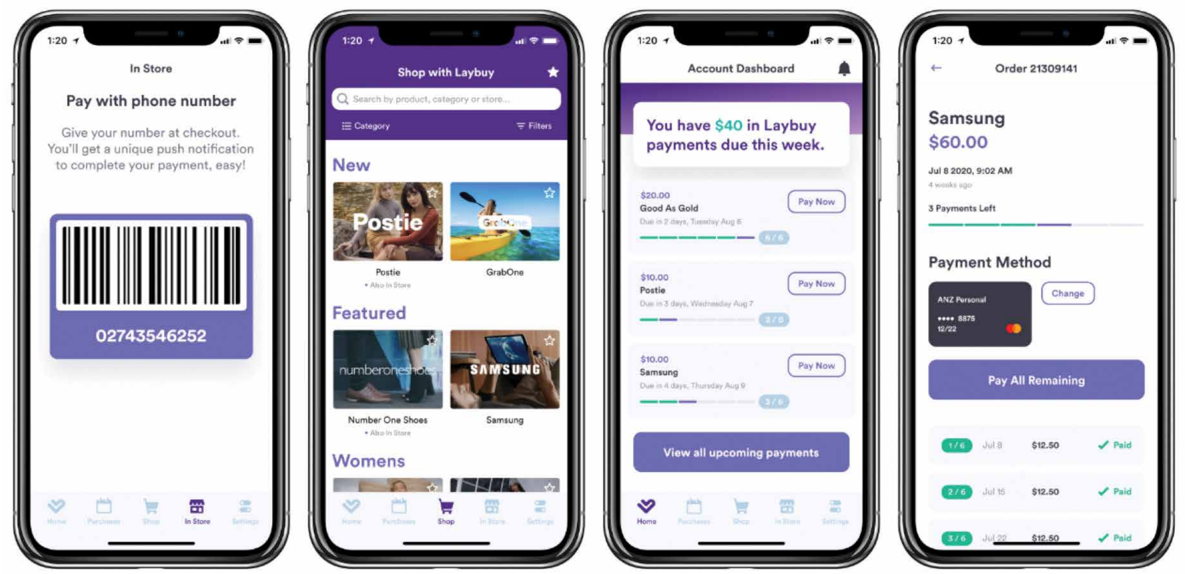
In-store/online purchases	Both
Countries available	New Zealand, the United Kingdom and Australia
Key retail industry subsectors	Fashion, travel, sports and entertainment, homewares, electronics, health and beauty and more
Credit approval process	Laybuy's credit approval process takes into account a third-party credit bureau score
Transaction limits	Approximately NZ$120 to NZ$1,500 (depending on credit report score)
App/website features	• View available transaction credit (subject to Laybuy's approval for each transaction), amounts outstanding, dates of upcoming repayments • Generate in-store payment barcode (app only) • Browse Merchants who offer Laybuy and shop online • Make early repayments • Change/manage default payment method and manage account details
Repayment – no. of instalments	Six
Repayment – frequency	Weekly, with the first instalment at PoS, and five subsequent weekly instalments to be paid within 35 days
Admin fees	None
Interest payable on amounts outstanding	None
Late fees	Late fees of (NZ$10, A$10 or GBP£6 depending on region) are incurred after a 24-hour grace period from the scheduled repayment date. Additional late fees of the same amount are then incurred if the payment is still not made within another 7 days. Late fees are capped at NZ/A$40 and £24 for each transaction.

3.3.1 Mobile App and User Interface

The mobile app is used by customers to manage their account details and payment method, view the status of their payment plan, browse Merchants who offer Laybuy and shop online. It is also Laybuy's primary means of making in-store payments as it allows customers to generate a barcode which can be scanned at the Merchant's register. The app will be the main focus of product development in the future so that Laybuy can continue to drive engagement with consumers through the platform.

Figure 3.2, from left to right, shows screen shots of the in-app barcode that is generated for in-store purchases, the online shopping browser and an example of how a customer's payment plan is displayed.

Figure 3.2: Screen shots of the Laybuy app



3.3.2 How the Laybuy Platform Works – Online

The majority of Laybuy's customers transact online. The process is quick and easy for new and existing customers and can be summarised in the seven steps below.

Online Experience

Step	Existing Customer	New Customer
Signup	N/A	Customer can download Laybuy app, and can sign up in minutes
1)	Customer selects Laybuy as their payment preference at checkout	Same as existing
2)	Laybuy's payment gateway is launched and the customer enters their Laybuy login details	If customer has not already signed up by this stage, instead of entering their Laybuy login details, customer can navigate to Laybuy's online sign-up process and is asked to add the details of their chosen payment method (debit or credit card) to their account
3)	Customer is presented with their payment schedule (i.e. the dates on which each instalment will be deducted from their default payment method – each instalment normally being the transaction value divided by six)	Same as existing
4)	Customer can change or add a new payment method that they wish to have the initial and upcoming payments debited from (such as an alternate debit card), or change which day of the week they wish their future instalments to be debited on	Same as existing
5)	Customer confirms the purchase and their repayment schedule	Same as existing
6)	The order is shipped to the customer by the Merchant (together with a receipt), and Laybuy directly debits the customer's future instalments per the confirmed payment schedule	Same as existing
7)	Customer can view and manage their payment schedule (online or through the app) at any time, and can make as many subsequent purchases as they wish up to their remaining Laybuy transaction limit (subject to Laybuy's approval in each case), with each transaction on its own repayment schedule	Same as existing
8)	The returns process is largely the same for the customer and the Merchant as if any other payment option had been used. The only difference is that the refunded amount is paid to Laybuy (who passes this on to the customer) and not directly to the customer	Same as existing

3.3.3 How the Laybuy Platform Works – In-Store

In-store transactions contribute less transactions to the Laybuy platform than online transactions. They are currently facilitated through the use of the customer's mobile phone number or the Laybuy App (refer to the first screen shot in Figure 3.2); however, with the introduction of the digital 'Tap and Go' product (see Section 3.5.5 for further information), Laybuy anticipates this new payment method will reduce friction (i.e. barriers to buying e.g. additional steps, waiting time or complexity) from the payment process and help drive sales through the in-store channel. The table below summarises the current in-store experience and the future in-store experience using 'tap and go'.

	Current In-Store Experience		Future In-Store Experience*
Steps	**Existing Customer**	**New Customer**	**'Tap and Go' Experience**
Signup	N/A	Customer downloads Laybuy app, and can sign up in minutes (A new customer may become aware of Laybuy as a payment option by e.g. seeing via in-store signage that the Merchant is offering Laybuy as a BNPL provider, or coming across a discount being offered to Laybuy customers only)	Same as new customer
1)	Customer takes their goods to the counter & requests to pay using Laybuy (in a reseller model, this involves Laybuy purchasing the goods at the customer's request, in return for the customer's agreement to repay Laybuy in fixed instalments)	Same as existing	Same as existing
2)	Shop assistant will either scan the customer's unique in-app barcode or enter the customer's mobile phone number into the Laybuy Merchant interface	Same as existing	N/A
3)	Customer is instantaneously either sent a text message with a link or redirected through the mobile app to advise them of their repayment schedule (i.e. the dates on which each instalment will be deducted from their default payment method – each instalment being the transaction value divided by six)	Same as existing	N/A
4)	Customer can change or add a new payment method that the initial and upcoming payments are debited from, or change which day of the week they wish their future instalments to be debited on	Same as existing	Same as existing
5)	Customer confirms the purchase and their repayment schedule	Same as existing	Customer confirms and pays by tapping their digital card at the terminal
6)	The customer takes their purchase (together with their receipt generated by the Merchant in the usual form) and Laybuy directly debits the customer's future instalments per the payment schedule	Same as existing	Same as existing
7)	Customer can view and manage their payment schedule (online or through the app) at any time, and subject in each case to Laybuy's approval can make subsequent purchases up to their remaining Laybuy transaction limit, with each transaction on its own repayment schedule	Same as existing	Same as existing
8)	The returns process is largely the same for the consumer and the Merchant as if any other payment option had been used. The only difference is that the refunded amount is paid to Laybuy (who passes this on to the customer) and not directly to the customer	Same as existing	Same as existing

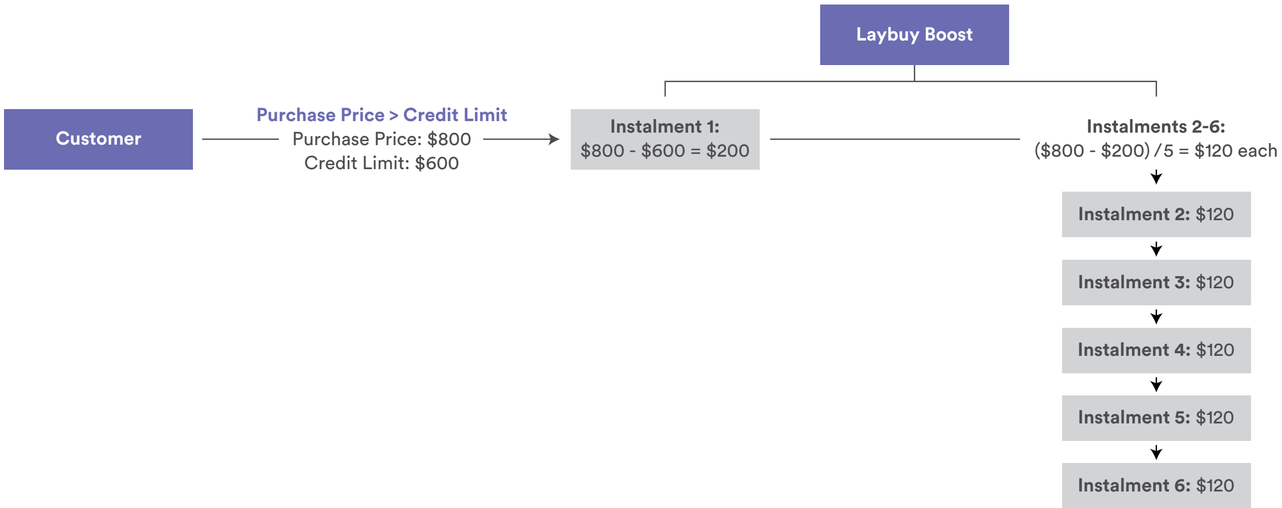
* Laybuy's partnership with Mastercard will enable it to issue digital cards to Laybuy customers in New Zealand. Laybuy is expecting to launch the 'tap and go' digital card in New Zealand by the end of 2020. Laybuy has also engaged a major payments technology specialist to bring a digital card to market in both Australia and the United Kingdom.

3.3.4 Key product features

The Laybuy platform has a number of notable features:

- **Six weekly payments** – Laybuy offers a weekly payment option for customers. Prior to entering the UK market, Laybuy commissioned a survey of over 1,000 UK residents across different age brackets and geographic regions querying how they preferred to manage their finances (daily, weekly, fortnightly, monthly, annually or never). The most preferred option across those surveyed was weekly budgeting, which aligns to Laybuy's payment schedule and strategy to become known as the leading weekly BNPL provider.
- **Laybuy Boost** – Enables customers to make a purchase larger than their Laybuy transaction limit in one transaction, yet still have the ability to use Laybuy. To use Laybuy Boost, the customer pays the amount exceeding their transaction limit as their first payment at the point of sale. For example, if the customer's transaction limit is NZ$600 but they wish to make a purchase for NZ$800, the first payment will be NZ$200 (comprising the NZ$200 amount in excess of their transaction limit), with the remaining NZ$600 split over the next five payments. Laybuy benefits by receiving the Merchant fee on the full NZ$800, and the benefit to the customer and Merchant is that the product can be purchased in a single transaction.

Figure 3.3: Example of how Laybuy Boost works



- **Laybuy Global** – Allows customers to purchase products online in their local currency with a Laybuy Merchant in a different country, as long as that Merchant ships to the customer's home country. This means, for example, that a customer in New Zealand can purchase a product through a UK Merchant in New Zealand dollars. Laybuy facilitates the foreign exchange conversion for these transactions.
- **'Tap and go' Product/Instore Payments** – Laybuy has entered into a partnership with Mastercard which will enable it to issue digital cards to Laybuy customers in New Zealand. Laybuy has also engaged a major payments technology specialist to bring a digital card to market in both Australia and the United Kingdom. Issuing digital cards to Laybuy customers will allow it to provide a fully functional 'tap and go' BNPL offering anywhere that offers both contactless payment and Laybuy. The product aims to transform the instore payment process into a quicker and easier customer experience. Refer to Section 3.5.5 for further details.

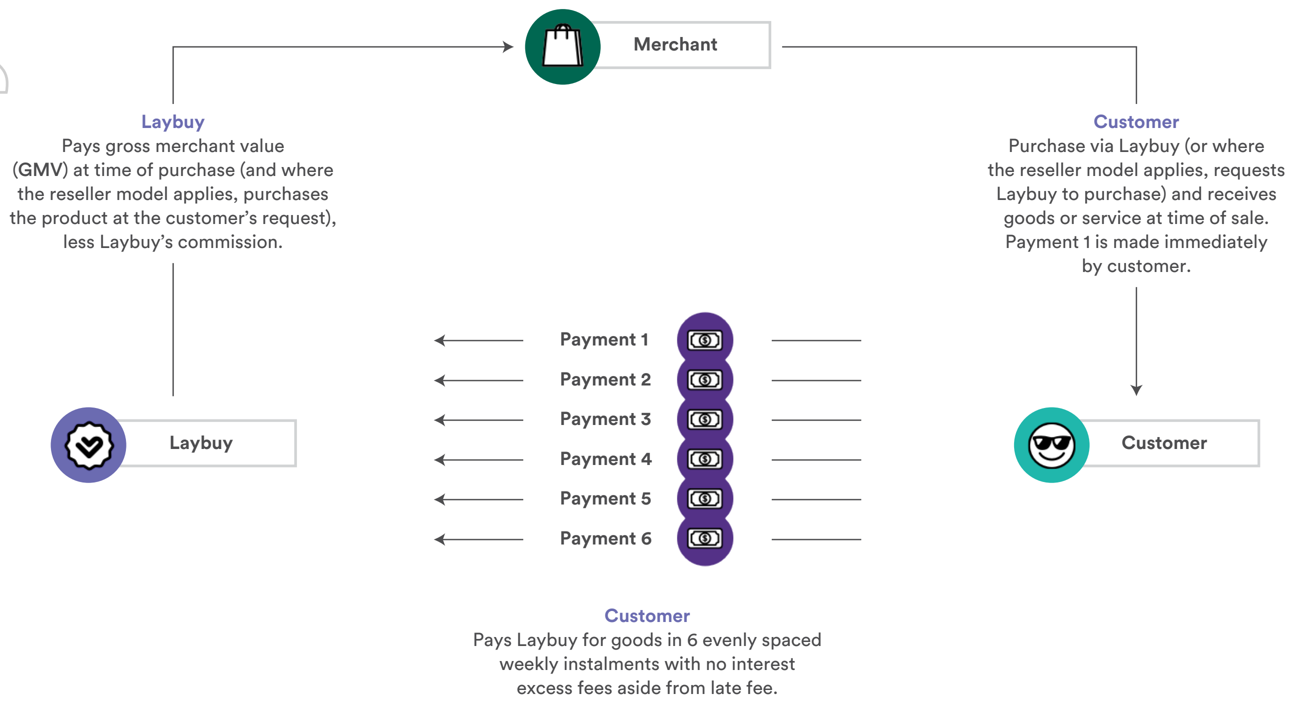
3.4 Revenue Model

Laybuy generates income by charging Merchants a percentage of the value of each transaction a customer makes using Laybuy and by charging fees to customers for late payments.

After a consumer has selected a good or service they wish to purchase and presented it to the Merchant at the checkout (either online or in-store), Laybuy pays the purchase price for the good or service to the Merchant less the relevant fee payable to Laybuy. The Merchant pays this fee in consideration for Laybuy's services, which include Laybuy introducing customers via the Laybuy platform, upfront settlement of the purchase price, removing payment fraud (see Section 3.5.6), and chargeback risks and bank charges ("**Merchant fees**").

3 Company Overview (continued)

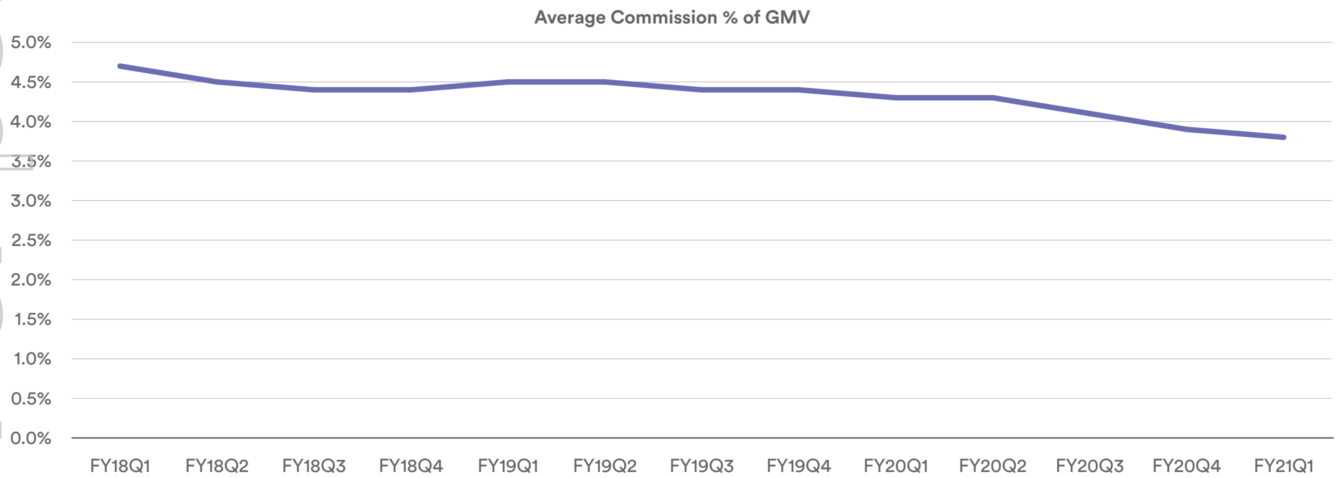
Figure 3.4: Overview of the Laybuy BNPL process



3.4.1 Merchant income

Average Merchant fees received by Laybuy fluctuate due to the mix of Merchants onboarded to the platform. The entry into the UK market has caused this average rate to decline in the short term as Laybuy's initial strategy was to target large, well-known brands at preferential rates to bring volume and validity to the platform. However, as the platform matures and small to medium sized Merchants (on higher commission rates) contribute more volume, Laybuy anticipates that average Merchant fees should move more in line with previous levels.

Figure 3.5: Average commission charged to Merchants



3.4.2 Other income

Laybuy charges late fees to customers where the customer is late in making a scheduled payment. Laybuy automatically charges NZ$10/£6/A$10 in New Zealand, the United Kingdom and Australia respectively for a late payment (after providing the customer a 24-hour grace period) and then a further late fee of the same amount if that payment is still not paid after another 7 days. Laybuy caps the default fees that are charged in respect of each individual order.

Laybuy expects late fees to reduce as a percentage of its income in each market as that market matures. Laybuy prevents customers who have any overdue payments from using Laybuy to make any further transactions. At the same time as new customers are using the platform in a new market, defaulting customers are prevented from making further purchases on the platform while they have overdue amounts, resulting in a larger percentage of "good" customers remaining on the platform. Therefore, naturally over time, as a market grows, the customer base remaining on the platform is increasingly those customers who are up to date on their payments.

Laybuy does not charge interest to its customers on their outstanding unpaid balances and has no plans to offer any interest bearing product to consumers.

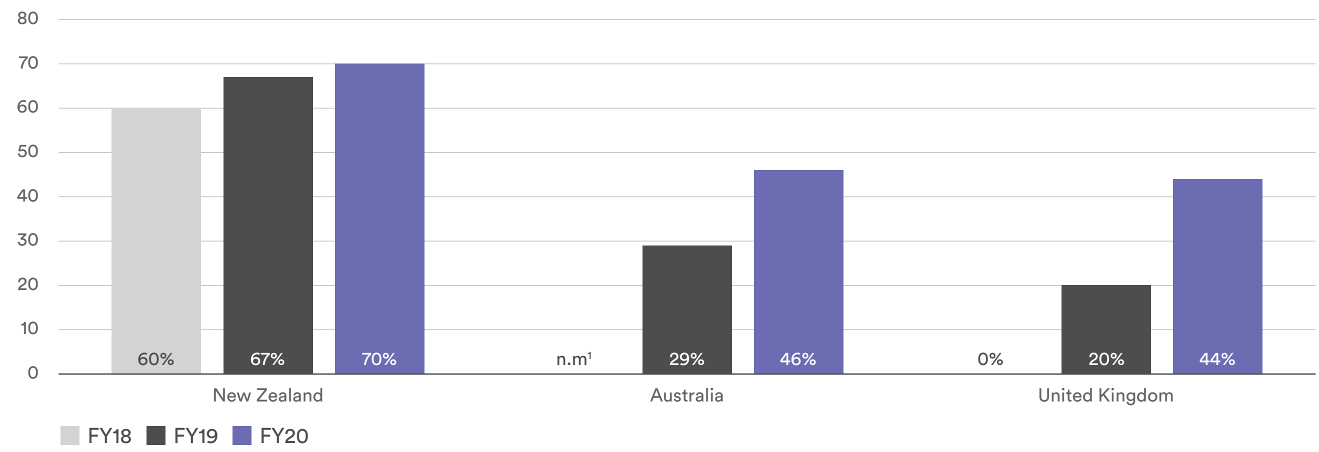
3.4.3 Customer purchasing frequency

Customers' repeat purchasing and purchasing frequency tends to increase over time as they become more familiar with the product and the number of Laybuy activated Merchants increases. The graph below demonstrates this trend for New Zealand, where the earliest joining customers are the most frequent Laybuy users.

The chart below demonstrates that:

- Repeat Customers increase over time in each jurisdiction; and
- Laybuy's most mature market, New Zealand, has the highest levels of Repeat Customers.

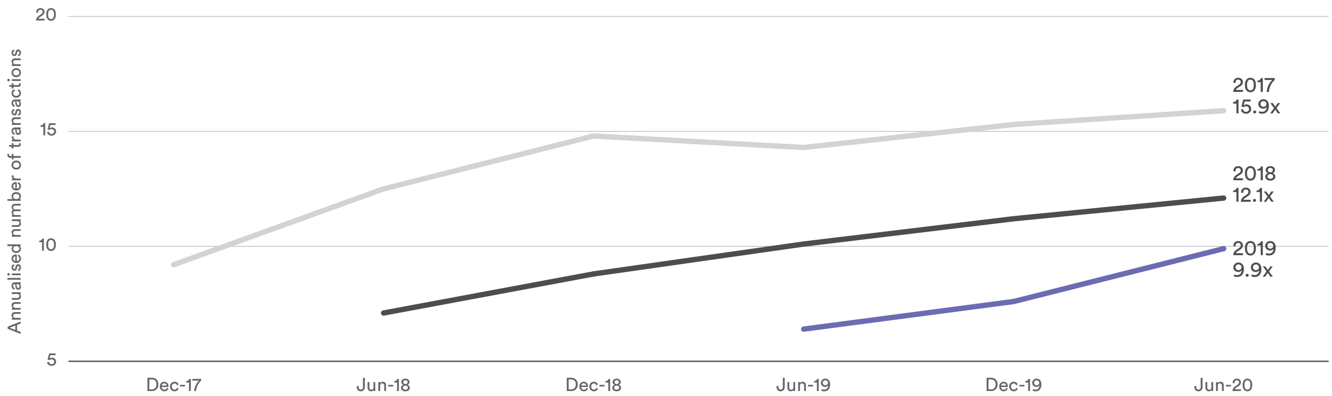
Figure 3.6: Repeat Customers as % of Active Customers



1. FY18 data for Australia was not meaningful as it was driven by 24 Active Customers.

The graph below demonstrates the purchasing frequency trend for New Zealand, where the earliest joining customers are the most frequent Laybuy users.

Figure 3.7: Annualised purchasing frequency over time (by New Zealand customer cohort)*



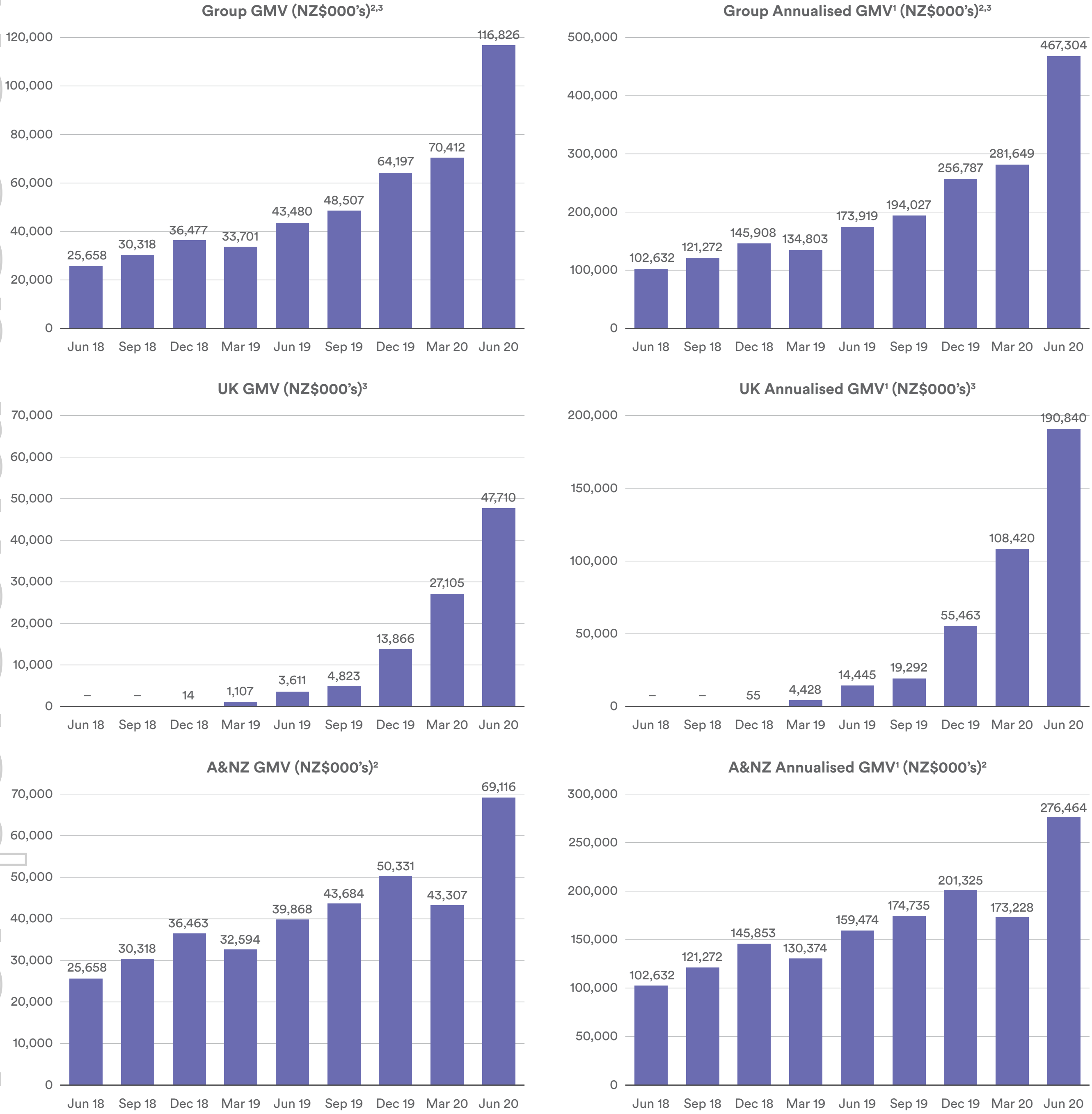
* Calculated as the number of purchases made per customer in the trailing six month period, annualised by multiplying by two.

3 Company Overview (continued)

3.4.4 GMV growth

Laybuy's revenue is directly linked to GMV, the gross merchandise value of sales processed through Laybuy's platform. The graphs below present Laybuy's GMV growth on a quarterly basis (actuals and annualised) by region. The trajectory of growth in the United Kingdom, the most recent market entry, is much more accelerated in comparison to the other regions and a key focus of Laybuy's growth strategy going forward.

Figure 3.8: Quarterly GMV growth by region



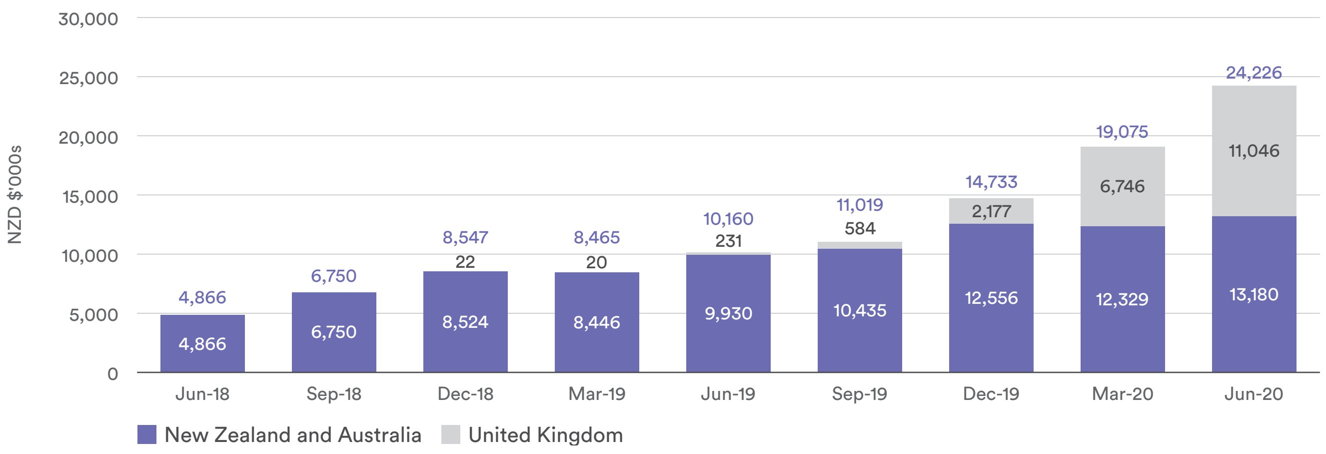
Notes:

1. Annualised GMV is calculated by multiplying the relevant quarter by four. Annualised calculations are non-IFRS metrics and are not intended to reflect any type of forecast or projection.
2. Australian dollars have been converted to New Zealand dollars at historical rates for FY19 and FY20, and the average historical exchange rate for the June 2020 quarter, being: (FY19) 0.9334, (FY20) 0.9501 and (Jun-20) 0.9407.
3. British pounds have been converted to New Zealand dollars at historical rates for FY19 and FY20, and the average historical exchange rate for the June 2020 quarter, being: (FY19) 0.5186, (FY20) 0.5098 and (Jun-20) 0.4978.

3.4.5 Revenue Growth

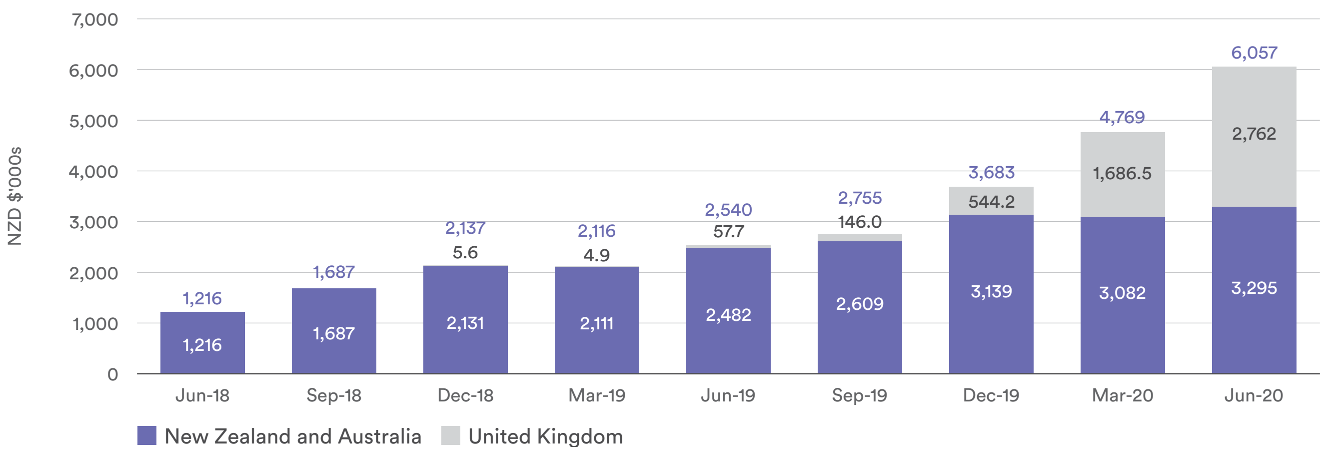
The Group's Annualised Revenue Runrate ("**ARR**") has grown strongly over the period beginning 1 April 2018 and ending 30 June 2020, driven by the strong growth in GMV in the United Kingdom. UK revenue now makes up 46% of Group revenue (June-20 quarter).

Figure 3.9: Group Quarterly ARR* (NZ$000's)



* Annualised Revenue Run Rate relates to annualising the Laybuy's group quarterly revenues for each relevant quarter. Annualised calculations are non IFRS metrics and are not intended to reflect any type of forecast or projection.

Figure 3.10: Group Quarterly Revenue (NZ$000's)



3.5 Key strengths of the Laybuy product

3.5.1 Merchant Value Proposition

Potential benefits for Merchants using the Laybuy platform may include:

- access to Laybuy's network of customers – customers use Laybuy's store directory (visible within Laybuy's mobile app and website) and social media to discover new brands, promotions and Merchants;
- access to new geographies – if a Merchant is willing to ship to other geographies which offer Laybuy, they can access customers in those geographies through Laybuy Global, and Laybuy processes all the payments in the customer's own currency;
- potential for increased average order values and reduced cart abandonment – by allowing customers to pay for purchases in instalments, customers may be more likely to increase their average order value and decrease their cart/checkout abandonment as the initial upfront cost for purchases is lower;
- reduced returns – by only requiring 1/6th of the payment upfront, customers may be less likely to have "buyer's remorse" and consider returning goods. Laybuy has identified that the return rates on goods purchased through its platform are lower compared to the retail industry averages it has observed;

- reduced Merchant exposure to fraud and chargeback risk – Laybuy undertakes independent credit checks and takes on the payment fraud risk; and
- 24 hour support – Merchants have access to a 24-hour helpdesk with Laybuy's support teams based in the United Kingdom and New Zealand.

3.5.2 Customer Value Proposition

Potential benefits for customers using the Laybuy platform may include:

- Laybuy provides customers with a flexible and budget friendly payment option to purchase goods and services;
- customers can easily sign up with Laybuy for free via the mobile app and online via the website in minutes;
- Laybuy calculates and automatically processes the instalments payable by their customers on the due dates;
- once an account has been approved and opened, customers can use Laybuy across a wide range of retail Merchants (fashion, travel and automotive, sports and entertainment, homewares, electronics, health and beauty and more);
- for each purchase, customers can select which day of the week they want to make payments on to provide further budgeting flexibility;
- customers are able to view and manage their payment plans online or via the Laybuy app at any time (e.g. view their remaining balances and see when each instalment is due);
- customers can make early payments of upcoming instalment(s) without any additional fee or cost;
- as the number of Merchants on Laybuy's platform increases, customers may benefit from more choice across multiple sectors, geographies and products; and
- access to 24-hour help desk which assists with account creation, account issues or general questions about Laybuy.

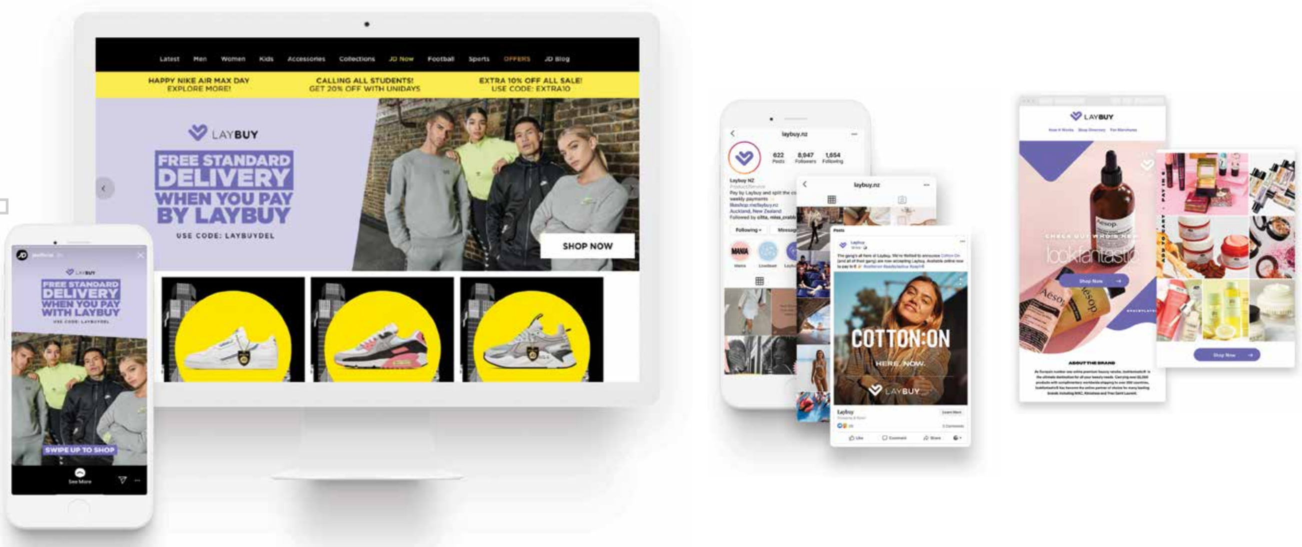
3.5.3 Promotion of Merchants

One of Laybuy's propositions to merchants is that Laybuy actively markets its Merchants to its customer base through email, social media posts, and the Laybuy search function (visible to customers through the mobile app and website).

In this respect, the Laybuy platform works as an advertising and online channel for the Merchant, directing customers to its products.

This is further enhanced with exclusive Laybuy events and promotions, including Laybuy Mania (further described below) and other co-branded digital and 'out of home' marketing campaigns. Laybuy drives utilisation for its Merchants by focusing its marketing campaigns and promotions around the retail marketing calendar in each jurisdiction it operates in.

Figure 3.11: Examples of Laybuy co-branded advertising and promotions



(a) Laybuy Mania

Twice a year, Laybuy has an online sales event named “Laybuy Mania” where Laybuy aggregates Laybuy-exclusive deals and discounts, which will be available to its customer base for 24 hours. Merchant discounts and promotions are delivered to customers through both the Merchant’s and Laybuy’s marketing channels.

Laybuy Mania is a collaborative marketing effort, which provides benefits for both Merchants and Laybuy. Merchants experience increased levels of traffic and sales, as illustrated in Figure 3.9 below where daily web traffic was 269% higher on Laybuy Mania (30th April 2020), compared to the average of the previous 7 days.

During Laybuy Mania events, the number of new customers signing up to the platform increases as customers take advantage of the discounts available only to Laybuy users.

Figures 3.12 and 3.13 below demonstrate a recent example of an increase in online traffic and transaction value while Laybuy Mania is taking place.

Figure 3.12: Daily web traffic

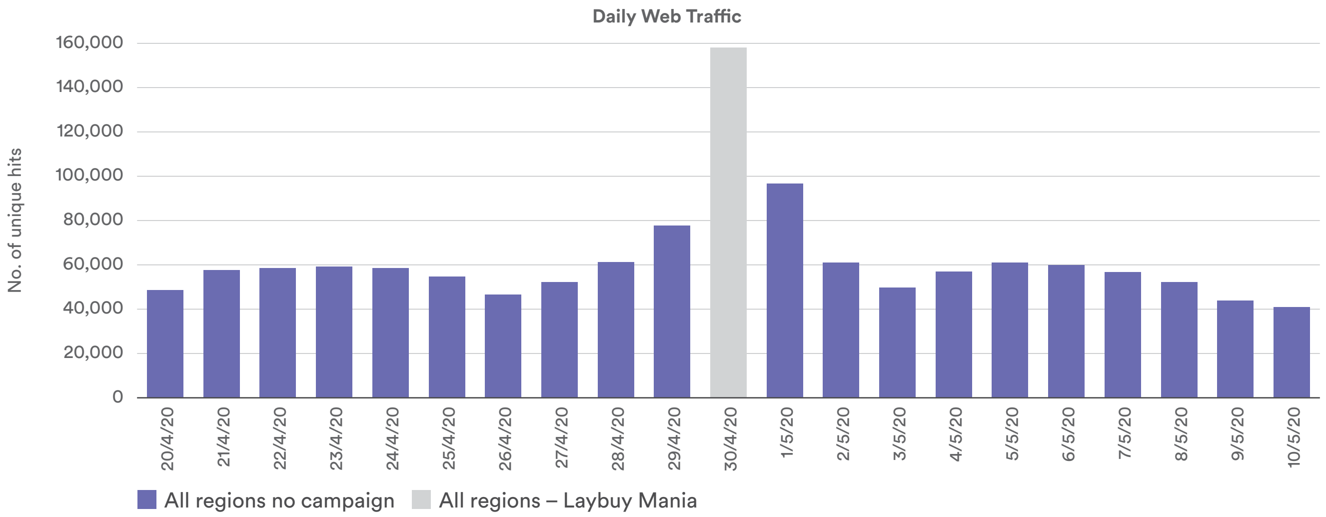
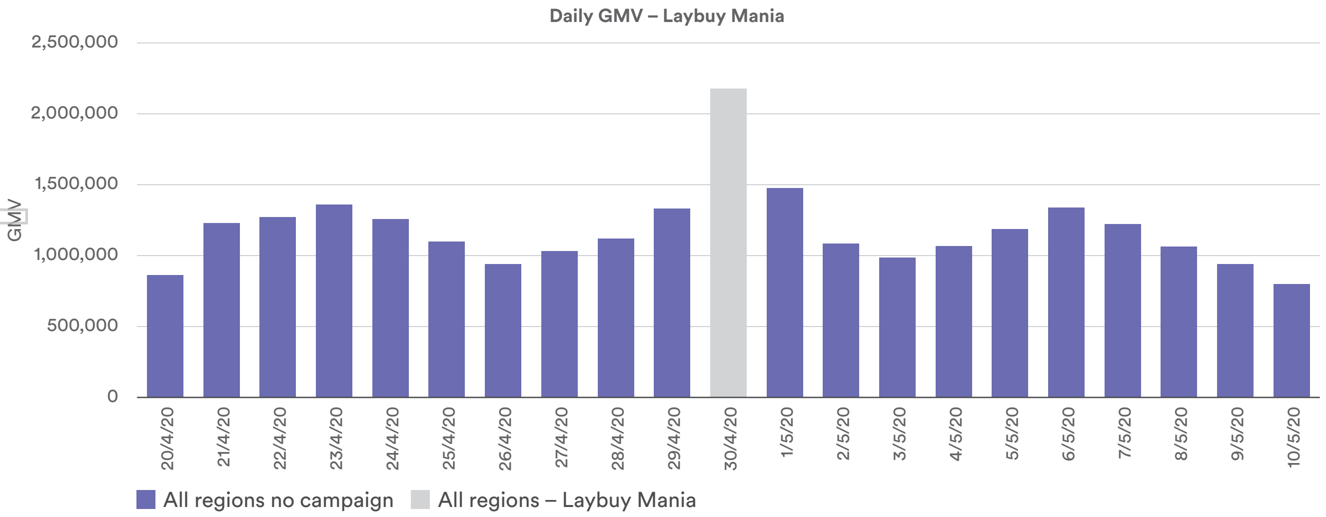
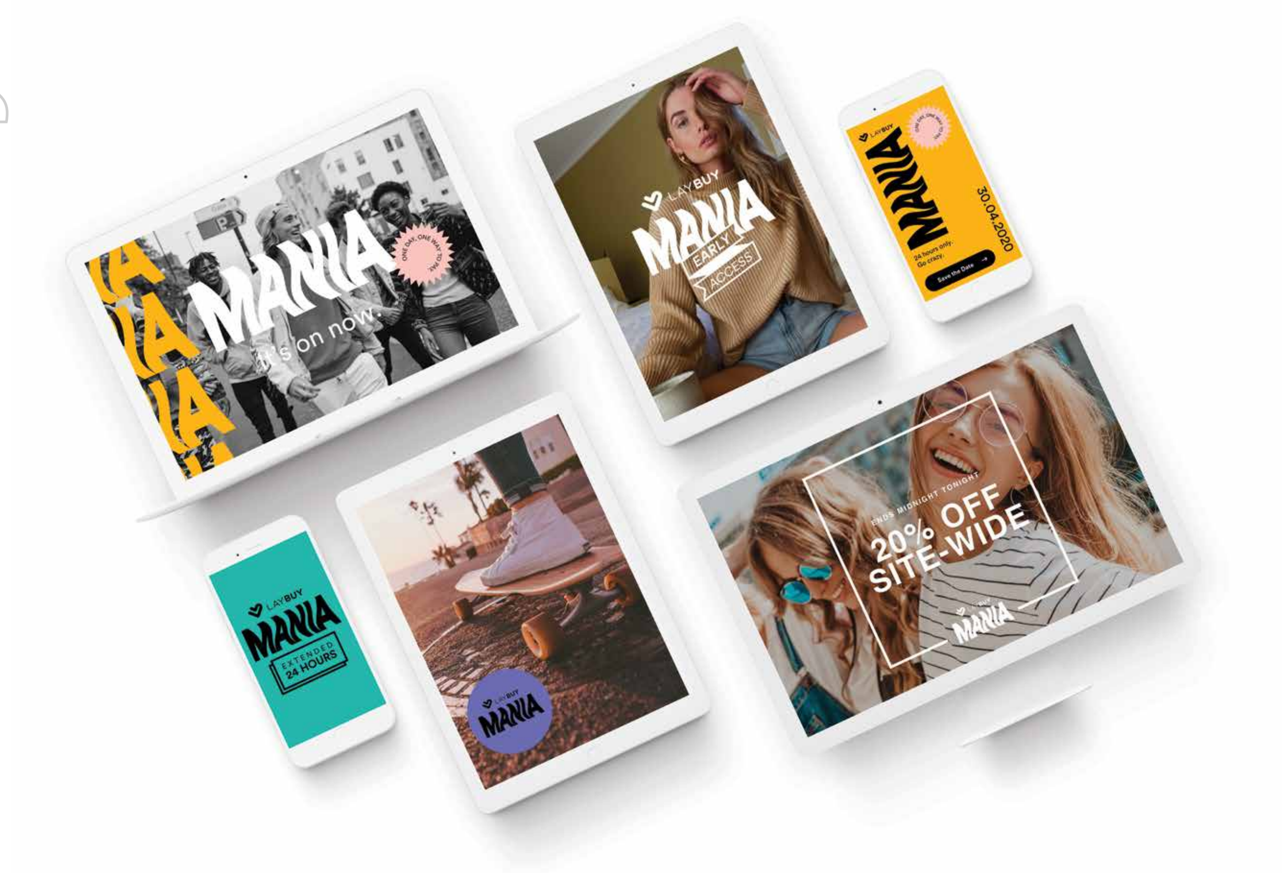


Figure 3.13: Daily GMV



3 Company Overview (continued)

Figure 3.14: Laybuy Mania promotion



3.5.4 Capital-efficient business model

Laybuy funds customers' purchases upfront (less the Merchant fee), which is then paid back to Laybuy by customers in six, weekly payment instalments. Customers can pay the purchase price of the transaction over 35 days, with the first payment made at PoS. Customers can also elect to pay their outstanding balances earlier than scheduled under their payment plan.

As Laybuy receives weekly payments, it is then able to redeploy this capital to fund other customers' purchases. One of the benefits of the weekly payment cycle compared to fortnightly or monthly payments is that Laybuy can more efficiently use its capital base. Weekly payments mean that Laybuy turns over its capital base approximately 21 times per year compared to 18 times for fortnightly payment options. Following completion of the Offer, Laybuy expects to have sufficient debt and equity funding in place to support annual GMV of approximately NZ$4 billion (which is more than 8 times Laybuy's annualised GMV for the quarter to June 2020).

3.5.5 Laybuy Card

Laybuy has entered into a partnership with Mastercard which will enable it to issue digital cards to Laybuy customers in New Zealand. Laybuy has also engaged a major payments technology specialist to bring a digital card to market in both Australia and the United Kingdom.

Issuing a digital card to Laybuy customers will allow Laybuy to provide a fully functional 'tap and go' BNPL offering anywhere that offers both contactless payment and Laybuy. The product aims to transform the customer and merchant experience for in-store BNPL transactions.

Using the digital card, customers will be able to bypass a number of the steps currently required for in-store transactions (refer to Section 3.3.3). Their purchase experience will be near instantaneous, improving customer engagement and encouraging repeat purchasing behaviour. Reducing friction (i.e. barriers to buying e.g. additional steps, waiting time or complexity) from the payment process benefits merchants in a similar way; reducing the time staff spend processing transactions enables them to focus their resources elsewhere.

The product significantly opens up Laybuy's in-store distribution channels as any merchant that currently accepts contactless payments will be able to agree with Laybuy to accept Laybuy transactions by customers. This removes the need to integrate merchants via their PoS system before Laybuy can capture any transactions.

Laybuy is expecting to launch a 'tap and go' digital card in all markets by the end of 2020.

3.5.6 Comprehensive risk management

Laybuy has chosen to partner with independent third-party providers to assist with AML/CTF compliance, fraud detection and default risk management. Laybuy has an internal Senior Risk and Compliance Manager who supports and monitors the effectiveness of these providers. The platform also contains a number of features which are designed to reduce default and fraud risk.

(a) AML/CTF compliance

Laybuy has established AML/CTF programs that use identification technology to assist with regulatory compliance. Laybuy uses third party identity bureaus to undertake AML/CTF verification on consumers and the beneficial owners of merchants during the sign-up or on-boarding process (as applicable).

(b) Default and payment fraud

Laybuy partners with independent consumer Credit Reference Bureaus ("**CRBs**") as part of the process it uses to decide whether or not to approve a transaction limit for a new customer or a specific transaction by an existing customer (i.e. the platform decision process). When a customer signs up to Laybuy, the CRB provides a numeric score based on the customer's credit rating, which is then used to assign the customer a Laybuy transaction limit. The minimum and maximum transaction limits are approximately NZ$120 and NZ$1,500.

Laybuy assesses (currently using Sift Science) the fraud and default risk of a customer at three stages of their interaction with the Laybuy platform:

- at sign up;
- at login (returning customer); and
- at the time of each order.

Laybuy's platform continually builds and updates data obtained from the customer's use of the platform, which is used to assess the probability of payment fraud. This generates an internal risk score which forms part of the platform decision process in deciding whether to allow or decline each individual sale from proceeding. Laybuy has risk assessment tools which enable it to review applications on a daily basis to identify and block customers who appear to present a heightened fraud risk.

Laybuy's payments are tokenised and processed with Stripe.

Laybuy also seeks to prevent unauthorised 'card-not-present' ("**CNP**") transactions, such as those conducted through the Laybuy platform, and to protect Merchants from exposure to CNP payment fraud by enforcing Three-Domain Secure ("**3DS**") where possible. This is a common method of '2-factor authentication' which enables Laybuy's customers to be authenticated with their card issuer when their card details are added to Laybuy as a payment method (noting, however, that Laybuy does not hold or store its customers' card details). The next version of 3DS is currently being rolled out by card issuers which Laybuy understands will further improve security screening on the 'add-card' event.

Stripe provides an additional layer of security through Stripe's 'Stripe Radar' feature. Stripe Radar allows Laybuy to increase conversion and reduce fraud by creating custom rules based on specific user data points or Stripe's own machine learning algorithms.

In some cases, Laybuy may require a higher level of identification assurance before transacting with a prospective customer or merchant. This is currently performed via Onfido, a software solution which matches a photo-based identity document provided by the user to a selfie which is taken in near real time through their phone or computer. The additional step of matching the user to a near real time image is an effective method of preventing identity fraud.

(c) Platform features

There are a number of other Laybuy platform features which are designed to reduce default and fraud risk:

- The first instalment on any order is taken at the point of purchase;
- To reduce the likelihood of default risk (by minimising the likelihood that a customer's financial circumstances will change), instalments are extended to customers for a short duration of 35 days;
- The customer is reminded via push notification or email in advance of an upcoming payment and the customer's chosen payment method is automatically debited in accordance with the payment schedule. If the customer misses a payment, Laybuy notifies the customer to remind them of the payment failure and allows them a further 24 hours to make the payment before charging a late fee;
- Transactions conducted using Laybuy have relatively low transaction values, the average order value across the Group was NZ$133 in FY20. Lower transaction values may reduce the likelihood of default by the customer. If a customer does default on a payment, their account is temporarily suspended from making any further purchases until the payment plan is brought up to date, thus removing the ability for the customer to get into an unsustainable 'debt spiral' within the platform; and
- Merchant transactions are monitored continuously by Laybuy's management, and any significant anomalies which are identified are investigated.

3 Company Overview (continued)

3.6 Growth Strategy and Initiatives

Laybuy is committed to becoming a leading global BNPL provider. Laybuy's global growth strategy is anchored around leveraging the Company's scalable platform, and has the following three key focus areas:

3.6.1 Increase market share in already established geographies

(a) Further improve Laybuy's penetration in existing industries and sectors

Laybuy believes it can obtain additional customers in the industries and sectors it already operates in by continuing to broaden its merchant network and undertaking more co-branded marketing campaigns with Merchants (targeting, for example, customers who may wish to sign up with Laybuy because it is the weekly BNPL offering at a particular store they want to shop at). In addition to increasing numbers of customers, Laybuy expects that it can increase the number of active payment plans per customer by undertaking targeted marketing campaigns to its existing customers and ongoing individual customer engagement.

By continuing to provide high quality customer service and a user-friendly experience, Laybuy believes it can ensure that new customers become long term, repeat users of Laybuy.

(b) Expand the industries and sectors in which Laybuy is offered

There are a number of industries and sectors in which Laybuy has proven success in New Zealand that can be further explored in other geographies. Given Laybuy's brand positioning, other verticals that offer growth opportunities for Laybuy include health & beauty, digital (ebooks, games, etc.), consumer marketplaces, hairdressing, travel and event ticketing. Targeting multiple industries allows Laybuy to diversify risk in regard to distribution of revenue and profitability.

3.6.2 Rapidly grow in the United Kingdom and other international markets

The Laybuy platform has been designed to scale Laybuy's service to markets across the globe. Based on Laybuy's experience in Australia and the United Kingdom, Laybuy expects its existing partnerships and integrations with global banks, payment processors and credit bureaus will facilitate technological enablement of the platform in any additional new market in a relatively short timeframe.

Laybuy has demonstrated that its proposition is successful in markets outside of New Zealand through its expansion into Australia and most recently the United Kingdom. Laybuy has undertaken a strategic review of other potential international growth opportunities (including but not limited to the U.S.), which will form part of Laybuy's expansion plans. While the Company will continue to consider expanding into new geographies in order to support existing Merchants who are multinational retailers, its current focus is to capitalise on its successful entry into the UK market.

In the United Kingdom, Laybuy has targeted large, influential merchants to bring recognition and scale to the platform. It is also engaging with payment service providers and with international digital commerce agencies who can refer merchants to Laybuy and provide access to their customer bases. This will allow Laybuy to also target the vast number of small to medium sized retailers in the UK market.

3.6.3 Leverage Laybuy's existing platform, strategic partnerships and the network effect

Laybuy is actively exploring potential options for expanding the functionality of the platform in order to further improve interactions with customers and Merchants and improve operational efficiencies.

The card project (including the Mastercard collaboration in New Zealand) is a significant near-term strategic initiative for Laybuy which it expects will enable a seamless, contactless point of sale experience in store for Merchants and customers.

Future platform enhancements are expected to be focused on enhancing the functionality of the mobile app and incentivising customers to use Laybuy more frequently through loyalty and rewards programs. These initiatives are aimed at facilitating interactions between Laybuy customers and Merchants to drive GMV growth.

Growth in the number of customers using Laybuy drives more merchants onto the platform, which in turn drives more customer growth, creating a virtuous cycle of value.

3.7 Sales Model and Marketing Strategy

3.7.1 Sales Model

Laybuy's sales model varies across its geographical regions due to each market's unique size and level of maturity. It can be summarised as including the following key initiatives:

- Grow existing presence in the United Kingdom by continuing to target large scale merchants, increasing engagement with SMEs and leveraging existing strategic partnership arrangements with key Merchants;
  - Developing strategic partnerships with large, influential merchants provides validation of the Laybuy BNPL service, enables the platform to benefit from scale and drives a network effect for other merchants. Laybuy targets these merchants with an 'outbound' sales approach through a consultative, experienced, and high performing sales team; and
  - Smaller merchants are targeted via Laybuy's existing Merchant partnerships and by using 'inbound' marketing strategies to reduce the associated costs of acquisition and on-boarding;
- Continue to develop Laybuy's Australian presence by supporting existing New Zealand retailers who have an Australian presence and by investing in sales and marketing initiatives to on-board new Australian retailers;
- Continue as a leading BNPL provider in New Zealand by extending the online and instore categories to rapidly penetrate new industry verticals; and
- Across all regions, build partnerships with digital agencies, systems integrators, payment service providers and other platform providers who have large numbers of merchant customers. These agencies can help encourage their customers to adopt Laybuy by acting as a sales platform and integrating the Laybuy on-boarding process into these sites can help reduce the on-boarding time for the Merchant.

3.7.2 Marketing Strategy

Laybuy's marketing strategy has Business to Business ("**B2B**") and Business to Consumer ("**B2C**") applications.

B2B marketing initially focuses on merchant acquisition through:

- Lead generation campaigns on LinkedIn and other digital platforms which highlight the value Laybuy delivers for its Merchant partners;
- Industry events and exclusive round-table events for C-suite business leaders; and
- Partnering with complementary businesses such as eCommerce development agencies to promote the benefits of Laybuy to their clients.

Once a Merchant has been on-boarded, the focus shifts to driving engagement. A Merchant engagement plan is developed which includes providing the Merchant with Laybuy marketing collateral and coordinating regular promotions with that Merchant.

B2C marketing focuses on driving brand awareness, growing the customer database and encouraging repeat purchases. This is realised through a combination of direct-to-consumer marketing and co-branded promotions with Merchants. Direct-to-consumer marketing includes:

- Digital brand advertising campaigns;
- PR, social media and influencer activity;
- Targeted and personalised messages/push notifications;
- Editorial and content media partnerships; and
- High-profile sports sponsorship deals.

This is complemented by collaborative marketing with key Merchant partners to develop brand salience at the point of purchase. It typically includes:

- Consumer education launch campaigns;
- Exclusive Laybuy competitions and promotions; and
- Optimising the in-store and online consumer journey to maximise conversion rates (i.e. proportion of visitors to a store who make a purchase).

3 Company Overview (continued)

3.8 COVID-19 Trading

In late March 2020, Laybuy's New Zealand business was heavily impacted by strict lockdowns which effectively closed all Merchant distribution centres other than essential services such as food and pharmaceutical retailers. However, the relaxation of these restrictions in April saw New Zealand volumes recover and then exceed previous levels by the end of the month.

The Australian and UK businesses continued to trade strongly while customers were restricted from leaving their homes and took to shopping online.

3.8.1 Steps taken to ensure appropriate consumer protection

Early in the pandemic, Laybuy recognised the need to ensure flexibility for customers who found themselves struggling to meet their commitments to Laybuy. Since the onset of COVID-19, Laybuy has revisited transaction limit allocations and re-engineered the platform to allow for greater repayment flexibility for people experiencing financial hardship, by allowing them to extend the time for payment of their instalments by up to 4 weeks. In the period of New Zealand's Level 4 lockdown, Laybuy had 101,000 New Zealand customers who owed instalment payments to Laybuy. Over that same period, Laybuy received requests from 393 people for an instalment to be deferred – representing less than 0.4% of those customers owing instalment payments to Laybuy.

3.8.2 Credit performance

As a result of COVID-19, Laybuy has slightly tightened the credit criteria which is applied as part of the customer sign-up process by increasing credit score thresholds for qualifying customers. However, Laybuy has not seen a deterioration in credit performance and has observed overall default levels continuing to decline in line with Laybuy's pre-COVID expectations.

3.9 Strategic Partnerships

Laybuy has developed a number of strategic partnerships with key Merchants, which are aimed at strengthening the business model across multiple high growth sectors, and widening its appeal to different groups of merchants and target consumers.

Merchants operating in the retail sectors of fast fashion, health and beauty and footwear have been and will continue to be prime candidates to partner with Laybuy. However, Laybuy believes the 6 weekly instalment and boost feature of the Laybuy platform is fitting across a range of retailers, particularly those where customers might be more likely to purchase more than one item if provided with the opportunity to from a budgetary perspective.

In addition, online and social media focused retailers such as Boohoo continue to grow from a revenue and consumer base perspective, allowing Laybuy to capitalise on these positive growth trends. For example, Boohoo has grown from approximately £200 million in sales for the year ended 29 February 2016 to approximately £1.2 billion in sales revenue for the year ended 29 February 2020, with approximately 6.6 million Instagram followers and 3.5 million Facebook followers, indicating a large consumer reach.

After success in New Zealand and launching in Australia to support New Zealand Merchants with a presence in that market, Laybuy has looked to drive brand awareness, gain credibility and grow volumes and revenue in the United Kingdom. Laybuy provides BNPL services for this year's FA Cup winner Arsenal FC's online store and, since launching in the United Kingdom in February 2019 (following a soft launch in October 2018), Laybuy has been successful in partnering with well-known UK merchants such as WHSmith, JD Sports, The Hut Group, Boohoo and major Premier League Football clubs Manchester United and Manchester City.

3.9.1 JD Sports

The UK FTSE 100 sports and fashion retailer has a global instore and online presence with more than 2,400 stores and £4.7 billion revenue in 2019. To date, JD Sports has acted as an anchor Merchant for Laybuy's operations in the United Kingdom, providing the platform with volume and a large customer base to help Laybuy establish itself in the region. As a global retailer with growing presence in Australasia, the U.S. and Europe, JD Sports can provide similar opportunities to enable Laybuy to support its existing operations in Australia and also enter new territories in the near future.

3.9.2 The Hut Group

Having recently finalised a £1 billion capital raising, the Hut Group, which has revenue of an estimated £750 million per annum, is on an exponential growth trajectory and is a prime partner aimed at helping Laybuy grow revenue, brand awareness and credibility in the UK market. The partnership with the Hut Group also gives Laybuy access to a diverse portfolio of eCommerce websites that operate in a number of sectors and sub verticals, helping Laybuy to mitigate concentration risk, as well as bring on a significant brand to leverage in the focused sub verticals in which the Hut Group operate.

3.9.3 Major sporting clubs

Partnerships with major professional sporting clubs provide a unique opportunity, given their global brand and base of followers on social media and other channels. Laybuy currently provides BNPL services to Arsenal FC's online store in the United Kingdom (with Australia and New Zealand expected to launch during the third quarter of 2020) and is the official BNPL partner of Manchester United FC and Manchester City FC in New Zealand, Australia and the United Kingdom. Manchester United FC alone has over 1.1 billion global fans and followers and as of July 2020 has 36 million Instagram and 73 million Facebook followers. These relationships offer Laybuy access to consumers as well as providing a platform for Laybuy to increase brand awareness in the United Kingdom, Australia, New Zealand and, as Laybuy scales, in other territories across Europe and the U.S.

These partnerships are expected to assist Laybuy to grow awareness of the platform, drive customer acquisition and increase revenue and transactional volumes both in the current operational markets and other territories that are on the future global expansion road map.

3.9.4 Boohoo Group Plc

With the Boohoo group's annual revenue in excess of £1.2 billion (for the year ended 29 February 2020), the strategic arrangement is based upon a collaboration agreement whereby Boohoo agrees to undertake certain marketing and/or promotional tasks to raise awareness of the Laybuy platform and promote Laybuy's brand, and use of the platform, to Boohoo's customers (however this obligation of Boohoo is limited by, and subject to, any arrangements or contracts Boohoo or the members of its group have with any other BNPL provider or provider of financial services or products). This may include marketing support being provided by Boohoo in connection with some of its websites including Karen Millen, Misspap, NastyGal, Prettylittlething, Coast Fashion and Boohoo. Boohoo has been granted Options, some of which are already vested and some of which will vest if certain targets are achieved.

3.9.5 Cotton On

The Cotton On group is one of the largest retail groups in Australasia, comprising seven brands. As an established retailer with a store footprint of over 800 stores across Australia and New Zealand and 1,400+ stores globally, the Cotton On group will act as a key Merchant for Laybuy, particularly in the Australian market. As one of Cotton On's preferred BNPL providers in Australia, New Zealand and the United Kingdom, Laybuy will seek to use Cotton On's market presence and brand awareness to drive increased acquisition of both merchants and customers. Cotton On has been granted Options, some of which are already vested and some of which will vest if certain targets are achieved.

3.10 Laybuy platform technology

The Laybuy platform technology is simple at its core; integrations with larger merchants can take less than a week and smaller merchants can integrate without Laybuy technical support.

Enabling new geographies from a technology perspective is also relatively straightforward; the platform was built from the beginning with a view to facilitating use in international markets beyond New Zealand and is currency agnostic. Product innovation and adaptions can be quickly executed, with continuous integration and deployments commonly referred to as CI/CD at the core of our development cycle.

The platform uses "Kubernetes", a containerised application structure, which allows it to immediately scale in response to user demand. The databases and back end systems behind the platform are hosted on Amazon Web Services which scale up the service in line with demand and server-load. Global third parties handle the platform's transactional needs, ensuring it is able to support large volumes of transactions at any one point in time.

Laybuy engages independent third party providers to test the platform against potential cybersecurity threats and intends to continue to do so on a regular basis. CloudFlare, a global security platform, is also used to mitigate any potential for service downtime due to excessive loads or malicious attacks.

Laybuy has an extensive pipeline of product improvements aimed at continuously simplifying and improving the consumer experience. In particular, Laybuy is focused on enhancing the mobile app to encourage user engagement and repeat purchasing as well as making greater use of data to identify issues and opportunities during the customer journey.

3.11 Operations

3.11.1 Merchant integrations

In order to be able to offer the Laybuy platform to its customers, a Merchant must complete an online application form through Laybuy's website or by contacting a member of the Laybuy sales team.

Laybuy is easily integrated with the majority of popular eCommerce platforms including Shopify, Salesforce and Magento.

3 Company Overview (continued)

Figure 3.15: eCommerce platforms

Laybuy's terms which it seeks to agree with its Merchants have been designed to minimise commercial risk and take into consideration all potential eventualities such as returns, refunds, non-delivery and Merchant default.

Terms are negotiated with Merchants on a case by case basis. Some terms commonly included in agreements with Merchants are as follows:

- **Delivery:** The Merchant remains solely responsible and liable, and Laybuy accepts no risk or liability, under the agreement for the delivery of a product or service purchased by their customer. In the United Kingdom, Laybuy outsources delivery of the product or service being purchased by the customer to the Merchant through its separate merchant contract and makes no representations or warranties nor provides any guarantees in respect of such products or service.
- **Returns:** When a customer requests a refund, and the Merchant agrees to provide a refund to the customer, the Merchant is required to make all payments to Laybuy in full without deductions and is not permitted to make any refund payments directly to the customer.
- **Repairs and maintenance:** The Merchant acknowledges that Laybuy has no responsibility or liability whatsoever to repair or replace any damaged or defective products, or to perform any service, that has not met the consumer's expectations.
- **Indemnity:** The Merchant covers Laybuy against all costs, damages, expenses, losses or other liability, in case the Merchant:
  - » fails to comply with the law;
  - » breaches its express or implied representations or warranties to the customer in respect of the product or services offered;
  - » breaches any of the representations and warranties in its agreement with Laybuy; or
  - » in respect of Australian and New Zealand Merchants, breaches any of the Merchant's other obligations contained in, or implied by, its agreement with Laybuy.
- **Default by Merchant:** The Merchant will be considered to be in default if more than 10% of consumers that have purchased goods or services from the Merchant using the Laybuy platform, fail to pay the purchase price to Laybuy in any consecutive 90-day period.
- **Exclusivity:** Most agreements are non-exclusive but, in case of an exclusive agreement, the Merchant will use only Laybuy as a provider of BNPL (or similar) services (other than any pre-existing arrangements which the Merchant has at the time) for an agreed exclusivity period.

3.11.2 Customer support

Laybuy has an experienced multilingual support team based in New Zealand and the United Kingdom which respond to all customer concerns, requests for additional information and any help customers need to use the Laybuy platform.

The customer support teams are structured with a Customer Service Lead for each major market (Australasia and the United Kingdom) and customer service specialists which report into them. Laybuy believes this model is highly efficient.

3.11.3 Funding arrangements

Laybuy requires capital to support its business model of funding Merchants for purchases by end customers in advance of payment by the customer. Following the Offer, expanded debt facilities will provide significant capacity for GMV growth. In addition to the funds raised under this Prospectus, Laybuy has secured the following debt funding arrangements:

- a $20 million debt facility with Kiwibank to fund its New Zealand and Australian operations; and
- a £80 million (~NZ$154 million) debt facility with U.S. funding provider Victory Park to fund growth in the United Kingdom.

See Sections 9.2 and 9.3 for more information about these facilities.

Combined with Laybuy's capital efficient business model of six, weekly payments, these funding arrangements are expected to support annual GMV of approximately NZ$4 billion (which is more than 8 times Laybuy's annualised GMV for the quarter to June 2020).

3.11.4 Foreign Exchange

Laybuy currently enables Merchants to provide their customers the ability to use Laybuy in other supported geographies through the Laybuy Global aspect of the platform. To enable this, Laybuy fixes the Merchant sale price in the customer's local currency and issues the customer with a local currency payment schedule. This exchange rate on the product is fixed at the point of sale. Refer to Section 4.2.22 for further details on foreign exchange risks.

3.12 Regulatory framework

Laybuy is required to comply with applicable laws and regulations in each jurisdiction in which it operates. These include laws of general application to business activity, privacy and data protection laws, anti-money laundering laws, consumer lending and collection laws. Set out below is a description of the key laws under which Laybuy is permitted to operate as a provider of BNPL finance in the relevant jurisdictions.

Please also refer to Sections 4.2.11 to 4.2.13 in relation to the regulatory risks facing Laybuy.

3.12.1 Financial services/consumer finance legislation

Contracts entered into by customers using the Laybuy platform fall outside the scope of regulated consumer finance in New Zealand, the United Kingdom and Australia. Accordingly, Laybuy is currently able to offer its platform:

- in New Zealand, without being treated as a lender under a consumer credit contract under the Credit Contracts and Consumer Finance Act 2003 ("**CCCFA**");
- in the United Kingdom, without authorisation from the Financial Conduct Authority ("**FCA**"); and
- in Australia, without an Australian Credit Licence or Australian Financial Services Licence.

(a) New Zealand

In New Zealand, credit contracts and consumer finance are regulated by the CCCFA. Laybuy's BNPL services are a 'credit contract' under the CCCFA, and therefore subject to the "oppressive credit contract" provisions in the CCCFA. However, its services do not fall within the scope of a 'consumer credit contract' under the CCCFA as it does not charge interest, credit fees or take security interests. Because of this, Laybuy is not required to comply with further obligations that apply to consumer credit contracts under the CCCFA, such as the lender responsibility principles.

In New Zealand, financial service providers are subject to the *Financial Service Providers (Registration and Dispute Resolution) Act 2008* ("**FSPA**"). Laybuy is required to be, and is, registered on the Financial Service Providers Register as it is in the business of providing a "financial service" as defined in the FSPA. Under the FSPA, Laybuy is also required to be part of a financial disputes scheme and provide an annual confirmation of details to the Registrar of Financial Service Providers. Laybuy complies with these requirements of the FSPA.

Certain providers of financial and market services in New Zealand must be licensed in accordance with the FMCA. Laybuy does not currently require a licence under the FMCA.

(b) United Kingdom

In the United Kingdom, consumer credit is a regulated activity under the *Financial Services and Markets Act 2000* and the associated *Financial Services and Markets Act (Regulated Activities) Order 2001* ("**RAO**"). Therefore, authorisation by the FCA is required, unless the activities fall within an exemption.

Laybuy relies on the instalment (fixed-sum) credit exemption set out in RAO. This applies to agreements that meet the following conditions:

- a borrower-lender-supplier agreement (including an agreement to finance a transaction between the borrower and the lender, whether part of that agreement or not);
- for fixed sum (rather than running-account) credit;
- the number of payments to be made by the borrower is not more than 12;
- the payments are required to be made within a period of 12 months or less; and
- the credit is provided without interest or other charges.

(c) Australia

In Australia, credit for which no charge is imposed on the debtor falls outside the scope of the *National Consumer Credit Protection Act 2009* (Cth), being the Australian licensing and conduct framework for credit provided for personal, domestic or household purposes. It follows that Laybuy and others operating in the BNPL sector who do not charge for credit and instead derive revenue from merchants, are able to operate without holding an Australian Credit Licence. This position is recognised by ASIC in 'Report 600 – Review of Buy Now Pay Later Arrangements' published in November 2018. Fees charged for failing to make a repayment on time or failing to rectify a default, which are imposed by Laybuy, are not regarded as "charges for credit".

Australia's financial services licensing regime under Chapter 7 of the Corporations Act similarly does not apply to credit contracts entered into on the Laybuy platform because credit facilities are excluded from the general concept of "financial product" under that regime. It follows that Laybuy and others operating in the BNPL sector are able to operate without holding an Australian Financial Services Licence.

The provision of credit by a business is, however, regulated as a "financial service" under Part 2 of the *Australian Securities and Investments Commission Act 2001* (Cth) which contains general consumer protection provisions such as prohibitions against misleading and deceptive conduct and unconscionable conduct and provisions which deem unfair contract terms to be void. This Act does not impose a licensing framework.

3.12.2 Anti-Money Laundering and Counter-Terrorism Financing

(a) New Zealand

In New Zealand, Laybuy is a 'reporting entity' under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 ("**NZ AML/CTF Act**"), as it carries out lending to or for customers in the ordinary course of its business. Laybuy has an AML/CTF compliance program and a risk assessment as required by the NZ AML/CTF Act. As part of the annual reporting process, Laybuy is currently reviewing its AML/CTF program to ensure compliance with its obligations under the NZ AML/CTF Act.

(b) United Kingdom

In the United Kingdom, 'financial institutions' under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 ("**MLR**") are required to register with a competent authority and meet various anti-money laundering compliance requirements. Firms that undertake consumer credit activities are generally "financial institutions" under the MLR.

There is an MLR exemption for creditors under a debtor-creditor-supplier agreement financing a transaction between debtor and creditor. This exemption applies where the creditor provides fixed sum credit in relation to the provision of services by way of deferred payment or payment by instalments, over a period not exceeding 12 months. Laybuy relies on this exemption based on the position that as a reseller it is technically both the creditor and supplier, purchasing products from a Merchant at the customer's request before selling them to the customer in exchange for credit.

(c) Australia

In Australia, Laybuy is required to comply with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) ("**Australian AML/CTF Act**") legislation. Laybuy Australia is currently enrolled with the Australian Transaction Reports and Analysis Centre.

Laybuy has developed an AML/CTF program for Australia that outlines Laybuy's approach to AML/CTF compliance and sets out the procedures it will follow to ensure it meets its regulatory obligations and adequately manages money-laundering and terrorism-financing risks.

Please refer to Section 11.7.1 for further information.

Section 4

Risks

4 Risks

4.1 Introduction

An investment in Laybuy is speculative and involves a number of risks. This Section 4 describes some of the potential risks associated with Laybuy's business, the industry in which Laybuy operates and the risks associated with investing in Shares and the Offer. The risks in this Section 4, if they eventuate, could have a significant negative effect on the Company's business, financial position and the value of your investment.

There are also risks that are common to all investments in equity securities and which are not specific to an investment in Laybuy – for example, the general volatility of share prices in Australia, New Zealand and overseas and risks associated with other external events which are not related to the usual course of the Company's business, such as changes in tax regulations or accounting standards, general economic conditions, acts of terrorism, natural disasters or war.

The risks in this Section 4 should not be viewed as an exhaustive list of the risks to which the Company and its Shareholders are exposed, either now or in the future. Potential investors should read the entire Prospectus and consult their professional advisers before deciding whether to apply for Shares.

4.2 Company specific risks

4.2.1 Ability to scale business

The ability of Laybuy to increase revenue and achieve profitability is dependent on its ability to profitably scale its business in its key markets, particularly, the United Kingdom. While Laybuy has been successful in achieving a market leading position in New Zealand in a short timeframe, there is no guarantee that Laybuy will be able to achieve the same level of rapid growth in the United Kingdom.

The ability to rapidly scale Laybuy's business in the United Kingdom and other markets is dependent on increases in transaction volumes and growth in its customer and Merchant bases. This growth relies on Laybuy both expanding its existing customer and Merchant bases and enticing existing customers to use Laybuy's product across multiple transactions. Failure to expand in this way may materially and adversely impact Laybuy's ability to increase revenue, achieve economies of scale, optimise its systems and expand its operations, which may have a negative impact on Laybuy's profitability.

4.2.2 Bad and doubtful debts

A current operating expense incurred by Laybuy relates to the service of bad and doubtful debts, which represents the portion of customers who delay or fail to meet their repayment obligations (outside of the initial deposit which is an upfront payment received by Laybuy). Several controls have been implemented by Laybuy, including external customer credit checks, however, as Laybuy's operations scale, continuous enhancements to the credit decision process may be required. A failure to implement any upgrade or enhancement, or failure to manage the upgrade or enhancement process efficiently and appropriately, may result in an increase in bad and doubtful debts, which will negatively impact Laybuy's profitability.

4.2.3 Fraud

Laybuy is exposed to the risk that customers, employees, partners, individual borrowers and other third parties may seek to commit fraud against Laybuy or in connection with the products that Laybuy provides. Fraudulent behaviours could include individual customers or other parties conspiring to circumvent Laybuy's controls and process fraudulent transactions.

Laybuy may continue to experience variations in fraud-related expenses and activities that are different to or higher than experienced by Laybuy in the past, or to that experienced by Laybuy's competitors or the BNPL industry generally. Laybuy is reliant on its internal systems and processes, as well as its external providers, to identify fraud and minimise its impact should it occur. Failure of these controls and the subsequent allowance of fraudulent transactions could result in damage to Laybuy's reputation, impact Laybuy's ability to attract new customers and Merchants, and materially and adversely affect Laybuy's financial performance.

4.2.4 Competitors and new technology offerings

Laybuy operates in a competitive environment in which systems and practices are subject to continual development and improvement, and new or rival offerings. There is a risk that new BNPL entrants (including retailers with white-labelled products) or existing competitors may deliver a superior solution and customer experience offering to that currently offered by Laybuy, or, subject to competition law constraints, consolidate with other providers to deliver enhanced scale benefits with which Laybuy is unable to compete with effectively.

A failure by Laybuy to offer services and products that remain competitive with new entrants and existing competitors, in a timely manner or at all, may result in a decrease in Laybuy's market share, which would have an adverse impact on Laybuy's financial performance.

There is also a risk that a general increase in competition or new technology advances in the BNPL industry may require Laybuy to invest in additional marketing or product development initiatives, or to lower Merchant fees, which would decrease profitability, even where its market share remains unchanged.

4.2.5 Liquidity and funding

Laybuy's business model is reliant on the ability to fund Merchants as customers use Laybuy services to acquire products. Currently, Laybuy has debt funding facilities with Kiwibank (to fund its New Zealand and Australian operations) and Victory Park (to fund the UK loan book) totalling NZ$20 million and £80 million, respectively.

There is a risk that, if sufficient liquid funds are not available to transfer to Merchants within the specific service level agreed in relation to purchases made by the customer, the Merchant will become dissatisfied and terminate their Merchant agreements, which could have an adverse effect on Laybuy's operations and financial performance. There is also a risk of significant reputational damage if Laybuy becomes unable to satisfy its contractual obligations.

As Laybuy continues to grow and expand its market share, Laybuy may require additional capital funding. There is the potential risk that Laybuy is unable to secure additional debt or equity financing to support the future growth plans of Laybuy, either on terms acceptable to Laybuy or at all. If additional funding is not available this will have the impact of limiting the growth potential of the business.

4.2.6 Debt funding facilities

Certain conditions precedent must be satisfied before Laybuy UK is able to drawdown funds under its new debt funding facility with Victory Park. Laybuy is working to satisfy the Victory Park conditions and proceed to financial close of that facility before completion of the Offer. Whilst Laybuy considers the Victory Park conditions precedent to be standard for a financing facility of this type, if the relevant conditions are not satisfied (or waived) and the funds are not advanced, Laybuy's business would be adversely affected unless alternative funding sources were obtained.

Failure to meet financial covenants under the Group's debt funding facilities with Kiwibank and Victory Park, and the occurrence of other specified events may also lead to an event of default or review event under the facilities. If an event of default or a review event applicable to any given facility occurs, the Group could be required to make repayments in advance of the relevant maturity dates or the facilities could be terminated and/or enforcement of security thereunder. An event of default or review event and the requirement to make early repayments or the termination of the facility could impact on the financial performance and position of the Company and its ability to operate in the ordinary course of business.

4.2.7 Dependency on third parties

(a) Provision of services

Laybuy has partnered with a number of third-party providers to deliver a reliable service to its customers. Services provided by third parties to Laybuy include, but are not limited to, identity verification, fraud checks, credit check services, middleware application development, payment processing and infrastructure support capabilities.

There is a risk that a third-party provider may deliver a service below the expected standard, or there may be a disruption to the services provided by that third-party provider, to Laybuy. Any such failure to deliver services to an expected standard will have a consequential and direct impact on the reliability and quality of the Laybuy product which may lead to a material disruption of service to both Merchants and customers, which could adversely affect the relationship between Laybuy and its Merchants and customers.

(b) Card project

As discussed in Sections 3 and 9.4, Laybuy has entered into a partnership with Mastercard which will enable it to issue digital cards to Laybuy customers in New Zealand. Laybuy also expects to issue digital cards to customers in Australia and the United Kingdom. Whilst Laybuy currently expects to launch the digital card by the end of 2020 and has engaged a major payment technology specialist to assist with the project, the timing of launch is dependent in part on the response and actions of third parties, which are outside of Laybuy's control. For instance, Laybuy requires third party permissions (e.g. from Apple Pay and Google Pay) for the digital card to be added to a customer's digital wallet on their mobile phone. In addition, Laybuy has not, at the date of the Prospectus, signed definitive agreements in respect of launch in Australia or the United Kingdom. Accordingly, there is a risk that the launch of the project is delayed or, in the case of New Zealand, a deadline under the Mastercard agreement is not met, resulting in the agreement not proceeding. If this were to occur, Laybuy would need to re-evaluate the future in-store experience and the Group's success and growth may be impacted.

4.2.8 Disruption of key business processes

Laybuy's business model relies on the execution of several critical business processes, particularly to support the on-boarding of new customers, service existing customers and to process transactions. Key business processes could be disrupted by events outside of Laybuy's control such as system infrastructure disruption.

Any disruption to key business processes may lead to Merchants and customers being unable to access Laybuy's products which could result in Merchants or customers ceasing to deal with Laybuy or reducing their level of custom. Sustained and repeated interruptions to accessibility or business processes may ultimately result in the loss of Merchants or customers. A reduction in the number of transactions processed by Laybuy, or the loss of Merchants, may have a material adverse effect on Laybuy's profitability.

4.2.9 Information technology

Laybuy's operations are heavily reliant on information technology and the ability of Laybuy to provide reliable services is dependent on the performance of its and its third-party service providers' technology systems. Additionally, Laybuy's operations are dependent on the stability of connectivity as between the Merchant's platform and Laybuy's platform, to ensure the successful activation of a Merchant and completion of customer transactions. Laybuy may use third party service providers to develop, maintain and host this connectivity software, which provides both Laybuy and its Merchants with more limited oversight in ensuring the continued reliability and availability of the connectivity as between Laybuy and its Merchants.

There is a risk that these systems may fail to perform as expected, or be adversely impacted by a range of factors, some of which may be outside the control of Laybuy or the Merchant, including damage, equipment faults, sub-optimal development, power failure, fire, natural disasters, computer viruses and external malicious threats or interventions, such as hacking or denial-of-service attacks.

In addition to connectivity as between Laybuy and its Merchants, in order for Laybuy to service Merchants and customers, Laybuy depends on the continuous performance, reliability and availability of its own internal technology and network systems.

4.2.10 Cybersecurity and data protection

Given the nature of Laybuy's business, Laybuy collects and holds a significant amount of personal information about its customers. Laybuy's systems, or those of its third-party service providers, may fail, or be subject to disruption as a result of external threats or system errors. Cyber-attacks could also compromise or breach the safeguards implemented by Laybuy to maintain confidentiality in such information.

Unauthorised access to, or breach or failure of, Laybuy's digital infrastructure due to cyber-attacks, negligence, human error or other third-party actions, could disrupt Laybuy's operations and result in the loss or misuse of data or sensitive information.

Loss of such data may expose Laybuy to litigation, claims, fines and penalties as well as significant reputational damage, or result in a breach of Laybuy's obligations under applicable data protection laws or contractual agreements. These breaches may adversely affect Laybuy's financial performance and could result in a loss of trust by its Merchants and customers, each of which could adversely affect Laybuy's reputation and ability to maintain and attract existing and new Merchants and customers.

In addition, laws relating to data privacy are evolving across all jurisdictions. If data privacy standards are adopted in New Zealand, the United Kingdom and Australia which are more stringent than those which Laybuy's systems are currently designed to comply with, then this could lead to additional costs and negatively impact Laybuy's financial performance.

(a) The United Kingdom

Laybuy is required to comply with applicable data protection laws and regulations in the United Kingdom, in particular the *Data Protection Act 2018* ("**DPA 2018**") and which supplements EU Regulation 2016/679, the General Data Protection Regulation ("**GDPR**"). Following the end of the Brexit transition period (currently expected to be 31 December 2020), the United Kingdom is prepared to adapt the EU GDPR to work as a piece of UK legislation in conjunction with the DPA 2018, so the applicable data protection requirements are not expected to substantially change. The GDPR increased the emphasis on businesses being able to demonstrate compliance with their data protection obligations. The requirement is continual and ongoing. The GDPR also sets out maximum penalties of 4% of global annual turnover or 20 million Euros whichever is the greater, depending on the breach.

Case law passed down from the Court of Justice of the European Union ("**CJEU**") on 16 July 2020, has also raised further uncertainty over the means by which personal data can be lawfully transferred outside of the EEA. This judgment invalidates the Privacy Shield certification mechanism and will primarily affect U.S. transfers under that mechanism; however, it may have ramifications for other Standard Contractual Clauses based transfers to which the critiques of Privacy Shield would also apply. These uncertainties may affect Laybuy's data flows intragroup and to other third parties and further amendments to intragroup agreements and agreements with third parties may need to be made.

4.2.11 Regulatory compliance

Laybuy is subject to a range of laws, regulations and industry compliance requirements in New Zealand, the United Kingdom and Australia, being the jurisdictions in which it currently conducts its business. Failure to comply with laws, regulations and industry compliance requirements in these jurisdictions (or in other jurisdictions in which Laybuy may operate in the future), or appropriately respond to any changes, could adversely impact Laybuy's reputation and financial performance. The BNPL industry is currently subject to increased focus of regulators in a range of jurisdictions, which are taking an increasingly active role in monitoring BNPL participants.

(a) New Zealand

Laybuy's BNPL services are currently regulated as 'credit contracts' under the CCCFA, but are not 'consumer credit contracts'. However, Laybuy's BNPL services would be deemed to be a consumer credit contract if interest charges or credit fees are, or may be payable, and/or if a security interest is, or may be, taken.

Laybuy's BNPL services may, in the future, be declared to be a consumer credit contract by regulations made under the CCCFA. Under the CCCFA, regulations may declare that any class of arrangements or facilities that has, or is intended to have, the effect of a person receiving a loan, or goods and services with deferred payment, to be consumer credit contracts.

If Laybuy's BNPL services are declared to be consumer credit contracts then they will also be a financial product under the *Financial Advisers Act 2008* ("**FAA**"). It is unlikely that the FAA's requirements would apply as Laybuy does not provide "financial advice" under the FAA since it only provides information on its product.

If Laybuy's BNPL services become a financial product under the FAA, regulations may be made under the *Financial Markets Conduct Act 2013* ("**FMCA**"), making them subject to the fair dealing provisions under the FMCA.

(b) United Kingdom

Laybuy operates within the appropriate fixed instalment exemption under the FCA's consumer credit regime, according to its template Merchant contract and customer terms and conditions. However, due to the nature of the Laybuy reseller model, the regulator could take the view that certain of the requirements for the exemption to apply have not been met. That is, for the exemption to apply, the credit offered must be fixed sum credit, not running account credit. For this to be fixed sum credit, Laybuy must approve each loan request; there is no ability to re-borrow that sum; and the customer cannot "refresh" the available sum by making repayments. If any element of this were not met (for example, were Laybuy to permit customers to re-borrow sums that had been repaid), it would be viewed as running account credit and would put Laybuy's activities outside the exemption.

(c) Australia

The *Competition and Consumer Act 2010* (Cth), which implements the Australian Consumer Law, contains provisions which impose liabilities on "linked credit providers" under a "linked credit contract". Laybuy will generally be a linked credit provider under this law which means that, subject to specific defences, it will be jointly and severally liable for loss or damage arising from:

- a Merchant's misrepresentations relating to the credit or the supply of goods or services;
- a breach of the linked credit contract or supply contract;
- a failure of consideration relating to these contracts (e.g. the Merchant fails to deliver goods or services); and
- a failure to comply with certain statutory warranties and consumer guarantees (e.g. as to the quality of fitness for purpose of goods or services).

These provisions are material where the relevant Merchant is insolvent, because in those circumstances, the linked credit provider is unable to enforce a statutory right of subrogation to the consumer's rights against the insolvent Merchant, which would otherwise be enforceable where the Merchant is solvent.

The principal statutory defence available to a linked credit provider depends upon it establishing that before becoming a linked credit provider, it established through due diligence enquiries, that the relevant merchant's financial standing and business conduct was good and that before the relevant transaction which gave rise to any loss or damage, the linked credit provider had no cause to suspect the customer might suffer loss or damage. For loss or damage arising from the merchant's supply of goods or services, as between the merchant and the linked credit provider, usually the merchant would ultimately bear the burden of the consumer claim because the linked credit provider has a statutory right to be subrogated to the consumer's rights against the merchant. It follows that the linked credit provisions have particular significance when the merchant is insolvent because, in those circumstances, the linked credit provider will not be able to fully enforce its statutory rights of subrogation against the insolvent merchant. The risk for a credit provider under the linked credit liability provisions varies according to the nature of the goods or services sold by the merchant and the merchant industry. For example, for goods or services which are delivered later, the risk of loss from non-delivery (say due to merchant insolvency) is greater than for goods or services delivered contemporaneously with the transaction.

As the Australian financial services regulator, ASIC has powers under Part 7.9A of the Corporations Act to make product intervention orders if it considers that a financial product (which in this context includes a credit product such as Laybuy) has resulted in, or will or is likely to result in, significant detriment to retail clients. Using this power, and subject to consultation requirements, ASIC could order a person not to engage in specified conduct in relation to the product or to require the person to comply with conditions. While the powers have wide application to most classes of retail financial products, ASIC has publicly commented on its desire to ensure the powers extended to the BNPL sector in respect of which ASIC otherwise had less oversight.

4.2.12 Changes in laws and regulations

There is a risk that the current position with respect to regulation of BNPL arrangements in New Zealand, the United Kingdom or Australia is altered or reinterpreted, which could result in Laybuy's existing operations becoming subject to additional legal, regulatory or industry compliance requirements together with the costs of those requirements. This may include a requirement for Laybuy to be subject to credit licensing, financial services licensing or other licensing or regulatory requirements or limitations. Laybuy may also become subject to additional legal, regulatory or industry compliance requirements if its business activities change.

Any increased regulation, or changed regulatory requirements, may increase Laybuy's costs of compliance, which may result in Laybuy's existing operations becoming uneconomic, or limit or reduce the scope of Laybuy to be able to expand its operations in accordance with its current strategy. There can be no assurance that such laws and regulations will not be changed in ways that will require Laybuy to modify its business models and objectives or affect its returns on investment by making existing practices more restricted, subject to escalating costs or prohibited outright. There is also a risk that, if Laybuy fails to comply with these laws, regulations and industry compliance standards, this could result in increased compliance costs, the requirement to cease specific or all of Laybuy's business activities, the loss of key contracts with Merchants, litigation, penalties or other regulatory inquiry or investigation, and significant reputational damage.

4 Risks (continued)

(a) New Zealand

In New Zealand, Laybuy's BNPL services are regulated as 'credit contracts' but are not 'consumer credit contracts' under the CCCFA. This means that currently Laybuy is only subject to the oppressive contract provisions under the CCCFA, and not the more extensive regulatory provisions which apply to consumer credit contracts (such as the lender responsibility principles).

During the course of 2018, the Ministry of Business, Innovation and Enterprise ("**MBIE**") undertook a review of the CCCFA, which regulates credit contracts and consumer finance. Following this review, the resulting *Credit Contracts Legislation Amendment Act 2019* ("**CCLAA**") received royal assent on 19 December 2019. The CCLAA incorporated new regulation making powers into the CCCFA, under which regulations can be made to declare an arrangement or a facility to be a consumer credit contract. As set out above, regulations could be made declaring Laybuy's BNPL services to be consumer credit contracts under the CCCFA.

On 20 April 2020, Laybuy (as well as other BNPL providers in New Zealand) received a letter from the Minister of Commerce and Consumer Affairs ("**the Minister**"). The Minister expressed his concerns around BNPL customers potentially experiencing financial difficulty in the context of the COVID-19 pandemic. He asked Laybuy to provide information on the steps they were taking to ensure consumer protection and stated that he would "consider calls for regulation in light of the practices and developments I see in the market, as well as with regard to evidence of harm." Laybuy has responded to this letter setting out the current measures they are taking and is actively engaging with the Minister and MBIE.

The recent *Financial Services Legislation Amendment Act 2019* ("**FSLAA**") amends the FMCA, the FAA, the *Financial Services Providers (Registration and Disputes Resolution Act) 2008* ("**FSPA**") and may affect Laybuy's treatment under these Acts. These provisions are scheduled to come into force on 1 May 2021.

The FSLAA will repeal the FAA and replace it with new provisions under the FMCA. If Laybuy's BNPL services are declared to be consumer credit contracts they would also be a 'financial advice product' under the FSLAA amendments. BNPL services can also be separately deemed a 'financial advice product' under regulations. However, given Laybuy's current practices they would likely not be found to be providing financial advice so would not be subject to further regulation.

With regards to the FSPA, the FSLAA will amend the definitions of the 'meaning of a financial service' and the 'meaning of a business providing a financial service'. These new definitions will still apply to Laybuy meaning there will be no change to their current obligations.

(b) Australia

With effect from 5 April 2021, under Part 7.8A of the Corporations Act, Laybuy will become subject to an obligation to make and publish a target market determination for its credit product. This is a written document which must describe the class of retail clients making up Laybuy's target market and which specifies conditions and restrictions on retail product distribution conduct in relation to the product designed to ensure that the product will be distributed to persons in the target market and also will be consistent with the likely objectives, financial situation and needs of the consumer. While a target market determination may be updated from time to time, Laybuy will need to ensure that its distribution conduct remains consistent with the current target market determination at the time.

In November 2019, the Reserve Bank of Australia ("**RBA**") published an Issues Paper: *Review of Retail Payments Regulation*. One of the consultation questions posed in the Issues Paper is whether BNPL providers should be required to remove any "no-surcharge" rules consistent with measures taken in relation to the card schemes. Such a reform, if it were to proceed, may compromise the business model on which BNPL providers operate. To reduce the demands on industry stakeholders at a time when they are focused on dealing with the impact of COVID-19, the RBA has put its review on hold.

4.2.13 Anti-money laundering and counter-terrorism financing, and privacy legislation

Laybuy is bound by, and must comply with, statutory obligations in relation to anti-money laundering and counter-terrorism financing laws, and privacy and data protection laws. The legislation in each jurisdiction imposes a range of obligations, including but not limited to, implementing appropriate identification checks to verify its customers, ongoing customer due diligence identifying and appropriately managing risks and complying with regulatory reporting requirements.

Laybuy has undertaken a rigorous review of its regulatory practices and compliance in each of the three jurisdictions. This review identified issues and areas for improvement with some of its regulatory practices, as well as potential non-compliance or breaches of anti-money laundering and counter-terrorism financing, and privacy and data protection requirements. As a result, Laybuy is undertaking certain changes and revising some of its processes to ensure that it complies with all of its obligations in each geography going forward. This has included hiring a Senior Risk and Compliance Manager to oversee Laybuy's global risk and compliance function.

(a) New Zealand

In New Zealand, as a reporting entity, Laybuy must comply with a range of requirements under the NZ AML/CTF Act, including appointing a compliance officer, conducting and maintaining a risk assessment, developing, implementing and maintaining an AML/CTF program, conducting due diligence checks, keeping records, reporting suspicious activities, arranging a regular independent audit and preparing and filing annual reports.

If Laybuy breaches the requirements under the NZ AML/CTF Act it will have committed a 'civil liability act'. At the discretion of the supervising agency, Laybuy could then be issued with a formal warning, be asked to accept an enforceable undertaking or subjected to a pecuniary penalty. Criminal offences under the NZ AML/CTF Act apply if a civil liability act was engaged in "knowingly or recklessly", or if the reporting entity has engaged in certain behaviour such as failing to report a suspicious activity.

Potential breaches of AML/CTF requirements by Laybuy in New Zealand have been identified as part of due diligence. Laybuy is currently revising its AML/CTF program, training and compliance regime to ensure that it complies with all its obligations.

In New Zealand, the *Privacy Act 1993* governs the collection, use, access, storage, security, retention and disclosure of personal information. It applies to Laybuy, as Laybuy is an 'agency' under the Act and must comply with the 'information privacy principles'. Certain remedies are available under the Privacy Act for failures to comply. There is a new Privacy Act coming into force on 1 December 2020. This will repeal and replace the current Privacy Act 1993. The substance of the new Act is similar to the current Act (the intent is to modernise the structure of the legislation) and the 'information privacy principles' will remain. Key changes include:

- cross-border protections will be strengthened, as personal information sent overseas will have to be protected by comparable privacy laws to New Zealand; and
- the Privacy Commissioner will have more extensive enforcement powers.

Laybuy is also subject to the *Unsolicited Electronic Messages Act 2007* ("**UEMA**"). This governs the sending of unsolicited commercial electronic messages in New Zealand. If Laybuy was found to have breached the UEMA the person affected by the breach could seek injunctions, compensation and/or damages.

(b) United Kingdom

In the United Kingdom, to rely on the MLR exemption for creditors of a debtor-creditor-supplier agreement, Laybuy must use a reseller model, and must in legal terms be both the creditor and the supplier. As Laybuy outsources responsibility for delivery and product warranties to third parties in practice, it is theoretically possible that they could be interpreted as the 'suppliers', particularly because certain terms in Laybuy's older contracts deal less clearly with this area. If Laybuy were found not to be the reseller and supplier, it would fall under a stricter anti-money laundering regime, which could render it in breach of applicable registration and systems and controls requirements (which may incur criminal and civil sanctions).

As the reseller, Laybuy's position is that it is technically the legal supplier to the customer, despite outsourcing certain obligations in practice through its separate contract with the Merchant. This is supported by Laybuy's consistent practice of purchasing and reselling products, and by its current template Merchant contract and customer terms and conditions.

(c) Australia

In Australia, among other things, Laybuy must maintain internal processes to ensure that it complies with these obligations and must maintain systems that enable Laybuy to conduct its business in a manner consistent with these obligations. A failure by Laybuy to comply with these obligations may give rise to a risk that Laybuy may be subject to penalties, public censure and reputational damage as a result of such failures. There is also a risk that Laybuy could face other legal or regulatory sanctions or reputational damage as a result of any failure to comply with (or comply with developing interpretations of) applicable laws, regulations, codes of conduct and standards of good practice, including in relation to anti-money laundering, privacy and disclosure. Any non-compliance by Laybuy (including past non-compliance by the former Australian company – see Section 11.7.1) could result in a negative impact on the trust of Merchants, customers and other stakeholders in Laybuy, fines, penalties or remediation orders. There is also a risk that non-compliance may negatively impact Laybuy's distribution channels.

4.2.14 Loss of Merchant contracts and relationships

Laybuy's business depends on its contracts and relationships with key existing Merchant clients and attracting new merchant clients. There can be no guarantee that these contracts and relationships will continue or, if they do continue, that they will remain successful. Laybuy generally contracts with Merchants under relatively short-term arrangements on a non-exclusive basis, and Merchants are generally able to reduce or cancel their use of Laybuy's product and terminate relevant contracts without penalty at relatively short notice. Furthermore, some of the documentation relating to certain of Laybuy's Merchant relationships cannot be located, including with some of its top Merchants in New Zealand.

Any adverse changes to, or loss of, arrangements or relationships with Laybuy's Merchant clients may reduce the volume or consistency of customers seeking to use Laybuy. Factors that could potentially adversely impact Laybuy's relationships with Merchants include commercial disputes on the terms of its existing arrangements (including if those terms are not fully documented), actions of competitors (for example, improving their offering to Merchants), or under-performance of Laybuy's product against the Merchant's required key performance indicators over a period of time.

JD Sports is one of the business' key merchant relationships and the UK business would be adversely impacted if the relationship with JD Sports was lost for any reason. However, over time, as the number of Merchants in the United Kingdom increases and diversifies, it is expected that the importance of JD Sports to UK GMV will lessen. In the other geographies, Laybuy does not currently depend on any one Merchant, but the loss of a small number of Laybuy's key Merchant clients, or a failure to secure new Merchants on favourable terms, may have a material and adverse impact on the transaction values processed by Laybuy and result in reduced Merchant fees and customer fees being payable to Laybuy, which would adversely impact Laybuy's revenue and profitability. Depending on the reason for the loss of a particular Merchant, this may also have a negative impact on Laybuy's reputation.

4 Risks (continued)

4.2.15 Key personnel

Laybuy operates in a competitive market and is therefore required to continuously improve its product offering to ensure it remains innovative and relevant to the market and it is not superseded by competitive offerings. Laybuy's ability to ensure its products are continually improved relies on the expertise of its skilled workforce, in particular, its technology team.

The departure of key personnel, or a shortage of skilled employees with the appropriate expertise, could adversely affect Laybuy's business and its future ability to pursue its growth strategies, as under-resourcing can cause development delays and reduce the speed at which Laybuy is able to deliver new features or enhancements to the market.

In addition, the ability of Laybuy to retain its key personnel, including the management team is affected by Laybuy's prospects and its capacity to maintain competitive remuneration packages. Components of the remuneration of key personnel are linked to the financial performance of Laybuy. Poor financial performance in the future may make it more difficult for Laybuy to attract and retain appropriately qualified and skilled executives, board members and other key personnel.

It is an event of review under the Kiwibank Facility if Gary Rohloff ceases to have a role with the management of the Group or is not, or ceases to be, a director of a Group Member. If Laybuy was to lose Mr Rohloff's services and Kiwibank and Laybuy were unable to agree a basis on which Kiwibank could continue, Kiwibank could require Laybuy Holdings to repay all outstanding amounts under the Kiwibank Facility, which could adversely affect Laybuy's business.

4.2.16 Intellectual property

Laybuy's ability to benefit from developing its brand, from innovation it seeks to develop, and expertise depends in part upon its ability to protect its intellectual property and any improvements to it, as well as Laybuy's confidential information. Laybuy and its subsidiaries rely on laws relating to trade secrets, copyright, and trademarks in protecting its intellectual property portfolio. However, there is a risk of unauthorised use of, or access to, Laybuy's software, data, technology or platforms. In addition, there is a risk that the validity, ownership or authorised use of Laybuy's intellectual property may be successfully challenged by third parties. If it became necessary for Laybuy or its subsidiaries to bring or defend intellectual property enforcement proceedings in virtue of unauthorised or improper use, Laybuy may be forced to incur significant costs and may result in Laybuy being unable to use the intellectual property, either temporarily or permanently. Such disputes may also impact Laybuy's ability to integrate new or existing systems, which would adversely impact Laybuy's operations and financial performance.

4.2.17 COVID-19 and related impact on consumer spending

Laybuy's business depends on consumer spending, which has been, and may continue to be, impacted by the outbreak of COVID-19. While the outbreak of COVID-19 had an immediate adverse impact on in-store purchases using Laybuy's product (due to the closure of retail stores across New Zealand, Australia and the United Kingdom, and strict social-distancing measures limiting customer numbers in those retail stores which remained open), online purchases with Laybuy have continued to rapidly grow. The extent of any ongoing impact of COVID-19 on Laybuy's business will depend on future developments, including the duration and future spread of the outbreak within New Zealand, the United Kingdom and Australia, and the related impact on general economic conditions, consumer confidence and discretionary spending, all of which are highly uncertain. A significant or prolonged decrease in consumer spending could adversely affect the demand for Laybuy's product.

4.2.18 Development of Laybuy brand and reputational risk

The reputation of Laybuy (and its ability to develop the Laybuy brand) is important to retaining and increasing its end customer base and its Merchant client base, maintaining its relationships with partner companies and other service providers and successfully implementing Laybuy's business strategy.

Laybuy's reputation could be adversely impacted by a number of factors, including actions taken by Laybuy or its employees, Merchants or customers (including as a result of a failure by Laybuy to provide a quality service), third-party actions such as disputes or litigation resulting in adverse media coverage, or non-compliance with laws, including anti-money laundering and counter-terrorism financing laws, or data or privacy breaches.

Given the nature of Laybuy's relationships with its Merchants (including cross-selling arrangements) and the importance of Merchant fees in Laybuy's revenue model, Laybuy's reputation and income is also affected by its Merchants' reputations and sales performance.

Any factors that diminish Laybuy's reputation could result in existing or potential customers, merchants or other parties ceasing or refusing to do business with Laybuy, impede its ability to successfully provide its goods and services, negatively affect its future business strategy and materially and adversely impact Laybuy's financial position and performance.

Laybuy is a developing brand and, if Laybuy is unable to grow positive brand awareness over time, particularly where a number of other competitors have established brands, this may adversely affect Laybuy's growth and financial position.

4.2.19 Litigation, claims and disputes

Laybuy is exposed to potential legal and other claims or disputes in the course of its business, including contractual disputes, intellectual property infringement claims, employment disputes and indemnity claims. Even if Laybuy is ultimately successful in defending any such claims, there is a risk that such litigation, claims and disputes could adversely impact Laybuy's reputation, as well as its financial position, due to the costs involved in defending or settling such claims.

4.2.20 Limited trading history

Laybuy is an early stage financial technology company with a limited trading history. Since its launch in May 2017, Laybuy's activities have principally involved developing its software and products, launching its services and building its brand. Given Laybuy's limited trading history, it is difficult to make an evaluation of Laybuy's business or its prospects and there is significant risk that Laybuy is not able to continue its growth at the current rate or successfully execute on its business plan and strategies.

4.2.21 Business maturity

Laybuy is a developing business and its operating and compliance systems remain subject to continual improvement. As the business grows and the size of Laybuy's operations grow, there is an increased need to document and standardise processes. Failure to adequately manage these developments in an efficient manner or at all, may result in one or more of the risks noted in this Section 4 eventuating, which individually or in aggregate could have a material adverse effect on Laybuy's reputation, operations and financial performance. A lack of process maturity increases the risk of inconsistent outcomes, manual errors, inefficiencies and knowledge retention, which may lead to operational losses, which, in turn, can have both financial and non-financial impacts, including adverse effects on the profitability of the business and its reputation.

4.2.22 Foreign exchange

As Laybuy expands operations into new countries, funding arrangements may see the transfer of money between jurisdictions on a routine basis. This routine transfer of funds between countries with different currencies carries with it a foreign exchange risk that could impact the profitability of the foreign market operation.

Once capital investment is made in a country, Laybuy seeks to match local expenditure and receivables to same currency borrowings. Laybuy's funding facilities are capable of being matched to the ledger currency. The primary foreign exchange risk is therefore on the profit margin.

Through Laybuy Global, Laybuy enables Merchants to provide their customers the ability to use Laybuy in other supported geographies. To enable this, Laybuy fixes the Merchant sale price in the customer's local currency and issues the customer with a local currency payment schedule. Laybuy effectively hedges against exchange rate fluctuations at the point of sale through this process. However, there is still a risk of Laybuy experiencing exchange rate losses on a Laybuy Global transaction where there are subsequent cross-border returns or refunds, or where there are significant exchange rate fluctuations before the customer has paid Laybuy in full. To this end, Laybuy's relatively short repayment cycle acts as a natural hedge against foreign exchange risk.

Laybuy's in-market expenditure and receivables being in local currencies may also act as a natural hedge, however Laybuy may have greater exposure to foreign exchange risk if there are adverse movements to currencies in which it is currently, or is expecting to, receive significant portions of its revenue.

4.3 Risks related to an investment in Shares and the Offer

4.3.1 There may be limited liquidity in Shares

The Company has entered, or expects to enter, into voluntary escrow arrangements with certain Existing Holders. The Company expects that approximately 55.6% of the Shares on issue will not be able to be traded for a period after Listing. Given the number of Shares restricted from trading, there will be liquidity with respect to approximately 44.4% of the Shares on issue at completion of the Offer until such time as applicable escrow periods end. (See Section 11.12 for further information.)

The Shares issued under the Offer will only be listed on ASX and will not be listed for trading on any other securities exchanges in Australia, New Zealand, the United Kingdom or elsewhere. As such, there can be no guarantee that an active market in the Shares will develop or continue. If a market does not develop or is not sustained, it may be difficult for investors to sell their Shares. Furthermore, the market price for Shares may fall or be made more volatile because of the relatively low volume of trading in the Company's securities. When trading volume is low, significant price movement can be caused by trading in a relatively small number of Shares. If illiquidity arises, there is a risk that Shareholders will be unable to realise their investment in the Company.

4.3.2 Fluctuations in the market price of the Shares

There is no guarantee that the Shares will appreciate in value or even maintain the same level as the Offer Price. Some of the factors which may affect the price of Shares include fluctuations in the domestic and international market for listed stocks, general economic conditions, including interest rates, inflation rates, exchange rates, changes to government fiscal, monetary or regulatory policies, legislation or regulation, inclusion in or removal from market indices, the nature of the markets in which Laybuy operates and general operational and business risks.

4.3.3 Exchange rate

The proceeds of the Offer will be received in Australian dollars, while Laybuy's functional currency is NZ dollars and a portion of the proceeds is expected to be converted to British pounds. Laybuy is not currently hedging against exchange rate fluctuations, and consequently it will be at the risk of any adverse movement in the NZ dollar-Australian dollar or British pound-Australian dollar exchange rate between the pricing of the Offer and the closing of the Offer. If the Australian dollar falls during this period, the net proceeds of the Offer, after being converted to NZ dollars or British pounds, will be reduced, meaning Laybuy will have less money to spend on the purposes set out in Section 8.3.

The Shares will be listed on the ASX and priced in Australian dollars. However, Laybuy's reporting currency is NZ dollars. As a result, movements in foreign exchange rates may cause the Australian dollar price of Laybuy's securities to fluctuate for reasons unrelated to Laybuy's financial position or performance and may result in a discrepancy between Laybuy's actual results of operations and investors' expectations of returns on securities expressed in Australian dollars.

4.3.4 Taxation changes

There is the potential for changes to tax laws (including transfer pricing, indirect taxes, stamp duties and employment taxes), and changes in the way tax laws are interpreted or administered that may impact the tax liabilities of the Group and Shareholder returns and the tax treatment of their investment. Any change to the current tax rates imposed on the Group (including in foreign jurisdictions in which the Group may operate) is likely to affect returns to Shareholders. These changes may also impact the tax liabilities of the Group, Shareholder returns, the level of dividend imputation or franking, or the tax treatment of a Shareholder's investment.

Tax law is frequently being changed, both prospectively and retrospectively. Furthermore, the status of some key tax reforms remains unclear at this stage.

In addition, tax authorities may review the tax treatment of transactions entered into by the Group. Any actual or alleged failure to comply with, or any change in the application or interpretation of, tax rules applied in respect of such transactions, may increase the Group's tax liabilities or expose it to legal, regulatory or other actions.

An investment in the Shares involves tax considerations which differ for each Shareholder. Each investor is encouraged to seek professional tax advice in connection with any investment in the Group.

4.3.5 New Zealand Accounting Standards may change

New Zealand Accounting Standards are developed by the New Zealand Accounting Standards Board ("**NZASB**") and approved by the External Reporting Board ("**XRB**") and are outside the control of either the Company or its Directors and senior management.

The NZASB may introduce new or refined New Zealand Accounting Standards in the coming years, which may affect future measurement and recognition of key income statement and balance sheet items, including revenue and receivables. There is also a risk that interpretations of existing New Zealand Accounting Standards, including those relating to the measurement and recognition of key income statement and balance sheet items, including revenue and receivables, may differ. Changes to New Zealand Accounting Standards issued by the NZASB, or changes to the commonly held views on the application of those standards, could materially adversely affect the financial performance and position reported in Laybuy's consolidated financial statements.

4.3.6 Shareholders may be diluted

In the future, Laybuy may elect to issue Shares or engage in capital raisings to fund, or raise proceeds for, investments or acquisitions that Laybuy may decide to undertake.

While Laybuy will be subject to the constraints of the Listing Rules regarding the percentage of its capital that it is able to issue within a 12-month period (other than where exceptions apply), Shareholder interests may be diluted as a result of such issues of Shares and capital raisings.

4.3.7 Force majeure events may occur

Events may occur within or outside the economies in which Laybuy operates that could impact upon those economies, the operations of Laybuy and the price of the Shares. The events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or pandemics (including a novel coronavirus such as COVID-19) or other natural or man-made events or occurrences that can have an adverse effect on the demand for Laybuy's product and its ability to conduct business.

4.3.8 No guarantee in respect of investment

The above list of risk factors should not be taken as an exhaustive list of the risks faced by Laybuy or its Shareholders. The above factors, and others not specifically referred to above, may materially affect the financial performance of Laybuy and the value of the Shares under the Offer. The Shares issued under the Offer carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on the ASX. Furthermore, there is no guarantee that the Shares will remain continuously quoted on the ASX, which could impact the ability of prospective Shareholders to sell their Shares.

Investors should consult their professional adviser before deciding whether to apply for Shares under the Offer.

Section 5

Financial Information

5 Financial Information

5.1 Introduction

The Company was registered in New Zealand on 16 June 2020 and will, conditional on allotment under the Offer, become the parent company of the Group under the Top Hat; which is part of the Restructuring described in Section 11.7.2. Under the Top Hat, the shareholders in Laybuy Holdings Limited ("**Laybuy Holdings**") will exchange their shares in that company for shares in the Company. Each shareholder's proportionate interest will not be altered as a result of the Top Hat.

Prior to the Restructuring, Laybuy Holdings was the parent company of the Group, however, the effect of the Restructuring will be to interpose the Company as the new legal parent of the Group.

While the Company became the legal parent of Laybuy Holdings, this did not result in a business combination for accounting purposes. The financial information for the Company in this prospectus reflects that the Restructuring has been accounted for as a capital reorganisation. Accordingly, the assets and liabilities have been recorded at their existing values in the statement of financial position of Laybuy Holdings. The statement of financial performance is similarly a continuation of the existing statement of financial performance for Laybuy Holdings.

As the Company was only incorporated on 16 June 2020, there is no standalone historical financial information for the Company.

The Financial Information reflects that Laybuy started operations in New Zealand in May 2017, entered the Australian market in May 2018 and then officially in the United Kingdom in February 2019 (after a soft launch in October 2018). It has not been adjusted to show what the impact would have been if the operations had all commenced at the start of the Historical Period.

The Financial Information includes the following:

- statutory historical financial information of Laybuy:
  - » statutory historical consolidated statements of financial performance for the financial years ended 31 March 2018 ("**FY18**"), 31 March 2019 ("**FY19**") and 31 March 2020 ("**FY20**") ("**Historical Period**");
  - » statutory historical consolidated statements of financial position as at 31 March 2020; and
  - » statutory historical consolidated statements of cash flows for the Historical Period;

  (together the "**Statutory Historical Financial Information**"), and
- the pro forma historical financial information comprising of:
  - » pro forma historical consolidated statements of financial performance for the Historical Period;
  - » pro forma historical consolidated statements of financial position as at 31 March 2020;
  - » pro forma historical consolidated statements of cash flows for the Historical Period;

(together the "**Pro Forma Historical Financial Information**").

The Statutory Historical Financial Information and the Pro Forma Historical Financial Information are together referred to herein as the "**Financial Information**".

The Financial Information has been reviewed by PricewaterhouseCoopers Securities Ltd ("**PwCS**") in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information. Investors should note the scope and limitations of the Investigating Accountant's Report as detailed in Section 6.

The Financial Information presented in Section 5 should be read in conjunction with the company overview set out in Section 3, key risks set out in Section 4, and other information contained in this Prospectus. Investors should note that past performance is not a guarantee of future performance.

Also presented in Section 5 are:

- the basis of preparation for the Financial Information (see Section 5.2);
- details of any non-IFRS measures used by Laybuy (Section 5.2.3);
- a reconciliation between the statutory and pro forma Financial Information (see Sections 5.3.2, 5.4.2 and 5.5.1);
- details of Laybuy's operational metrics (see Section 5.3.4);
- unaudited quarterly Net Transaction Margin information for the periods commencing 1 April 2018 through to 30 June 2020; (see Section 5.3.5);
- details of Laybuy's receivables (see Section 5.6.3); and
- details of Laybuy's funding facilities (see Section 5.7).

5.2 Basis of preparation and presentation of Financial Information

5.2.1 Overview

The Directors are responsible for the preparation and presentation of the Financial Information. The Financial Information has been prepared to present the Company on a consolidated basis and in line with how financial information will be presented in the future.

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles prescribed in the New Zealand Equivalents to International Financial Reporting Standards ("**NZ IFRS**") and International Financial Reporting Standards ("**IFRS**") and will continue to be even as a foreign entity listed on the ASX. The Financial Information is presented in an abbreviated form and does not contain all of the disclosure provided in an annual financial report prepared in accordance with the NZ IFRS.

The Financial Information is presented in the Company's functional and presentation currency which is New Zealand dollars (NZ$). The following rates have been used in preparing the statutory financial information:

	FY18		FY19		FY20	
	A$	£	A$	£	A$	£
Average rate for the year	0.93	0.53	0.93	0.52	0.95	0.51
Year end rate	0.94	0.51	0.96	0.52	0.97	0.49

The Statutory Historical Financial Information has been extracted from Laybuy Holdings' audited financial statements for FY18, FY19 and FY20. The Statutory Historical Financial Information was audited by PricewaterhouseCoopers (New Zealand), in accordance with International Standards on Auditing (New Zealand), who issued unqualified audit opinions in respect of all of these periods.

The Statutory Historical Financial Information has been prepared on a going concern basis.

The Pro Forma Historical Financial Information has been prepared solely for the purpose of inclusion in this Prospectus. The Pro Forma Historical Financial Information has been derived from the statutory historical consolidated statements of financial performance and statements of cash flows for FY18, FY19 and FY20, and statement of financial position for the year ended 31 March 2020 adjusted to reflect the impact of certain pro forma adjustments as described in Section 5.3.3 of this Prospectus.

Refer to Sections 5.3.3, 5.4.2 and 5.5.2 for a reconciliation between Laybuy's statutory historical consolidated statements of financial performance, statement of financial position and statements of cash flows, and the pro forma consolidated statements of financial performance, statement of financial position, and statements of cash flows.

Post-listing, Laybuy will continue to prepare its financial statements in accordance with NZ IFRS issued by the XRB and its financial statements post-listing will be audited and reviewed by Laybuy's auditor in accordance with the International Standards on Auditing (New Zealand).

5.2.2 Key Accounting Policies

The key accounting policies for Laybuy have been included in the Appendix and, with the exception of NZ IFRS 16 *Leases* have been applied consistently in preparing the Financial Information. NZ IFRS 16 *Leases* was first applied in FY20 resulting in a Right of Use Asset and Lease Liability being recognised in the Statement of Financial Position with no adjustment made to Accumulated losses. As the impacts were not material therefore no pro forma adjustments have been made to FY18 and FY19.

5.2.3 Non-NZ IFRS financial measures

Laybuy uses certain non-NZ IFRS and/or non-IFRS measures (collectively referred to herein as non-IFRS financial measures). These non-IFRS financial measures do not have a prescribed definition under NZ IFRS or IFRS and therefore may not be directly comparable to similarly titled measures presented by other entities.

Laybuy uses the following non-IFRS financial measures:

- **Gross margin** is calculated as total revenue less the cost of providing services;
- **Gross margin %** is gross profit divided by total revenue expressed as a percentage;
- **Gross Merchandise Value** (**"GMV"**) is measured as the sum of the total sales value for Laybuy customer purchases on the Laybuy platform and includes GST or VAT (whichever is applicable);
- **Average Transaction Value** is calculated as the GMV over a specified time-period divided by the total number of transactions in the same specified time period;
- **Net Transaction Margin** is measured as revenue less cost of services provided, less receivables impairment expense; and
- **Net Transaction Margin as % of GMV** is measured as revenue less cost of services provided, less receivables impairment expense, expressed as a percentage of total GMV.

Although the Directors believe these non-NZ IFRS financial measures provide useful information to users in measuring the financial performance and condition of the business, they should be considered as supplementary to the consolidated statements of financial performance, statement of financial position and statements of cash flows that have been presented in accordance with NZ IFRS and not as a replacement for them. As such, potential investors are cautioned not to place undue reliance on any non-NZ IFRS financial measures included in the Prospectus.

5.3 Statement of Financial Performance

5.3.1 Overview

The table below sets out Laybuy's statutory and pro forma historical consolidated statements of financial performance. Section 5.3.3 sets out details and explanations of the pro forma adjustments made to the statutory historical statements of financial performance.

5.3.2 Table: Statutory and pro forma consolidated statements of financial performance FY18, FY19 and FY20

	Statutory			Pro forma		
NZ$ 000's	FY18	FY19	FY20	FY18	FY19	FY20
Merchant revenue	1,271	4,366	7,123	1,271	4,366	7,123
Other income	660	2,790	6,624	660	2,790	6,624
Total revenue	**1,931**	**7,156**	**13,747**	**1,931**	**7,156**	**13,747**
Cost of services provided	(745)	(2,750)	(4,548)	(745)	(2,750)	(4,548)
Gross margin	**1,186**	**4,406**	**9,198**	**1,186**	**4,406**	**9,198**
Receivables impairment expenses	(774)	(1,667)	(9,217)	(774)	(1,667)	(9,217)
Net transaction margin	**412**	**2,739**	**(19)**	**412**	**2,739**	**(19)**
Employment expenses	(217)	(1,765)	(4,607)	(737)	(2,285)	(5,127)
Marketing expenses	(534)	(1,519)	(5,301)	(534)	(1,519)	(5,301)
Other operating expenses	(629)	(2,475)	(6,279)	(1,866)	(3,711)	(7,149)
Total operating expenses	**(1,380)**	**(5,759)**	**(16,187)**	**(3,137)**	**(7,515)**	**(17,577)**
Operating profit/(loss)	**(968)**	**(3,020)**	**(16,206)**	**(2,725)**	**(4,776)**	**(17,596)**
Foreign currency gains/(losses)	–	(25)	560	–	(25)	560
Finance (expenses)/income	7	–	(101)	7	–	(2)
Depreciation and amortisation expenses	(72)	(250)	(390)	(72)	(250)	(390)
Income tax (expense)/benefit	26	(286)	–	26	(286)	–
Net profit/(loss)	**(1,007)**	**(3,581)**	**(16,137)**	**(2,763)**	**(5,337)**	**(17,428)**

5.3.3 Table: Reconciliation of the Statements of Financial Performance pro forma adjustments

Reconciliation	Statutory		
NZ$000's	FY18	FY19	FY20
Statutory net profit/(loss)	**(1,007)**	**(3,581)**	**(16,137)**
1. Incremental listed company costs	(1,756)	(1,756)	(1,756)
2. One-off consulting fees	–	–	366
3. Interest costs on convertible notes	–	–	98
Total pro forma adjustments	**(1,756)**	**(1,756)**	**(1,292)**
Pro forma net profit/(loss)	**(2,763)**	**(5,337)**	**(17,428)**

Notes:

1. Incremental listed company costs represent an estimate of the incremental costs that will be incurred by the Company as a publicly listed company. The incremental costs include Chair and Non-executive Directors' remuneration, increased remuneration for senior leadership positions (excluding employee share option costs), additional audit, legal and tax advice costs, system upgrade costs, directors' and officers' insurance premiums, ASX listing fees, share registry fees, and investor relations, annual general meeting and annual report costs.
2. One-off consulting fees relate to advisory fees and legal costs not directly attributable to the Offer but considered to be one-off in nature as they relate to costs incurred to prepare the Company for the Offer.
3. Interest expense on convertible notes was incurred on the A$14.8 million of subscribed convertible notes as at 31 March 2020. These convertible notes will convert to Shares contemporaneously with allotment under the Offer and as such this adjustment removes the interest expense of NZ$98,000 incurred on these convertible notes in order to present the capital structure likened to that of the Company upon listing date.

   The tax impact of these pro forma adjustments has not been presented in the table above on the basis that no tax has been recognised by the Company in FY20. While the expenses are expected to be tax deductible, the Company is in a loss-making position and being unable to recognise the tax losses on the statement of financial position at this time.
4. No adjustment has been made to the pro forma Statement of Financial Performance for the zero exercise price Options to be issued to senior executives and the Non Executive Directors. Details of these option plans are set out in Section 7.5.2 and 7.5.3. It is estimated that the Company will recognise incremental share based payment expenses relating to these options in FY21, FY22 and FY23 of NZ$1.4 million, NZ$2.0 million and NZ$1.9 million respectively.

   Refer to Sections 8.5.1 and 8.5.2 which set out the capital and ownership structure on completion of the Offer.

5.3.4 Business model and key operational metrics

Laybuy offers customers the opportunity to purchase goods or services upfront with deferred payment terms. Customers pay one sixth of the payment upfront and the remaining payments are generally made equally over a five-week period. Laybuy integrates with retail merchants' transactional websites to allow a seamless transaction flow through the Laybuy payments platform. Laybuy Boost allows customers to purchase goods or services in excess of their Laybuy limit by allowing the customer to pay the excess amount upfront (i.e. the difference between the purchase amount and the customer's Laybuy limit).

No interest is charged to the customer, however if the customer defaults on their instalments a late fee is charged. These late fees have a cap set by the individual order. Late fees are capped at NZ/A$40 and £24 for each transaction.

Merchants are paid upfront and do not take any responsibilities for credit risks associated with the end Laybuy customer. Laybuy uses fraud detection tools and makes its own assessment of a customer's credit worthiness on application.

Laybuy has two separate and distinct contractual relationships that give rise to revenue. Laybuy's revenue consists of both commissions charged to Merchants and late fees charged to customers.

- Commission revenue is derived from the difference between the customer's underlying order value processed by the Laybuy platform and the amount paid to the Merchant by the Company. Commission revenue is accounted for using the effective interest rate method.
- Late fees are recognised when they are paid by the customer. Late fees are charged to incentivise and encourage Laybuy customers to pay their outstanding balances as and when they fall due. No interest is charged on late fees.

Should a Laybuy customer default on an instalment payment resulting in the outstanding amount being sent to a debt collection agency, the late fees are not referred. The Laybuy customer account is suspended if a default event occurs and no further purchases can be made. Once the outstanding instalments and applicable late fees have been paid a customer's account is reactivated.

As Laybuy gets more significant scale and builds a loyal Laybuy customer base with a higher percentage of repeat customers, the revenue mix should become further weighted towards commission revenue from Merchants.

5.3.5 Historical financial and operational metrics

The table below presents operational metrics for FY18, FY19 and FY20, which have been prepared based on unaudited management information.

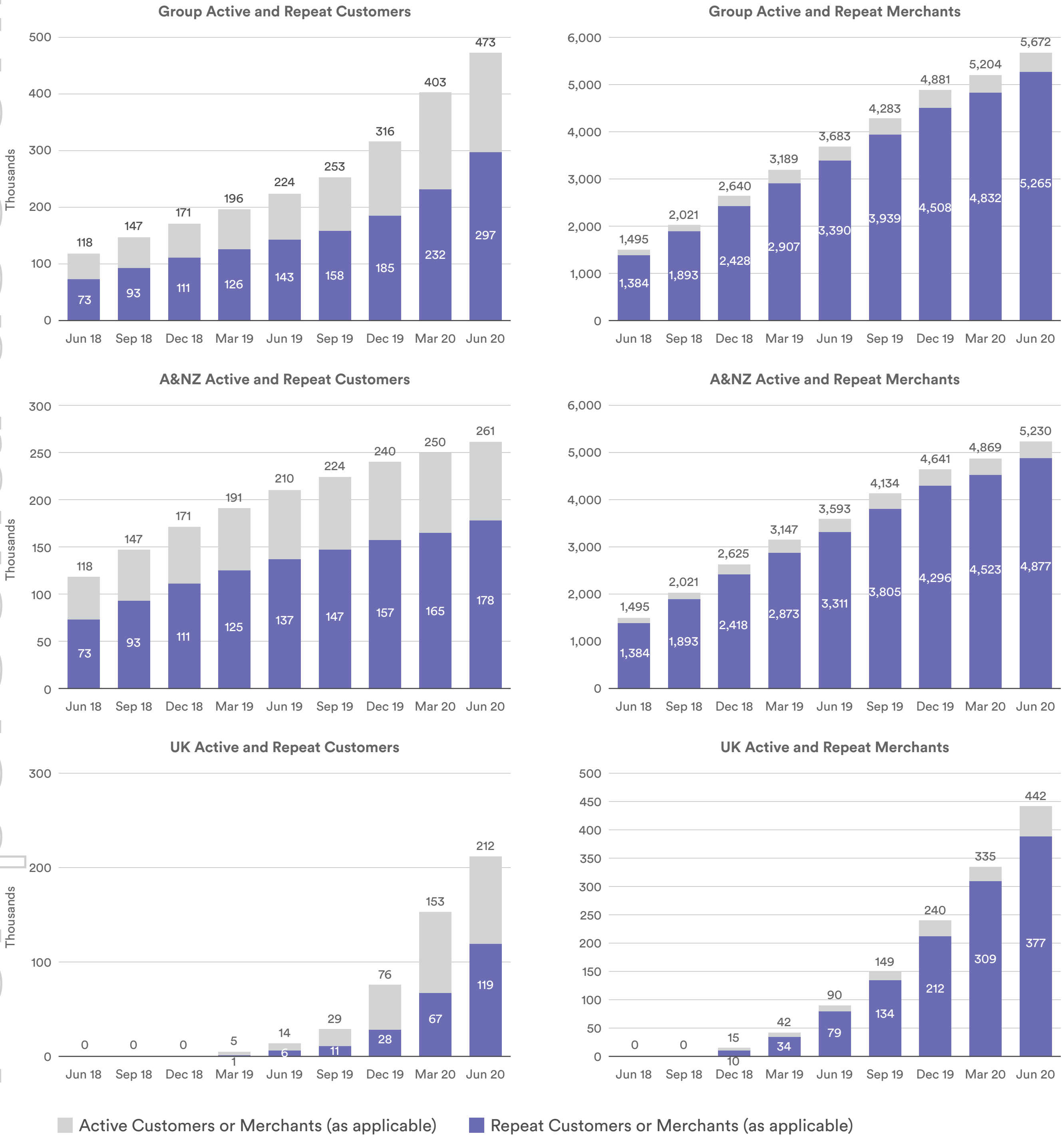
Operational metrics	FY18	FY19	FY20
GMV (NZ$m's)			
Australia and New Zealand	38.1	125.0	177.2
United Kingdom	–	1.1	49.4
Total GMV	38.1	126.2	226.6
Average transaction value (NZ$'s)			
Australia and New Zealand	117	121	130
United Kingdom	–	172	148
Group average	117	121	133
Active Customers[1]			
Australia and New Zealand	86,000	191,000	250,000
United Kingdom	–	5,000	153,000
Group total	86,000	196,000	403,000
Repeat Customers[2]			
Australia and New Zealand	52,000	125,000	165,000
United Kingdom	–	1,000	67,000
Group total	52,000	126,000	232,000
Active Merchants[3]			
Australia and New Zealand	1,040	3,147	4,869
United Kingdom	–	42	335
Group Total	**1,040**	**3,189**	**5,204**

Notes:

1. **Active Customers** relate to the number of customers which have made at least one purchase through Laybuy within the last 12 months from the end of the period.
2. **Repeat Customers** relates to the number of customers which have made more than one purchase through Laybuy within the last 12 months from the end of the period.
3. **Active Merchants** relates to the number of Merchants which have received payment for at least one purchase through Laybuy within the last 12 months from the end of the period.

The graphs below present Laybuy's growth in Active Customers, Repeat Customers, Active Merchants and Repeat Merchants on a quarterly basis to illustrate the accelerated growth rate it has experienced in the United Kingdom to date relative to the other regions. There is only a small variance between Active Merchants and Repeat Merchants (being Merchants which have received payment for more than one purchase through Laybuy within the last 12 months from the end of the relevant period).

Figure 5.1: Active & Repeat Customers and Merchants by region



Laybuy closely monitors GMV as this is a key driver of commission revenue. GMV has increased substantially from NZ$38.1 million in FY18 to NZ$226.6 million in FY20 driven by Laybuy's expansion in the United Kingdom and Australia.

The 106% growth in Active Customers from FY19 to FY20 was achieved through Laybuy's expansion into Australia and the United Kingdom, increased marketing campaigns to improve Laybuy's brand awareness, the increase in Merchants transacting on the platform and an overall understanding of the BNPL product offering.

Additionally, the average order value increased from NZ$117 in FY18 to NZ$133 in FY20. The increase in the average order value is a function of the mix of Merchants on the platform as well as customer transaction limits.

In relation to GMV, Laybuy incurs variable costs which include:

1. costs of services provided which comprises debt financing costs and transaction processing fees (refer to Section 5.6.2); and
2. receivables impairment expense relates to the expected loss incurred by Laybuy because of customer defaults or customer fraud. The Company's technology is focused on minimising these costs by assessing a Laybuy customer's credit worthiness before they become a Laybuy customer as well as fraud detection tools applied at check-out for individual purchases.

The table below provides analysis of GMV (unaudited) and Net Transaction Margin over the Historical Period and for the first quarter of FY21. The FY21Q1 information has been sourced from unaudited management accounts.

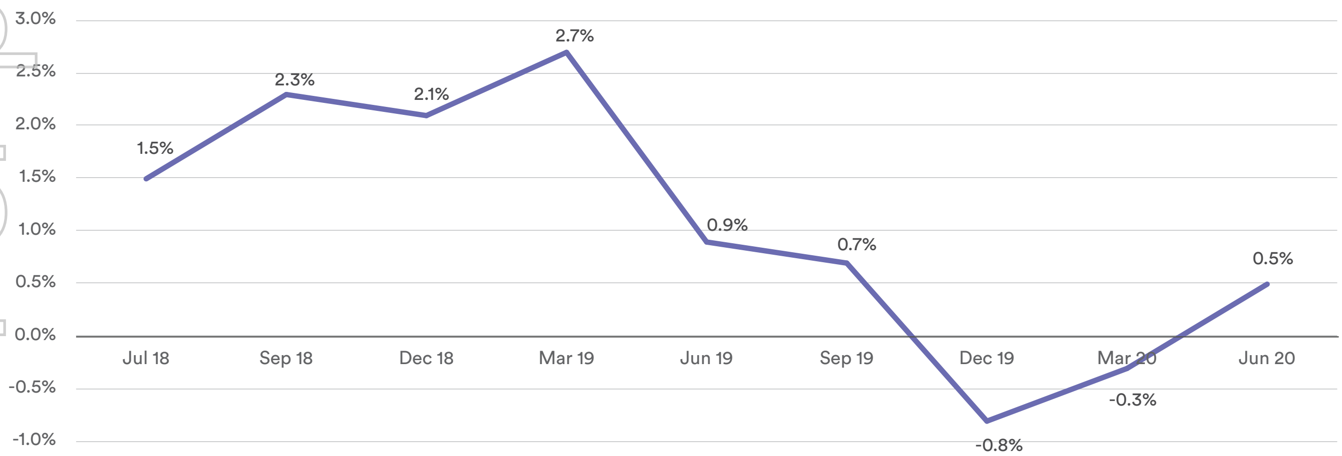
NZ$ 000's	FY18	FY19	FY20	FY21Q1
GMV – New Zealand and Australia	38,083	125,033	177,190	69,116
GMV – United Kingdom	–	1,123	49,405	47,710
Total GMV	**38,083**	**126,156**	**226,595**	**116,826**
A. Revenue	1,931	7,156	13,747	6,057
As a % of GMV	*5.1%*	*5.7%*	*6.1%*	*5.2%*
B. Receivables impairment expenses	774	1,667	9,217	3,961
As a % of GMV	*2.0%*	*1.3%*	*4.1%*	*3.4%*
C. Cost of services provided	745	2,750	4,548	1,539
As a % of GMV	*2.0%*	*2.2%*	*2.0%*	*1.3%*
Net transaction margin (A – B – C)	**412**	**2,739**	**(19)**	**557**
Net transaction margin % of GMV	1.1%	2.2%	0.0%	0.5%

During FY19, Laybuy's Net Transaction Margin was above 2%; however, as Laybuy entered new markets (Australia and the United Kingdom) it declined due to higher customer defaults and instances of fraud. Over time, as the platform matures in a market, it is expected the trend will reverse as repeat purchasers become a larger proportion of the total customer base.

The most recent quarterly Net Transaction Margin (FY21 Q1) illustrates this trend as the number of customer defaults and instances of fraud have declined relative to revenue. Other variable costs for transaction processing are also lower in the United Kingdom compared to Australia and New Zealand. As a result, Laybuy's % to total GMV for variable costs is expected to reduce as the growth in the United Kingdom increases.

An analysis of the quarterly Net Transaction Margin is shown below.

Figure 5.2: Net Transaction Margin (% of GMV)



5.4 Statement of Financial Position

5.4.1 Overview

The table below sets out the statutory and pro forma consolidated historical statement of financial position of the Company as at 31 March 2020.

The pro forma historical balance sheet is provided for illustrative purposes only and is not necessarily indicative of Laybuy's view of its balance sheet upon completion of the Offer.

5.4.2 Table: Statutory and pro forma consolidated historical statements of financial position as at 31 March 2020

NZ$ 000's	Statutory 31-Mar-20	Settlement of convertible notes (issued Jul-20)	Subtotal after Pre-IPO raise	Convertible notes (issued Mar-20)	Convertible notes Jul-20	Victory Park	ESOP cashless exercise	Impact of the offer	Pro forma 31-Mar-20
Cash and cash equivalents	9,856	10,679	20,536	–	–	(783)	(868)	36,231	55,116
Receivables	15,084	–	15,084	–	–	–	–	–	15,084
Other assets	2,553	–	2,553	–	–	2,747	–	–	5,300
Total current assets	**27,493**	**10,679**	**38,172**	**–**	**–**	**1,964**	**(868)**	**36,231**	**75,500**
Property, plant and equipment	186	–	186	–	–	–	–	–	186
Intangible assets	780	–	780	–	–	–	–	–	780
Other non-current assets	393	–	393	–	–	–	–	–	393
Total non-current assets	**1,359**	**–**	**1,359**	**–**	**–**	**–**	**–**	**–**	**1,359**
Total assets	**28,852**	**10,679**	**39,531**	**–**	**–**	**1,964**	**(868)**	**36,231**	**76,859**
Trade and other payables	7,538	–	7,538	–	–	–	–	–	7,538
Borrowings	6,018	–	6,018	–	–	–	–	–	6,018
Income tax payables	264	–	264	–	–	–	–	–	264
Convertible notes	14,808	10,679	25,487	(14,808)	(10,679)	–	–	–	–
Other liabilities	976	–	976	–	–	1,964	–	–	2,940
Total liabilities	**29,604**	**10,679**	**40,283**	**(14,808)**	**(10,679)**	**1,964**	**–**	**–**	**16,760**
Net assets/(liabilities)	**(752)**	**–**	**(752)**	**14,808**	**10,679**	**–**	**(868)**	**36,231**	**60,098**
Shareholders equity	20,343	–	20,343	15,375	11,241	–	(759)	37,967	84,168
Accumulated losses	(20,784)	–	(20,784)	(567)	(562)	–	(109)	(1,736)	(23,759)
Reserves	(311)	–	(311)	–	–	–	–	–	(311)
Total Equity	**(752)**	**–**	**(752)**	**14,808**	**10,679**	**–**	**(868)**	**36,231**	**60,098**

Notes:

1. The figures in the table above have been subject to rounding adjustments and may not sum.
2. Total receivables at 31 March 2020 were $15,084 comprising net customer receivables of $11,739 (representing gross customer receivables of $14,727 offset by a provision for expected credit losses of $2,988 - see the table in Section 5.6.3) and other receivables of $3,345.

The following adjustments have been made to derive the pro forma financial statement of position as at 31 March 2020.

1. Pre-offer convertible notes issued

There have been two convertible note raises, one in March 2020 for NZ$15.4 million (net of NZ$0.6 million of transaction costs), and one in July 2020 for NZ$11.2 million (net of NZ$0.6 million of transaction costs), both of which convert to equity on completion of the Offer. These convertible notes have been adjusted for as if they had converted to equity as at 31 March 2020. On completion of the Offer any accrued interest net of any relevant deduction or withholding that Laybuy is required to make will also be converted to equity and any capitalised costs in respect of the convertible note raise will be expensed to retained earnings.

2. Victory Park Debt Facility

Laybuy (UK) Limited and Laybuy Holdings (UK) Limited have entered into a facility agreement with Victory Park Management, LLC ("**VPM**"), an affiliate of Victory Park Capital, as agent, to provide a £80 million facility to Laybuy to fund expansion of the UK loan book. As part of the terms of this agreement, Warrants were issued to affiliates of VPM which entitle them to, in aggregate, approximately 2% of the fully diluted capital of Laybuy immediately prior to the Offer (assuming completion of the Offer).

The estimated value of the Warrants of NZ$1.9 million has been recognised as an Other asset with an offsetting liability. The estimated cost of obtaining the facility and related due diligence costs, legal fees and advisor fees of (NZ$783,000) were also recognised as an Other asset.

3. Employee share ownership plan ("ESOP")

As at the Prospectus Date, certain members of the Laybuy senior leadership team hold Options under an Employee Share Option Plan ("**ESOP**") – see the discussion on the Legacy Options in Section 7.5.6. Prior to Listing, the ESOP will be terminated and the Legacy Options will be cancelled in consideration for the Company issuing new Shares, of an aggregate value equal to the amount by which the Legacy Options are "in the money" (i.e. in effect, a cashless exercise), less the associated withholdings. They will be subject to withholdings of NZ$824,124,000 (in the form of cash) for tax in New Zealand and the United Kingdom, and the National Insurance Charge in the United Kingdom, which will be paid by the Company. The termination of the plan also accelerates the future expense of NZ$109,000 which will be recognised in Accumulated losses and the corresponding adjustment to Shareholders' equity.

4. Offer impact

The gross proceeds from the offer are expected to be NZ$85.2 million, comprised of NZ$42.6 million of New Shares issued by the Company and a NZ$42.6 million sell down by the Selling Shareholders.

The net cash proceeds for the Company is expected to be NZ$36.2 million after taking into account the expected Offer costs for the Company of NZ$6.4 million. These costs are split NZ$1.7 million to the profit and loss and NZ$4.7 million directly to equity, being the Offer costs attributed to the Sell Down and the costs of new capital raised by the Company respectively.

5. LTI Options

The impact of the issuance of Options to senior executives and Non-executive Directors of the Company as part of the LTI under the Laybuy Omnibus Incentive Plan have not been included in the pro forma historical statement of financial position. Refer to footnote 4 under Section 5.3.3 and Sections 7.5.2 and 7.5.3 for further detail.

5.5 Statement of Cashflows

5.5.1 Overview

The table below sets out the statutory and pro forma consolidated historical statement of cash flows for the Company for the Historical Period.

Cashflow Statement	Statutory			Pro forma		
NZ$ 000's	FY18	FY19	FY20	FY18	FY19	FY20
Profit/(loss) for the period	(1,007)	(3,581)	(16,137)	(2,763)	(5,337)	(17,428)
Adjustments for non-cash items	861	2,103	9,982	861	2,103	9,884
Movements in working capital						
Increase in trade and other receivables	(4,029)	(4,847)	(14,285)	(4,029)	(4,847)	(14,285)
Other changes in working capital	1,022	1,456	(1,386)	1,022	1,456	(1,386)
Cash flows from operating activities	**(3,152)**	**(4,870)**	**(21,824)**	**(4,909)**	**(6,626)**	**(23,214)**
Cash flows from investing activities	**(151)**	**(649)**	**(993)**	**(151)**	**(649)**	**(993)**
Proceeds from issue of equity instruments of the Company	–	4,550	13,000	–	4,550	13,000
Net proceeds from borrowings	770	2,711	2,537	770	2,711	2,537
Proceeds from issue of convertible notes	–	–	15,481	–	–	15,481
Other cash flows from financing activities	3,055	(415)	(197)	3,055	(415)	(197)
Cash flows from financing activities	**3,825**	**6,846**	**30,821**	**3,825**	**6,846**	**30,821**
Net cash flows	**522**	**1,327**	**8,004**	**(1,234)**	**(429)**	**6,614**

5.5.2 Reconciliation of the statement of Cashflows pro forma adjustments

Reconciliation	Statutory		
NZ$000's	FY18	FY19	FY20
Statutory net cash flows	**522**	**1,327**	**8,004**
Incremental costs of being a public company	(1,756)	(1,756)	(1,756)
One off consulting fees	–	–	366
Total pro forma adjustments	**(1,756)**	**(1,756)**	**(1,390)**
Pro forma net cash flows	**(1,234)**	**(429)**	**6,614**

Note the pro forma adjustments to the cash flows are the same pro forma adjustments that have been included in the Pro Forma Statement of Financial Performance (Section 5.3.3), with the exception of the interest expense on convertible notes which is a non-cash transaction.

5.6 Discussion and analysis of pro forma financial performance

The purpose of the following summary is to highlight some of the key factors that have impacted the Group's operating and financial performance from FY18 to FY20, on a pro forma basis. This is not an exhaustive list and primarily focuses on movements between FY19 and FY20 reflecting that FY18 was largely a startup year.

The Directors consider that Laybuy operates in one industry segment, a BNPL provider to Laybuy customers to purchase relatively low value goods from retail merchants.

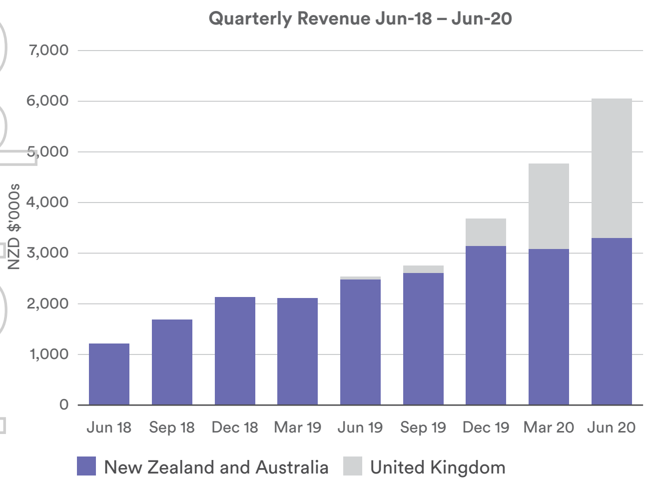
The information in this Section should be read in conjunction with the risk factors discussed in Section 4 and other information contained in this Prospectus.

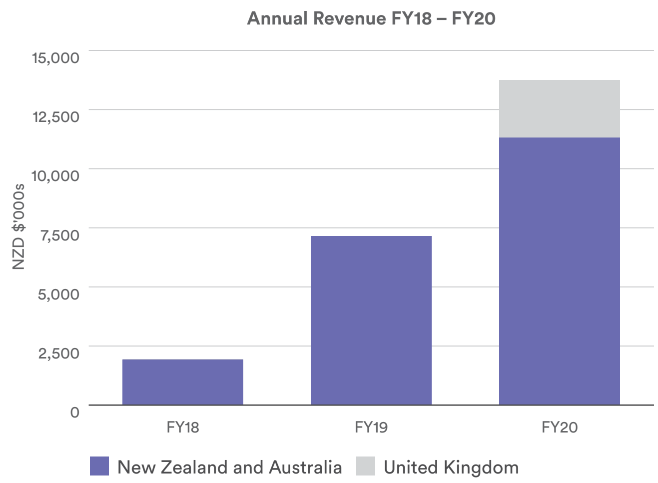
Laybuy presently does not believe it has a material exposure to foreign exchange gains and losses on its transactions. In all regions that Laybuy operates in, it holds bank accounts which are used for collections from customers in the same currency used to settle Merchant payments and therefore has a natural hedge on its revenue and expenditure in each region.

5.6.1 Revenue

Revenue is made up of Merchant commissions and late fee revenue. An analysis of quarterly and annual revenues are shown in the charts below.

Figure 5.3: Quarterly revenue (June 2018 to June 2020) and annual revenue (financial year ended 31 March 2018 to financial year ended 31 March 2020). The Jun-20 quarter has been extracted from the unaudited management accounts.





Total revenue in FY18 was driven out of the trading activities in NZ and it was not until FY20 that Laybuy derived significant revenue out of the United Kingdom.

Total revenue for the Group increased from NZ$7.2 million in FY19 to NZ$13.7 million in FY20. This reflects:

- Laybuy launched in the United Kingdom officially in February 2019, after a soft launch in October 2018 (during FY19). Active Merchants in the United Kingdom have increased to 335 in March 2020.
- Active Customers across all the Laybuy regions have increased 106% from 195,743 as at March 2019 to 403,937 in March 2020.
- Across the Australian and New Zealand market, revenue has increased from NZ$7.1 million in FY19 to NZ$11.3 million in FY20. This increase has been driven by the growth in new Merchants, with 2,308 joining during the 12 months through to March 2020. Customer numbers have also increased as more Merchants join the Laybuy platform.
- As the platform matures, the frequency with which customers use Laybuy increases. Laybuy customers who signed up to Laybuy in December 2017 now shop on average 15x per year compared to just under 10x on initial sign-up (refer to Figure 3.7). Similar trends are emerging for other customer cohorts who signed up after this date.
- Total revenue increased from NZ$4.8 million in Q4 in FY20 to NZ$6.1 million in Q1 FY21 reflecting the growth in the United Kingdom and the continued performance of Australia and New Zealand.

5.6.2 Cost of services provided

Cost of services provided includes payment processing fees paid to third party payment processors, and financing costs related to debt funding.

Debt funding costs incurred in relation to customer receivables, which are included in cost of services provided, vary depending on the underlying receivables balance that is funded.

Cost of services provided are entirely variable in nature and increase as GMV increases. That said Laybuy has benefited from scale and therefore as the transactional volumes through the Laybuy platform have increased Laybuy has been able to negotiate lower payment processing fees leading to increasing gross margins from 62% in FY19 to 67% in FY20.

Furthermore, as the UK business grows and derives proportionately higher revenue than the Australia and New Zealand businesses, cost of services provided as a % of revenue will continue to decrease as payment processing fees are lower in the United Kingdom due to the UK market being more regulated in this respect compared to Australia and New Zealand.

Costs of providing services marginally increased from NZ$1.47 million in Q4 in FY20 to NZ$1.54 million in Q1 FY21 reflecting the increased GMV, however this is a smaller increase than the growth in revenue which is driven by a lower cost of services provided per transaction in the United Kingdom.

5.6.3 Receivables impairment expense

As Laybuy takes all the customer credit risk, it does encounter impairment of its receivables and bad debts. Late fee revenue is recognised on a probability of receipt basis and is essentially recognised on a cash received basis. The receivables impairment expense therefore arises on the outstanding instalments from Laybuy customers.

Laybuy evaluates the collectability of instalments based on an expected credit loss model which is described in further detail as part of the Company's accounting policies set out in the Appendix.

The receivables impairment expense is also net of any recoveries which are made by debt collection agencies.

The receivables impairment expense has increased from NZ$1.7 million in FY19 to NZ$9.2 million in FY20, representing 4.1% of GMV, largely due to increasing the Laybuy customer base and the entry in to new markets which brings initial risk and cost until the customer base begins to mature and there are more Repeat Customers contributing to the overall GMV. Receivables impairment expense decreased to 3.4% of GMV in Q1 FY21.

Customer receivables as at 31 March 2020

NZ$ 000's	Not due	Aged 1 – 60 days	Aged 61+ days	Total
Customer receivables	11,853	2,098	776	14,727
Provision as at 31 March	(599)	(1,642)	(746)	(2,988)
Net receivables	**11,254**	**456**	**29**	**11,739**

Provisions have been recognised in line with the expected credit loss model which uses historical loss rates to determine estimated future losses. Receivables outstanding greater than 90 days are written off.

The impairment expense for undrawn balances which was NZ$0.4 million in FY20 is included in Other Operating Expenses.

5.6.4 Employment expenses

Employee expenses increased from NZ$0.7 million in FY18 to NZ$2.3 million in FY19. These further increased to NZ$5.1 million in FY20. Laybuy has invested heavily throughout FY20 in its people to strengthen the capability of its management team, software development, customer service, marketing, finance and sales as well as human resources, in order to support the planned growth of Laybuy.

5.6.5 Marketing expenses

Marketing expenses have increased from NZ$0.5 million in FY18 to NZ$1.5 million in FY19. These further increased to NZ$5.3 million in FY20. This is largely driven by the growth and expansion into the United Kingdom with increased costs associated with on-boarding larger enterprises as well as increasing brand awareness across all geographies. Marketing expenses also includes the credit checking costs and has increased from NZ$0.2 million in FY18 to NZ$1.2 million in FY20, largely attributable to the on-boarding of new UK customers.

5.6.6 Other operating costs

Other operating expenses increased from NZ$1.9 million in FY18 to NZ$3.7 million in FY19. These further increased to NZ$7.1 million in FY20. Other operating expenses primarily comprises of professional fees, director fees, recruitment fees, contractor costs, office rent, administrative expenses, and software licensing costs. These costs have increased reflecting the growth of the Company.

5.6.7 Depreciation and amortisation expense

Depreciation and amortisation expense relate to the depreciation of property, plant and equipment and amortisation of internally developed software and web development. Assets are depreciated or amortised over their useful lives in accordance with Laybuy's accounting policies set out in the Appendix.

5.6.8 Income tax

During FY19 and FY20, Laybuy operated in a net trading loss position across all regions. The Group has estimated total tax losses of NZ$17.0 million available for offsetting against future taxable profits of the companies in which the losses arose, subject to the shareholder continuity and/or same business test rules in the relevant tax jurisdictions being met (NZ: $5.8 million, AU: $1.8 million and UK: $9.4 million).

As at 31 March 2020, no deferred tax assets have been recognised in respect of these tax losses.

5.6.9 Discussion and analysis of historical cashflows

Operating cashflow over the Historical Period has been negative, particularly in FY20, reflecting the growth in the loan receivables book and the start up costs of establishing the business in new markets.

Investing cash outflows related primarily to:

- the development of software and systems (intangible assets) which were NZ$0.3 million in FY19 and NZ$0.7 million FY20; and
- purchases of plant and equipment which were NZ$0.2 million in FY19 and NZ$0.1 million in FY20.

Key financing activities over the Historical Period included:

- cash injection of NZ$3.1 million in FY18 from Gary and Robyn Rohloff by way of a loan which was subsequently converted to equity;
- equity investments by Pioneer Capital in FY19 of NZ$4.6 million and FY20 of NZ$13.0 million;
- investments via convertible notes issued to existing and new investors in FY20 of NZ$15.5 million net of associated transaction costs, which had been paid for in cash by 31 March 2020; and
- drawdowns on external debt funding facilities of NZ$0.8 million in FY18, NZ$2.7 million in FY19 and NZ$2.5 million in FY20.

5.7 Indebtedness

5.7.1 Victory Park Capital

Laybuy (UK) Limited ("**Laybuy UK**") and Laybuy Holdings (UK) Limited ("**Laybuy Holdings UK**") have entered into a facility agreement ("**Facility Agreement**") with Victory Park Management, LLC ("**VPM**"), an affiliate of Victory Park Capital, as agent, to provide a £80 million facility to Laybuy to fund expansion of the UK loan book ("**VP Facility**"). See Section 9.2 for further details regarding the terms of the VP Facility.

5.7.2 Kiwibank

Laybuy Holdings has a NZ$20 million debt funding facility with Kiwibank Limited ("**Kiwibank**"). The Kiwibank Facility is to be used to refinance existing indebtedness of Laybuy Holdings and to fund the Group's working capital requirements. Each drawdown of the Kiwibank Facility is subject to certain conditions precedent. See below and Section 9.3 for further details regarding terms of the Kiwibank Facility.

5.7.3 Financial Covenants

Victory Park

The VP Facility has the following financial covenants:

(a) **Borrowing Base:** The aggregate principal amount of the loans under the VP Facility must not exceed the "Borrowing Base" at any time. In addition, the aggregate principal amount of the loans outstanding must not be less than a specified percentage of the Borrowing Base from time to time. The "Borrowing Base" is the aggregate of the outstanding principal balance of eligible receivables owned by Laybuy UK and available cash (less certain reserves), multiplied by an applicable advance rate. Depending on the "Trailing Loss Rate" of the receivables portfolio, the advance rate could be (i) anything between 70% and 92.5% if the "Trailing Loss Rate" is between 0% and 15%, (ii) subject to sub-paragraph (iii) below, less than 70% if the "Trailing Loss Rate" is in excess of 15%, and (iii) at any time when the principal amount outstanding under the VP Facility exceeds £12,000,000, the lower of 92.5% and 100% less 3 times the "Trailing Loss Rate". "Trailing Loss Rate" is the loss on a portfolio of receivables tested at a certain point in time with reference to receivables originated during a certain period of time.

(b) **Minimum Cash on Cash Return Date:** on certain testing dates, the cumulative average cash on cash return rate must not be less than certain prescribed percentages.

(c) **Minimum Corporate Liquidity:** Laybuy Holdings UK's available cash must not be less than a minimum amount depending on the principal amount outstanding under the VP Facility.

(d) **Tangible Net Worth:** On certain testing dates, the tangible net worth of the Group must exceed the greater of: (A) NZ$20,000,000; and (B) a specified percentage of the principal financial indebtedness outstanding in the Group.

(e) **Charged-off Loans:** The "Cumulative Average Charge Off Rate" in the United Kingdom must not exceed, depending on when the testing date is, various specified percentages. The "Cumulative Average Charge Off Rate" is the percentage rate which is the weighted average (weighted against the original total balance of the relevant pool of receivables) of the write-off/default rates of several pools of receivables, each tested at a certain point in time.

(f) **Maximum Delinquency Rate:** The "Maximum Delinquency Rate" in the United Kingdom must not exceed, depending on when the testing date is, specified percentages. The "Maximum Delinquency Rate" is the ratio of (i) the outstanding principal balance of overdue receivables on the relevant testing date to (ii) the aggregate outstanding principal balance of all the eligible receivables and overdue receivables on such testing date.

Kiwibank

The Kiwibank Facility has the following key financial covenants:

(a) **Eligible Receivables Ratio:** at all times, the amount outstanding under the Kiwibank Facility must not exceed 75% of the amount of all receivables of the Obligors less than 14 days overdue. In the event that this covenant is breached, Laybuy Holdings has 20 business days to cure the breach by repaying sufficient amounts under the Kiwibank Facility before it will result in an event of default.

(b) **Bad Debt Ratio:** in respect of any three month period, the ratio of the defaulted receivables amount for a particular jurisdiction to the gross value of all sales under customer contracts in that jurisdiction, in each case for that three month period, must not exceed a certain specified percentage. The percentage varies depending on the jurisdiction and when the relevant three month period falls. The requirements in respect of the United Kingdom only apply while Laybuy Holdings UK is an obligor under the Kiwibank Facility.

5.7.4 Convertible Notes

On 19 February 2020, Laybuy Holdings approved a convertible note facility with capital raised to fund growth. As at 31 March 2020, 14,820,000 Convertible Notes were issued with a face value of A$14,820,000. Since that time, a further 10,570,000 Convertible Notes have been issued with a face value of A$10,570,000.[2]

An interest rate of 8% is carried on the outstanding principal. Interest payments may either be paid or capitalised quarterly. No interest has been paid on the Convertible Notes and capitalised interest payments are added to the outstanding principal amount.

These Convertible Notes will convert to equity contemporaneously with allotment under the Offer and as such the removal of the interest expense from the Statement of Financial Performance and the removal of the Convertible Notes which sit on the Statement of Financial Position have been included as pro forma adjustments so that the Financial Information presented more closely aligns with the capital structure expected following the Listing Date.

For further information about the Convertible Notes, including their conversion prior to Listing, refer to Section 11.7.2.

2. Amount includes Convertible Notes with a face value of $20,000 issued on 4 May 2020 in addition to those issued in July 2020.

Section 6

Investigating Accountant's Report

6 Investigating Accountant's Report

The Directors
Laybuy Group Holdings Limited
Level 1, B:HIVE, 74 Taharoto Road
Takapuna, Auckland 0622, New Zealand

The Directors
Laybuy Holdings Limited
Level 1, B:HIVE, 74 Taharoto Road
Takapuna, Auckland 0622, New Zealand

The Directors
Laybuy SaleCo Limited
Level 1, B:HIVE, 74 Taharoto Road
Takapuna, Auckland 0622, New Zealand

10 August 2020

Dear Directors

Investigating Accountant's Report

Independent Limited Assurance Report on Laybuy Group Holdings Limited historical financial information and Financial Services Guide

We have been engaged by Laybuy Group Holdings Limited (the **Company**), Laybuy Holdings Limited (**Laybuy Holdings**) and Laybuy SaleCo Limited (**SaleCo**) to report on the historical financial information of the Company as at/for the years ended 31 March 2018, 31 March 2019 and 31 March 2020 for inclusion in the prospectus dated on or about 10 August 2020 (**Prospectus**) relating to the proposed initial public offering (**IPO**) of fully paid ordinary shares in the Company, and the listing of the Company on the Australian Securities Exchange (**ASX**)(**Offer**).

Expressions and terms defined in the Prospectus have the same meaning in this report, unless otherwise specified.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001 (**Corporations Act**). PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers holds the appropriate Australian financial services licence under the Corporations Act 2001. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Scope

You have requested PricewaterhouseCoopers Securities Ltd to review the following historical financial information of the Company (the responsible party) included in the Prospectus:

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572
One International Towers Sydney, Watermans Quay, Barangaroo NSW 2000, GPO BOX 2650 Sydney NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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Statutory Historical Financial Information

- the statutory historical consolidated statements of financial performance for the years ended 31 March 2018, 31 March 2019 and 31 March 2020;
- the statutory historical consolidated statement of financial position as at 31 March 2020;
- the statutory historical consolidated statements of cash flows for the years ended 31 March 2018, 31 March 2019 and 31 March 2020;

(together the **Statutory Historical Financial Information**).

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in New Zealand Accounting Standards and the Company's adopted accounting policies. The historical financial information has been extracted from the financial reports of Laybuy Holdings for the years ended 31 March 2018, 31 March 2019 and 31 March 2020, which were audited by PricewaterhouseCoopers (New Zealand) in accordance with the New Zealand Auditing Standards. PricewaterhouseCoopers (New Zealand) issued unmodified audit opinions on the financial reports.

The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by New Zealand Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Pro Forma Historical Financial Information

- the pro forma historical consolidated statements of financial performance for the years ended 31 March 2018, 31 March 2019 and 31 March 2020;
- the pro forma historical consolidated statement of financial position as at 31 March 2020;
- the pro forma historical consolidated statements of cash flows for the years ended 31 March 2018, 31 March 2019 and 31 March 2020;

(together the **Pro Forma Historical Financial Information**).

The Statutory Historical Financial Information and the Pro forma Historical Financial Information are together referred to as the **Financial Information**.

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of the Company, after adjusting for the effects of pro forma adjustments described in sections 5.3.3, 5.4.2 and 5.5.2 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in New Zealand Accounting Standards and the Company's adopted accounting policies applied to the Statutory Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in sections 5.3.3, 5.4.2 and 5.5.2 of the Prospectus, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance, and/or cash flows

Directors' responsibility

The directors of the Company are responsible for the preparation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information, including its basis of preparation and the selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information.

This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of Statutory Historical Financial Information and Pro Forma Historical Financial Information that are free from material misstatement.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information and the Pro Forma Historical Financial Information, based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusions

Statutory Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information of the Company, as described in section 5 of the Prospectus, and comprising:

- the statutory historical consolidated statements of financial performance for the years ended 31 March 2018, 31 March 2019 and 31 March 2020;
- the statutory historical consolidated statement of financial position as at 31 March 2020;
- the statutory historical consolidated statements of cash flows for the years ended 31 March 2018, 31 March 2019 and 31 March 2020;

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 5 of the Prospectus being the recognition and measurement principles contained in New Zealand Accounting Standards and the Company's adopted accounting policies.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information of the Company as described in section 5 of the Prospectus, and comprising:

- the pro forma historical consolidated statements of financial performance for the years ended 31 March 2018, 31 March 2019 and 31 March 2020;
- the pro forma historical consolidated statement of financial position as at 31 March 2020;
- the pro forma historical consolidated statements of cash flows for the years ended 31 March 2018, 31 March 2019 and 31 March 2020;

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 5 of the Prospectus being the recognition and measurement principles contained in New Zealand Accounting Standards and the Company's adopted accounting policies applied to the Statutory Historical Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 5 of the Prospectus, as if those event(s) or transaction(s) had occurred as at the date of the Statutory Historical Financial Information.

Notice to investors outside Australia

Under the terms of our engagement this report has been prepared solely to comply with Australian Auditing Standards applicable to review engagements.

This report does not constitute an offer to sell, or a solicitation of an offer to buy, any securities. We do not hold any financial services licence or other licence outside Australia. We are not recommending or making any representation as to suitability of any investment to any person.

Restriction on Use

Without modifying our conclusions, we draw attention to section 5 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

Consent

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the public document in the form and context in which it is included.

Liability

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Prospectus. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the Prospectus.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this transaction other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

Financial Services Guide

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

Glen Hadlow
Authorised Representative
PricewaterhouseCoopers Securities Ltd

Appendix A – Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD

FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 10 August 2020

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("**PwC Securities**") has been engaged by Laybuy Group Holdings Limited (the "**Company**"), Laybuy Holdings Limited (**Laybuy Holdings**) and Laybuy SaleCo Limited (**SaleCo**) to provide a report in the form of an Investigating Accountant's Report in relation to the historical and pro forma historical financial information (**the "Report**") for inclusion in the Prospectus dated 10 August 2020.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide ("**FSG**") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

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5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are charged on an hourly basis and as at the date of this Report amount to $320,000.

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business.

7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (**"AFCA"**), an external complaints resolution service. AFCA can be contacted by calling 1800 931 678. You will not be charged for using the AFCA service.

8. Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Glen Hadlow
PricewaterhouseCoopers Securities Ltd
One International Towers Sydney, Watermans Quay, Barangaroo NSW 2000

Section 7

Board, Senior Management and Corporate Governance

7 Board, Senior Management and Corporate Governance

7.1 Board of Directors

The Board of Directors of the Company will comprise the following Directors:

Director & Experience

Steven Fisher

Chair and Non-executive Director

(Age: 63)

Joined Board in July 2020

Mr Fisher has more than 30 years' experience in general management positions in the wholesale consumer goods industry and was previously chief executive of the Voyager Group. Mr Fisher is currently the non-executive chairman of ASX-listed Breville Group Limited and The Reject Shop Limited.

Mr Fisher was a practising chartered accountant having qualified in South Africa with a Bachelor of Accounting degree from the University of Witwatersrand, Johannesburg.

Gary Rohloff

Managing Director

(Age: 58)

Joined Laybuy Holdings board in November 2016 and Board in June 2020

Mr Rohloff co-founded the Laybuy business in 2016 and has served as the Managing Director of the Company since that time. Mr Rohloff is responsible for the overall management and strategic direction of the Company. Mr Rohloff is ordinarily based in the United Kingdom to assist in developing the Laybuy team and growing the UK business.

Mr Rohloff has held a number of CEO roles in the retail industry, including Number One Shoes, Warehouse Stationery and EziBuy. Prior to his retail experience, he worked in treasury roles and in banking.

Mr Rohloff has a Master of Business Administration (MBA) from Massey University, New Zealand where he graduated with Distinction in 1994.

Mark Haberlin

Non-executive Director

(Age: 57)

Joined Board in July 2020

Mr Haberlin has significant expertise in senior finance and management roles, including having been a partner at PwC in Australia for 24 years and serving two of those years as chair.

Mr Haberlin is currently a non-executive director of ASX-listed Abacus Property Group as well as two private companies. At Abacus, he is the lead independent director and chair of the Audit & Risk Committee.

Mr Haberlin has a Bachelor of Science (Civil Engineering) (Honours) from Imperial College, London University.

Craig Styris

Non-executive Director

(Age: 42)

Joined Laybuy Holdings board in February 2020 and Board in June 2020

Mr Styris is an Executive Director of Pioneer Capital, a private and growth equity firm focused on investments in New Zealand businesses. Mr Styris has sourced and managed a number of investments for Pioneer Capital across a range of growth sectors.

Prior to Pioneer Capital, Mr Styris was an Associate Director at Craigs Investment Partners and an Associate at Houlihan Lokey in Los Angeles.

Mr Styris is currently a director of Natural Pet Food Group, Rockit Global, and Tom & Luke.

Mr Styris has a Bachelor of Management Studies (Accounting and Economics) and a Graduate Diploma in Finance from the University of Waikato, New Zealand.

Each Director has confirmed that they anticipate that they will have sufficient time to fulfil their responsibilities as a Non-executive Director or executive Director (and employee), as the case may be, of Laybuy.

Each Non-executive Director has advised the Company that they hold current positions with other organisations (described above). However, no Director believes that any other commitment will interfere with their availability to perform their duties as a Director of Laybuy.

7 Board, Senior Management and Corporate Governance (continued)

7.1.1 Independence of Directors

In considering the independence of the Directors, the Board has had regard to the factors relevant to assessing independence, as set out in the ASX Corporate Governance Principles and Recommendations.

The Board considers that a Director is an independent Director where that director is free of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company as a whole rather than in the interests of an individual security holder or other party. Based on this review, the Board has determined that:

- Gary Rohloff is not considered to be an independent Director due to his executive role with the Company and as a substantial shareholder in Laybuy;
- Craig Styris is not considered to be an independent Director due to his position with Pioneer Capital, a substantial shareholder in Laybuy; and
- Steven Fisher and Mark Haberlin are considered to be independent Directors.

Mr Haberlin is entitled to receive payments from PwC Australia as part of a retirement plan. The payments are based on a set formula relating to Mr Haberlin's partnership and tenure with PwC Australia. They are not calculated based on the financial performance of PwC New Zealand, the Company's auditor. The Board is satisfied that this does not affect Mr Haberlin's independence as a Non-executive Director, nor does it constitute a conflict of interest.

7.2 Key Managers

Laybuy's management team is as follows:

Management & Experience

Gary Rohloff

Managing Director

See above bio.

Katrina Kirkcaldie

Chief Financial Officer

Mrs Kirkcaldie is responsible for overseeing the Group's global finance function. Mrs Kirkcaldie has served as the Group's Chief Financial Officer since October 2019.

Mrs Kirkcaldie is a chartered accountant with over 15 years of accounting and finance experience. Prior to commencing the role of CFO, Mrs Kirkcaldie held a number of roles within finance, software and retail organisations at firms including WhereScape, The Warehouse, EY and KPMG.

Mrs Kirkcaldie has a Bachelor of Commerce from the University of Canterbury, New Zealand and is a member of Chartered Accountants Australia and New Zealand.

James Abbott

Chief Operating Officer

Mr Abbott is responsible for the risk and product functions of the Group. Mr Abbott started at Laybuy as the CFO in February 2018 and has since served as the Chief Operating Officer from August 2018. Mr Abbott focuses on the strategic direction and risk management practice of the Group.

Mr Abbott has over 15 years' experience in finance and commercial banking. Prior to joining Laybuy, Mr Abbott spent five years working at Westpac as a Business Development and Key Account Manager for the Business Banking Unit.

Mr Abbott has a Bachelor of Commerce (Finance) from the University of Auckland, New Zealand.

Robyn Rohloff

Global Brand Director

Mrs Rohloff co-founded the Laybuy business in 2016 with her husband, Gary Rohloff, and serves as Laybuy's Global Brand Director. Mrs Rohloff is responsible for all the brand, creative and PR aspects of the business in New Zealand, Australia and the United Kingdom.

Mrs Rohloff has been a director of Laybuy Holdings since its incorporation in November 2016, and of Laybuy Holdings UK since its incorporation in January 2018. Mrs Rohloff has led the development of Laybuy's brand and marketing initiatives from commencement of the business. She is ordinarily based in the United Kingdom to assist in developing the Laybuy team and growing the UK business.

Justin Soong
Chief Technology Officer

Mr Soong is responsible for software development and architecture at Laybuy.

Prior to Laybuy, Mr Soong held senior IT roles at Dovetail, a designer and builder of software, and Harmoney Ltd, a leading lending platform in Australia and New Zealand.

Mr Soong has a Bachelor of Commerce (Computer Systems and Networks and Economics) from the University of Canterbury, New Zealand.

Mel Quirk
Chief People Officer

Ms Quirk is responsible for the development and execution of Laybuy's people strategy.

Ms Quirk has over 13 years of human resources experience. Prior to commencing her role at Laybuy, Ms Quirk held roles at Overland Footwear Group, Converga Pty Ltd and Mighty River Power.

Ms Quirk has a Bachelor of Social Sciences (Psychology) and a Diploma in Organisational Behaviour from the University of Waikato, New Zealand. She also has a Certificate in Employment Relations from Massey University, New Zealand.

Luke Flomo
Chief Revenue Officer (UK & Europe)

Mr Flomo is responsible for driving Laybuy's revenue growth in the United Kingdom and Europe, including managing sales, relationship management, partnerships and customer support.

Mr Flomo has over 14 years' of experience in commercial sales functions in the financial services industry, including the payments industry. He previously held management roles at Klarna and Trustly.

Mr Flomo has a Bachelor of Science (Business Economics and Finance) from Loughborough University, United Kingdom.

Tim Rennie
General Counsel

Mr Rennie is responsible for overseeing the Group's global legal function.

Mr Rennie has over 15 years of legal experience. Prior to his appointment as General Counsel, Mr Rennie held a number of roles, including at Xero in New Zealand and senior roles at epay Worldwide and PayPoint in the United Kingdom.

Mr Rennie has a Bachelor of Science and a Bachelor of Laws from the University of Waikato, New Zealand and is admitted as a barrister and solicitor of the High Court of New Zealand.

Virginia Ballantyne
Senior Risk and Compliance Manager

Ms Ballantyne joined Laybuy in May 2020 and is responsible for the Group's risk and compliance function.

Ms Ballantyne trained as an auditor with Audit New Zealand before moving on to the Financial Markets Authority as a Conduct Regulator where she was involved with the assessment of financial market license applications. Prior to joining Laybuy, Ms Ballantyne was a Compliance Manager for Westpac Banking Corporation in New Zealand.

Ms Ballantyne is a member of Chartered Accountants Australia and New Zealand.

Each Key Manager has a full time employment agreement with the Company and has confirmed that they anticipate that they will have sufficient time to fulfil their respective roles without constraint from other commitments.

7.3 Disclosure

No Director or Key Manager has been the subject of (or was a director of a company that has been subject to) any legal or disciplinary action in Australia or elsewhere in the last ten years which is relevant to the performance of their role with Laybuy or which is relevant to an investor's decision as to whether to subscribe for Shares under the Offer.

No Director or Key Manager has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12 month period after they ceased to be an officer.

7.4 Directors and Key Managers' interests and benefits

7.4.1 Overview

This Section sets out the nature and extent of the interests and fees of certain persons involved in the Offer and Laybuy. Other than as set out below or elsewhere in this Prospectus:

- no Director or proposed Director has been paid or agreed to be paid any amount, or has been given or agreed to be given any other benefit, either to induce him or her to become, or to qualify him or her as, a Director or otherwise for services rendered by him or her in connection with the formation or promotion of Laybuy or the Offer; and
- none of the following persons:
  - » a Director or proposed Director of Laybuy;
  - » each person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
  - » a promoter of Laybuy; or
  - » an underwriter to any part of the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in any part of the Offer,

  holds or held at any time during the last two years an interest in:
  - » the formation or promotion of Laybuy;
  - » property acquired or proposed to be acquired by Laybuy in connection with its formation or promotion, or the Offer; or
  - » the Offer,

or was at any time paid or agreed to be paid any amount (whether in cash, Shares or otherwise), or has been given or agreed to be given any other benefit, for services provided by such person in connection with the formation or promotion of Laybuy, or the Offer.

7.4.2 Employment arrangements with Managing Director

Gary Rohloff has served as Managing Director of the Group since Laybuy's formation.

Term	Description
Employer	Gary Rohloff is employed by Laybuy Holdings and is currently seconded to Laybuy Holdings UK.
Fixed annual salary	From Listing, Gary is entitled to receive an annual salary of NZ$375,000 (subject to annual review).
Short term incentive (STI)	Gary will be eligible to receive a discretionary STI award of up to NZ$75,000 (representing 20% of his fixed annual salary), based on the performance of the Group and achievement of specified key performance indicators. Performance will be measured against a 12-month financial year, and if Gary becomes entitled to receive an STI award, 100% will be delivered in cash.
Long term incentive (LTI)	Gary will also be entitled to receive an LTI subject to the satisfaction of performance conditions. It is intended that, on the Allotment Date, Gary will receive approximately 709,220 ZEPOs (representing approximately A$1,000,000 in aggregate at the Offer Price). Further details on the Omnibus Incentive Plan or OIP (which will be used to deliver LTI awards) are set out in Sections 7.5.1 and 7.5.2, including the key terms and conditions (such as the performance period and vesting conditions) applicable to Gary's grant of ZEPOs.
Other benefits	Gary is provided with a company laptop and mobile phone for the purpose of conducting business, a vehicle for personal and business use, and a carpark when in New Zealand. Certain other benefits are available to Gary such as reimbursement of reasonable business expenses incurred in performing duties (e.g. travel expenses). In addition, while Gary is based in the United Kingdom, he is entitled to additional entitlements and benefits including (but not limited to) rental costs of suitable accommodation, home contents insurance, two return business class airfares from New Zealand to the United Kingdom per annum, travel costs to and from work and mobile phone costs.

Term	Description
Termination	Gary may terminate his employment at any time on four months' written notice. The Company may terminate Gary's employment without notice for serious misconduct (for example, due to theft, assault, sexual harassment or similar). The Company may also terminate Gary's employment for performance reasons or other less serious misconduct, following a process of warnings, on provision of four months' written notice (subject to compliance with the requirements set out in the *Employment Relations Act 2000*). Gary is not entitled to redundancy compensation if his employment is terminated for reason of redundancy. His notice provision applies in the case of redundancy. Following termination, Gary is subject to a 12 month global restraint against competing activities. The enforceability of the restraint clause is subject to all usual legal considerations.

7.4.3 Employment arrangements with Chief Financial Officer

Katrina Kirkcaldie is employed by Laybuy Holdings and serves as the Group's Chief Financial Officer. Katrina is entitled to a base annual salary of NZ$250,000. In addition, Laybuy makes contributions equal to 3.0% of Katrina's gross remuneration towards her Kiwisaver scheme, and pays her car parking costs.

Katrina will be eligible to receive a discretionary STI award of up to NZ$50,000 (representing 20% of her fixed annual salary), based on the performance of the Group and achievement of specified key performance indicators. Performance will be measured against a 12-month financial year, and if Katrina becomes entitled to receive an STI award, 100% will be delivered in cash.

On the Allotment Date, Katrina will receive 460,993 ZEPOs under the OIP. The key terms and conditions of Katrina's grant of ZEPOs is set out in Section 7.5.2. In addition, Katrina will receive a one-off cash bonus following Listing of NZ$100,000.

Katrina may terminate her employment at any time with two months' notice.

The Company may terminate Katrina's employment without notice for serious misconduct (for example, due to theft, assault, sexual harassment or similar).

The Company may also terminate Katrina's employment for performance reasons or other less serious misconduct, following a process of warnings, on provision of four months' written notice (subject to compliance with the requirements set out in the *Employment Relations Act 2000*).

Following termination Katrina is subject to a 12 month restraint against competing activities.

7.4.4 Non-executive Directors' fees

Under the Listing Rules, the total amount paid to all Directors (excluding the salary of any executive Director) for their services must not exceed in aggregate in any financial year the amount fixed by the Company in a general meeting. This amount has been fixed at A$600,000.

The fee to be paid by Laybuy to each of its Non-executive Directors (other than the Chair) is A$80,000 per annum (inclusive of statutory superannuation, if applicable). The fee currently agreed to be paid by Laybuy to the Chair is A$130,000 per annum (inclusive of statutory superannuation).

In addition, the Chair of the Audit and Risk Committee will receive an annual fee of A$15,000 (inclusive of statutory superannuation, if applicable) and the Chair of the Nomination and Remuneration Committee will receive an annual fee of A$8,000 (inclusive of statutory superannuation, if applicable). Directors will receive an additional annual fee of A$5,000 (inclusive of statutory superannuation, if applicable) for services as a member of a Board committee.

Directors may be reimbursed for travel and other expenses incurred in attending to Laybuy's affairs.

In the case of Craig Styris, Laybuy is party to a Services Agreement with Pioneer Capital Management Limited in relation to board and advisory services. From Listing, the Company will pay Mr Styris' director fees and expenses to Pioneer Capital Management Limited under the terms of that agreement, rather than to Mr Styris personally.

7.4.5 Directors' interests in Shares and other securities

The table below sets out the direct and indirect interests of the Directors in the securities of Laybuy as at the date of this Prospectus and following completion of the Offer (including) the fully diluted percentage holdings these interests represent at Listing. The figures are subject to the matters described under the heading "Pre-allotment figures" in the Important Information Section at the beginning of this Prospectus.

	As at Prospectus Date			Following completion of Offer			
Director	Convertible Notes	Shares	Options	Convertible Notes	Shares	Options	Holding % (fully-diluted)[1]
Steven Fisher	–	–	–	–	–	240,000	0.1%
Gary Rohloff[2,3]	47,000	60,000,000[2]	–	–	51,531,420	1,170,213	26.8%
Mark Haberlin	–	–	–	–	–	160,000	0.1%
Craig Styris[4]	4,112,900	60,000,000	–	–	44,462,218	–	22.6%

Notes:

1. Fully-diluted figures calculated on the basis described under the heading "Pre- and post-allotment figures" in the Important Information Section at the beginning of this Prospectus.
2. Figures at the Prospectus Date includes 30,000,000 Shares held by Gary Rohloff, and 30,000,000 Shares and 47,000 Convertible Notes held by his wife, Robyn Rohloff.
3. Figures following Completion of the Offer includes 25,744,681 Shares and 709,220 Options held by Gary Rohloff, and 25,786,739 Shares and 460,993 Options held by his wife, Robyn Rohloff.
4. Includes 12,900 Convertible Notes as at the Prospectus Date, and 11,543 Shares following completion of the Offer, which are held by Styris Investments Limited, which is in turn owned by Mr Styris' family trust (C & A Styris Family Trust). The remaining securities are held by Pioneer Capital Ferdinand Limited ("**Pioneer**"). Pioneer is owned (via a chain of wholly owned subsidiaries) by a New Zealand limited partnership called Pioneer Capital Partners III LP (the "**Pioneer Fund**"), which is managed by Pioneer Capital, a New Zealand-based growth equity firm through a company named Pioneer Capital Management Limited. Mr Styris is an Executive Director of Pioneer Capital. Mr Styris' family trust (C & A Styris Family Trust) also holds a 30% interest in Pioneer Capital Management Limited. Mr Styris may be considered to have shared voting and dispositive power over the Shares held by Pioneer. Mr Styris disclaims beneficial ownership of such securities.

In addition, the Non-executive Directors (or their spouses or associates) may apply for Shares under the Offer. If the Non-executive Directors (or their spouse or associate) do apply for, and are allocated, Shares under the Offer, the figures in the above table will be affected. The Company will notify ASX of the Directors' interests at the time of Listing in accordance with the Listing Rules.

7.4.6 Other interests of Directors

(a) Outperformance sharing arrangement

Gary Rohloff and his wife, Robyn Rohloff, are each a party to an agreement with Pioneer, under which following Laybuy's listing on ASX, broadly, the Rohloffs are entitled to receive a payment from Pioneer equal to one-third of the return Pioneer achieves on its total investment in the Group above a threshold (which threshold is essentially three times the amount Pioneer has invested in the Group). If at the relevant time, the Rohloffs own less than 15% of the Shares and neither of them is employed by the Company then they will not be entitled to any payment.

(b) Secondment benefits

Like Gary, Robyn Rohloff and Alex Rohloff (Gary and Robyn's son) are both ordinarily based in the United Kingdom and seconded to provide services to Laybuy Holdings UK. Robyn and Alex are entitled to benefits and entitlements during the secondment period in addition to their usual employment terms. These benefits include (but are not limited to) rental costs of suitable accommodation, home contents insurance, two return business class airfares each from New Zealand to the United Kingdom per annum, travel costs to and from work and mobile phone costs.

7.4.7 Indemnification of Directors, officers and employees, and insurance

The Company has entered into deeds of indemnity with each Director. Under the deeds, to the extent permitted by the Companies Act and the Company's Constitution, the Company indemnifies each Director for certain liabilities which the Director may incur as a result of, or by reason of (whether solely or in part), being or acting as a Director or as a director of any related company.

In particular, each Director is indemnified by the Company for:

(a) any costs incurred by the Director in any proceeding that relates to liability for any act or omission in the Director's capacity as a director of the Company or a related company and in which the Director is acquitted, judgement is given in the Director's favour, or which is discontinued; and

(b) any liability to any person (other than the Company or a related company) for any act or omission made in the Director's capacity as a director of the Company or a related company; and

(c) any costs incurred in defending or settling any claim or proceeding relating to a liability referred to in subparagraph (b) above,

subject to any limitations contained in the deed of indemnity or agreement from time to time in force between the Company and the Director relating to indemnities. The Director is not indemnified in respect of criminal liability, or liability in respect of a breach of the duty specified in section 131 of the Companies Act (duty to act in good faith and in the best interests of the company).

The Director is indemnified for the duration of the Director's tenure as a director of the Company or a related company and for seven years from the date the Director retires, is removed from office or otherwise ceases to hold the office of a director of the Company or a related company.

The Constitution also permits the Company to indemnify employees of the Company and directors and employees of any related company (subject to approval by the Board), subject to certain exceptions.

At present, there is no pending litigation or proceeding involving a Director or employee for which indemnification is sought, nor is the Company aware of any threatened litigation that may result in claims for indemnification.

Laybuy maintains insurance policies that indemnify the Company's Directors and officers against various liabilities that might be incurred by any Director or officer in his or her capacity as such.

7.5 Incentive arrangements

7.5.1 Omnibus Incentive Plan

The Company has established the Laybuy Omnibus Incentive Plan ("**OIP**") to assist in the motivation, reward and retention of its Directors, Key Managers and other selected employees.

The Omnibus Incentive Plan Rules ("**Plan Rules**") provide flexibility for the Company to grant Rights, Options and/or Restricted Shares (each defined below) as incentives, subject to the terms of individual offers and the satisfaction of performance and vesting conditions determined by the Board from time to time. The Employee Gift Offer will be made under the OIP.

The key terms of the OIP are set out below:

Term	Description
Eligibility	Eligible employees or Directors engaged by the Group, as determined by the Board.
Types of securities	The Company may grant Rights, Options and/or Restricted Shares (each defined below) as incentives, subject to the terms of individual offers. • **Options** are an entitlement to receive Shares subject to satisfaction of applicable conditions and payment of an applicable exercise price (if any). • **Rights** are an entitlement to receive Shares subject to the satisfaction of applicable conditions. • **Restricted Shares** are Shares that are subject to dealing restrictions, vesting conditions or other restrictions or conditions.
Offers	Under the Plan Rules, the Board may make offers at its discretion, subject to any requirements for Shareholder approval. The Board has the discretion to specify the terms and conditions on which it will offer incentives in individual offer documents.
Vesting	The Board shall have the discretion to determine whether service or performance-based conditions (or both) must be met before awards will vest, with conditions to be specified in the relevant offer document. Vesting conditions are not applicable to the Employee Gift Offer. The Board shall have the discretion to waive a vesting condition or to ensure that a participant is not advantaged or disadvantaged by matters outside of management's control that materially affect the Group's performance.
Issue Price	Unless the Board determines otherwise, no payment is required for a grant of a Right, Option or Restricted Share allocated under the Plan Rules.
Exercise	The Board will have the discretion to determine the exercise conditions (if any) that must be met before Options and Rights may be exercised following vesting. Participants may elect to exercise their vested Options or Rights via an exercise notice. Participants must pay an exercise price (if any) in order to exercise their vested Options if required by the terms of the Options. Unless otherwise specified in an individual offer document, the Board has the discretion to settle Rights or Options with a cash equivalent payment.

7 Board, Senior Management and Corporate Governance (continued)

Term	Description
Disposal restrictions	The Plan Rules allow for disposal restrictions to be placed on awards or Shares allocated under the OIP. The details of each participant's disposal restrictions (if any) will be included in their invitation. Any disposal restriction period may be enforced through an employee share trust or via an ASX Holding Lock (administered by the Share Registry).
Cessation of employment	Under the Plan Rules, the Board has a broad discretion in relation to the treatment of entitlements on cessation of employment. It is intended that individual offer documents will provide more specific information on how the entitlements will be treated if the participating employee ceases employment. In relation to the Employee Gift Offer, participants are entitled to retain their Restricted Shares on cessation of employment.
Clawback	The Plan Rules provide the Board with clawback powers if, for example, the participant has acted fraudulently or dishonestly or there is a material financial misstatement.
Change of control	Unless the individual offer document states otherwise, on the event of a change of control, the Board may, by notice to participants, waive any vesting or exercise conditions, or determine that a vesting or exercise condition is satisfied, and the participant may notify the Company of exercise of their award, subject to the change of control event actually occurring. Under the OIP, a change of control will occur if: • a person (together with its related bodies corporate) becomes entitled to more than 50% of the Company's issued Shares; • the Company is the subject of an amalgamation under the Part 13 of the Companies Act (other than a short form amalgamation) or a Court-approved arrangement, amalgamation or compromise under Part 15 of the Companies Act; and • there is a sale of all or substantially all of the business and assets of the Group. The above is not applicable in relation to the Employee Gift Offer, under which no vesting or exercise conditions are applicable.
Capital reconstructions, bonus issues and pro-rata issues	The Plan Rules include specific provisions dealing with rights issues, bonus issues and corporate actions and other capital reconstructions. These provisions are intended to ensure that there is no material advantage or disadvantage to the participant in respect of their incentives as a result of such corporate actions. Participants are not entitled to participate in new issues of securities by the Company prior to the vesting (and exercise, if applicable) of their Rights or Options. In the event of a bonus issue or pro-rata issue, Options will be adjusted in the manner allowed or required by the Listing Rules.
Life of awards	Rights and Options will expire on the date that is 15 years from the relevant grant date, or any other date specified in an individual offer document.
Maximum number of securities that may be issued under OIP	The maximum number of equity securities proposed to be issued under the OIP is 8,723,182, representing 5% of the ordinary shares on issue post-IPO.

7.5.2 LTI grants to Managing Director and CFO on completion of Offer

On the Allotment Date, the Company will issue a long term incentive ("**LTI**") offer under the terms of the OIP to the Managing Director, CFO and other senior employees. A total of up to 4,627,660 ZEPOs (Options with a zero exercise price) will be issued. Gary Rohloff will be issued 709,220 ZEPOs and Katrina Kirkcaldie will be issued 460,993 ZEPOs. A summary of the key terms of the offers are as follows:

(a) Service-based Vesting Conditions

All ZEPOs granted to a participant are subject to a vesting period, as outlined below. The participant must remain employed with the Group for the duration of that period.

(b) Performance-based Vesting Conditions

The ZEPOs are also subject to the following performance-based vesting conditions:

- Absolute Total Shareholder Return ("**TSR**") condition – 50% weighting

Up to 50% of the ZEPOs will vest subject to Laybuy achieving an increase in absolute TSR over the period from the Allotment Date to the date the FY23 results are released. None of these ZEPOs will vest below a TSR absolute CAGR of 15%, a third (of the 50%) will vest if a TSR absolute CAGR of 15% is achieved, two-thirds (of the 50%) will vest if a TSR absolute CAGR of 17.5% is achieved and the full 50% will vest if a TSR absolute CAGR of 20% and above is achieved. There will be pro-rata straight line vesting between the tiers.

- Revenue CAGR condition – 50% weighting

Up to 50% of the ZEPOs will vest based on Laybuy achieving Revenue CAGR hurdles from FY20 to FY23. None of these ZEPOs will vest below a Revenue CAGR of 75%, a third (of the 50%) will vest if a Revenue CAGR of 75% is achieved, two-thirds (of the 50%) will vest if a Revenue CAGR of 85% is achieved and the full 50% will vest if a Revenue CAGR of 100% and above is achieved. There will be pro-rata straight line vesting between the tiers.

(c) Cessation of employment

Where the participant ceases employment or engagement with the Group, the following terms shall apply:

- In the event that the participant ceases employment or engagement with the Group due to bona fide retirement, redundancy, permanent and total disablement or death, the participant will be considered to be a 'Good Leaver'. The Board also retains discretion to treat the participant as a Good Leaver in its absolute discretion even if they do not satisfy the conditions of a Good Leaver. If a participant is determined to be a Good Leaver, the participant will be entitled to retain all vested awards and, subject to the discretion of the Board, may be entitled to retain some unvested awards.
- In the event that the participant ceases employment or engagement with the Group but is not considered to be a Good Leaver, the participant will be entitled to retain any vested awards, but will forfeit all unvested awards (unless otherwise determined by the Board).
- If the participant ceases employment or engagement with the Group under any circumstances and retains any vested awards following cessation of employment, the awards must be exercised within 60 days of cessation, otherwise the awards will lapse.

7.5.3 Option grants to Non-executive Directors on completion of Offer

The Company will make a one-off grant of market-priced Options to each of the independent Non-executive Directors (Steven Fisher and Mark Haberlin) under the OIP on the Allotment Date.

The key terms of the grants of the Options are set out below:

Grant date	Allotment Date
Number	Steven Fisher – 240,000 Mark Haberlin – 160,000
Consideration for grant	Nil
Exercise price	A$1.41, being the Offer Price
Vesting conditions	The Options will vest over a three year period, with 33.3% vesting on the first anniversary of the grant date and the remainder vesting in equal quarterly instalments over the following 24 months.
Service condition	Must be a Director on each relevant vesting date.
Expiry	The term of each Option will be no more than 15 years from the date of grant.
Other key terms and conditions	The Board has discretion under the OIP to determine the treatment of the Options in the event of a change in control of the Company, including to provide that some or all of the Options vest in full or part.

7.5.4 Non-executive Director Salary Sacrifice

Non-executive Directors may, in the future, be able to elect to sacrifice a portion (or all) of their pre-tax future fees, to acquire Rights, under the terms of the OIP. No election has been made as at the date of this Prospectus.

Key terms on which Non-executive Directors may elect to participate in the NED Salary Sacrifice (defined below) under the terms of the OIP are expected to be as follows:

- All Australian Non-executive Directors are entitled to participate in the OIP by salary sacrificing all or part of their Non-executive Directors fee to acquire Rights to build their shareholdings and align their interests with the interests of Shareholders ("**NED Salary Sacrifice**").
- The number of Rights to be granted to each Non-executive Director under future offers will be determined by dividing the NED sacrifice amount by the market value of Shares as at the date of acceptance.
- Rights acquired under the NED Salary Sacrifice will vest equally on a quarterly basis, in line with payment of usual payment of Director fees. Rights may be exercised following vesting and from the next available "trading window" ("**Conversion Date**"). Vesting of the Rights is conditional on the Non-executive Director remaining a Director of the Company at the Conversion Date.

The issue of Rights to the Non-executive Directors will be subject to any applicable shareholder approval requirement under the Listing Rules.

7.5.5 Employee Gift Offer

The OIP will be used to deliver a one-off bonus to provide eligible employees of the Company in Australia, New Zealand and the United Kingdom with an opportunity to receive a grant of A$1,000 in Shares in the Offer for nil consideration. Provided the eligibility criteria are met, participating employees in Australia and New Zealand will receive the Shares on a tax-free basis. It is expected that up to 38,995 Shares will be issued under the Employee Gift Offer. See Section 8.8.4 for more details.

7.5.6 Settlement of Legacy Options

As at the Prospectus Date (but subject to the matters described under the heading "Pre-allotment figures" in the Important Information Section at the beginning of this Prospectus), 2,400,000 options exercisable into shares of Laybuy Holdings at variable exercise prices are held by members of the Company's management team, including the CFO, COO, CRO and CTO ("**Legacy Options**"). It is proposed that the Legacy Options will be cancelled in consideration for the Company issuing new Shares to the managers of an aggregate value equal to the amount by which the Legacy Options are "in the money" based on the Offer Price (i.e. in effect, a cashless exercise), subject to withholdings (in the form of cash) for tax in New Zealand and the United Kingdom, and the National Insurance Charge in the United Kingdom (the "**Legacy Option Replacement**"). It is expected that a total of 1,016,793 Shares will be issued as a result of the Legacy Option Replacement. These Shares are expected to be subject to a voluntary escrow (see Section 11.12 for details).

7.6 Interests of advisors

The Company has engaged the following professional advisers in relation to the Offer:

- Bell Potter and Canaccord have acted as joint lead managers and as the underwriters to the Offer, and will receive the fees under the Underwriting Agreement described in Section 9.6.
- Venture Advisory Pty Ltd has acted as independent financial adviser to the Company in connection with the Offer. The Company has paid, or agreed to pay, A$717,500 (excluding GST and disbursements) for these services up to the date of this Prospectus.
- PricewaterhouseCoopers Securities Ltd has acted as the Investigating Accountant in connection with the Offer and has performed work in relation to the Investigating Accountant's Reports. The Company has paid, or agreed to pay, A$320,000 (excluding GST and disbursements) for these services up to the date of this Prospectus. Further amounts may be paid to PricewaterhouseCoopers Securities Ltd in accordance with its normal time-based charges.
- PricewaterhouseCoopers has provided taxation due diligence and other taxation advisory services in connection with the Offer. The Company has paid, or agreed to pay, approximately A$250,000 (plus disbursements and GST) for the above services up until the date of this Prospectus. Further amounts may be paid to PricewaterhouseCoopers in accordance with its normal time-based charges.
- Johnson Winter & Slattery has acted as Australian legal adviser to the Company in connection with the Offer and the pre-IPO round of convertible note financing. The Company has paid or agreed to pay A$785,000 (excluding GST and disbursements) for these services up to the date of this Prospectus.
- Johnston Prichard Fee Limited has acted as New Zealand legal adviser to the Company in connection with the Offer. The Company has paid or agreed to pay NZ$169,000 (excluding GST, office expenses and disbursements) for these services up to the date of this Prospectus.
- Taylor Wessing has acted as UK legal adviser to the Company in connection with the Offer. The Company has paid or agreed to pay an estimated £250,000 (excluding disbursements) for these services up to the date of this Prospectus.

These amounts and other expenses of the Offer will be paid out of the funds raised under the Offer or cash otherwise available to Laybuy.

7.7 Corporate governance

This Section explains how the Board will manage Laybuy's business.

The Board oversees the Company's business and is responsible for the overall corporate governance of Laybuy. It monitors the operational, financial position and performance of Laybuy and oversees its business strategy including approving the strategy and performance objectives of the Company.

The Board is committed to maximising performance and generating value and financial returns for shareholders. To further these objectives, the Board has created a framework for managing Laybuy, including by adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the business and which are designed to promote the responsible management and conduct of Laybuy.

The main policies and practices adopted by the Company, which will take effect from Listing on the ASX, are summarised below. There are also important governance requirements set out in the Constitution of the Company (see Section 11.8 for further details).

7.7.1 Board Charter

The functions and the responsibilities of the Board are set out in Laybuy's Board Charter. The Board Charter establishes the functions reserved to the Board and those delegated to the Key Managers. Additionally, the Board Charter outlines certain characteristics of the Board including the ideal composition of the Board.

A copy of the Laybuy Board Charter will be made available on its website at https://www.laybuyinvestors.com.

7.7.2 Board committees

The Board has established two standing committees to facilitate and assist the Board in fulfilling its responsibilities as set out below. The Board may also establish other committees from time to time to assist in the discharge of its responsibilities.

Committee	Overview	Members
Audit and Risk	The Audit and Risk Committee will oversee Laybuy's financial reporting process on behalf of the Board and will make recommendations to the Board on the appointment, compensation and retention of external auditors. The Audit and Risk Committee will also oversee the establishment, methodology and implementation of Laybuy's risk management system and its resourcing.	Mark Haberlin (Chair) Craig Styris Steven Fisher That is, the Audit and Risk Committee will have three members, all of whom are Non-executive Directors. A majority of the members are independent Directors. The Audit and Risk Committee is also chaired by an independent chair, who is not chair of the Board.
Nomination and Remuneration	The Nomination and Remuneration Committee will: • establish processes for the identification of suitable candidates for appointment to the Board; • establish processes for reviewing the performance of individual Directors, the Board as a whole, and Board committees; • determine the executive remuneration policy and the Non-executive Director remuneration policy; and • review all equity based incentive plans.	Craig Styris (Chair) Steven Fisher Mark Haberlin That is, the Nomination and Remuneration Committee has three members, all of whom are Non-executive Directors and a majority of whom are independent Directors.

Each of these committees has the responsibilities described in the committee charters which have been prepared having regard to the Listing Rules, the Corporations Act, the Companies Act and the ASX Corporate Governance Principles and Recommendations.

7.7.3 Policies

The Board has approved the following policies to apply upon Laybuy's Listing on the ASX, each of which has been prepared having regard to the Listing Rules, the Corporations Act, the Companies Act and the ASX Corporate Governance Principles and Recommendations.

- *Code of conduct* – This policy sets out Laybuy's key values and the standards of ethical behaviour that Laybuy expects from its Directors, Key Managers and employees.
- *Securities trading policy* – This policy sets out Laybuy's internal controls and procedures in relation to dealings in Laybuy securities by Directors, Key Managers and employees, and provides guidance on insider trading laws.
- *Continuous disclosure policy* – This policy sets out the procedures and measures designed to ensure the Company's compliance with its continuous disclosure requirements described in Section 7.8. This policy also sets out Laybuy's practices for ensuring effective communication with its Shareholders and other security holders and to encourage shareholder participation at general meetings.
- *Risk management policy* – This policy is designed to assist Laybuy to identify, assess, monitor and manage its risks, along with identifying material changes to its risk profile.
- *Diversity policy* – This policy aims to promote diversity amongst Laybuy's employees.
- *Whistleblower policy* – This policy governs the receipt and treatment of complaints regarding illegal, unethical or otherwise improper conduct by the Company, or any of its employees.
- *Anti-bribery and anti-corruption policy* – This policy sets out the Company's commitment to doing business with integrity and avoiding corruption in any form.

The above policies will be made available on the Company's website at https://www.laybuyinvestors.com.

7 Board, Senior Management and Corporate Governance (continued)

7.7.4 ASX Corporate Governance Principles

Laybuy is seeking a listing on the ASX. The ASX Corporate Governance Council has developed and released Corporate Governance Principles and Recommendations for ASX listed entities in order to promote investor confidence and to assist companies to meet stakeholder expectations.

The recommendations are not prescriptive, but are guidelines. However, under the Listing Rules, Laybuy will be required to provide a corporate governance statement in or with its annual report disclosing the extent to which it has followed the recommendations in the reporting period. Where it has not followed a recommendation for any part of the reporting period, it must identify the recommendation that has not been followed, state the period during which it has not been followed, and give reasons for not following it and state what (if any) alternative corporate governance practices the Company adopted. The Board anticipates that it will follow all of the recommendations of the ASX Corporate Governance Principles and Recommendations, except as follows:

- The Company will not follow recommendations 2.1 and 8.1 in full as at the date of admission to the official list of ASX because the chair of the Nomination and Remuneration Committee (Craig Styris) is not an independent director. While Mr Styris is not an independent director, he is a Non-executive Director and the Board considers that he is the most appropriate Director to chair the Nomination and Remuneration Committee as it transitions to an ASX-listed company. Prior to listing, Mr Styris has been actively involved in the setting of Laybuy's executive remuneration and board composition planning.
- The Company will not follow recommendation 2.4 (i.e., that a majority of the board of a listed entity should be independent directors) as at the date of admission to the official list of ASX. While the majority of the Board is not comprised of independent Directors, 50% of the Board will comprise independent Directors (Steven Fisher and Mark Haberlin) and the roles of Chair (Steven Fisher) and Managing Director (Gary Rohloff) are exercised by separate individuals. The Board believes that each of the independent Directors brings objective and independent judgement to the Board's deliberations, and that the non-independent Directors (Gary Rohloff and Craig Styris) make an invaluable contribution to Laybuy through their deep understanding of Laybuy's business. Consequently, having considered Laybuy's immediate requirements as it transitions to an ASX-listed company, the Board believes that the composition of the Board reflects an appropriate range of skills, expertise and experience for the Company after listing.

7.8 Continuous disclosure

Once listed on the ASX, Laybuy will be required to comply with the continuous disclosure requirements of the Listing Rules and the Corporations Act. Subject to the exceptions contained in the Listing Rules, it will be required to disclose to the ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. Laybuy is committed to observing its disclosure obligations under the Listing Rules and the Corporations Act. Accordingly, as described above at Section 7.7.3, the Company has adopted a continuous disclosure policy to take effect from Listing on the ASX which establishes procedures which are aimed at ensuring that Directors and Key Managers are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information.

The Company's continuous disclosure announcements will be available on its website at https://www.laybuyinvestors.com, in addition to the announcements section of the ASX's website.

Section 8

Details of the Offer

8 Details of the Offer

8.1 Overview of the Offer

This Prospectus relates to an initial public offering of New Shares by the Company and the sale of Sale Shares by SaleCo at an Offer Price of A$1.41 per Share.

The Offer is an invitation to apply for:

- 28,407,789 New Shares offered by Laybuy to raise proceeds of A$40.0 million;[3] and
- 28,368,794 Sale Shares offered by SaleCo to raise proceeds of A$40.0 million.

A summary of the rights attaching to the Shares is set out in Section 11.8.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus and is fully underwritten by the Joint Lead Managers except for the Employee Gift Offer.

8.2 Structure of the Offer

The Offer will consist of:

- the Institutional Offer, which consists of an invitation to certain Institutional Investors in Australia and other authorised jurisdictions to apply for Shares;
- the Broker Firm Offer, which is open to Australian and New Zealand resident Retail Investors and Sophisticated Investors who have received a firm allocation from their Broker;
- the Chairman's List Offer, which is open to Australian and New Zealand resident Retail Investors, and UK investors forming part of the Company's common interest group (see Section 8.12.7) who receive a Chairman's List Invitation in which they are invited to apply for Shares; and
- the Employee Gift Offer, which is open to Eligible Employees.

8.3 Purpose of the Offer

The Offer is being conducted to:

- provide Laybuy with funding to support its growth strategies, including by investing in:
  - » receivables book growth in the United Kingdom and supporting its funding facilities in relation to this activity;
  - » increased sales and marketing in the United Kingdom; and
  - » increased staffing to support the growth in the United Kingdom;
- provide Laybuy with the benefits of an increased brand profile that arises from being a listed entity;
- provide Laybuy with access to listed capital markets to support future growth;
- allow the Selling Shareholders to realise part of their investment in Laybuy;
- pay the costs of the Offer; and
- fund general working capital requirements.

8.4 Sources and uses of funds

The proposed sources of funds associated with the Offer are as follows:

Sources of proceeds	(A$ '000)	(NZ$ '000)	% of funds raised
Cash proceeds received from issue of Shares by the Company under the Offer	40,000	42,621	50%
Cash proceeds received from sale of Shares by SaleCo under the Offer	40,000	42,621	50%
Total	**80,000**	**85,242**	**100%**

3. Includes Shares offered by Company under Employee Gift Offer.

The proposed uses of the funds associated with the Offer are as follows:

Use of proceeds	(A$ '000)	(NZ$ '000)	% of funds raised
Payment of proceeds by SaleCo to Selling Shareholders[1]	40,000	42,621	50%
Funding and support for growth in the UK receivables book	18,200	19,393	22.8%
Sales and marketing in the United Kingdom (for merchants and consumers)	7,700	8,205	9.6%
Staffing to support the growth of the business in the United Kingdom	3,300	3,516	4.1%
Costs of the Offer	5,997	6,390	7.5%
Other working capital[2]	4,803	5,117	6.0%
Total	**80,000**	**85,242**	**100%**

Notes:

1. Selling Shareholders will also pay selling fees to the Joint Lead Managers for the sale of shares by SaleCo. These fees will be paid directly from the proceeds to be received from SaleCo.
2. Includes NZ$868,000 of tax withholding expenses associated with the Legacy Option Replacement. See Note 3 in Section 5.4.2 for more information.

The above table is a statement of current intentions as at the date of this Prospectus. Investors should be aware that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments and market and general economic conditions. In light of this, the Board reserves the right to alter the way the funds are applied. In addition, as the proceeds of the Offer will be received in Australian dollars and the expenditure will be predominantly in NZ dollars and British pounds, the actual amount of the proceeds used for each of the items above will depend on the exchange rate at the time that the funds are converted.

The Board is satisfied that, upon completion of the Offer, the Company will have sufficient working capital to carry out its stated business objectives as set out in Section 8.3 for at least 12 months.

Future capital requirements will depend on a number of factors, including but not limited to the speed of growth of GMV, the rate of new customer and Merchant acquisitions and the rate of expansion into new markets. Laybuy's long-term objective is to fund its operations out of the profits generated from its business, however, the Board will consider raising further capital where and when it is appropriate based on its future capital requirements or to accelerate growth.

8.5 Capital and ownership structure

8.5.1 Capital Structure

The following table sets out the Company's indicative capital structure immediately prior to allotment under the Offer (but following the UK Transaction and the Top Hat), and following allotment under the Offer.

	Pre-allotment[1]	Post-allotment		
	Number	Number	Undiluted %	Fully-diluted %
Shares held by Existing Holders[2]	120,000,000	91,631,206	52.5%	46.6%
Indicative number of Shares to be issued on conversion of principal and accrued interest under Convertible Notes[3]	25,039,064	25,039,064	14.4%	12.7%
Number of Shares to be issued under Legacy Option Replacement	–	1,016,793	0.6%	0.5%
New Shares issued to investors under the Offer[4]	–	28,407,789	16.3%	14.5%
Sale shares transferred to new investors under the Offer	–	28,368,794	16.3%	14.4%
Subtotal (Shares)	*145,039,064*	*174,463,646*	*100.0%*	*88.8%*
Options[5,6]	**16,400,000**	**19,027,660**	**–**	**9.7%**
Warrants[7]	**3,074,325**	**3,074,325**	**–**	**1.6%**
Subtotal (Options & Warrants)	*19,474,325*	*22,101,985*	*–*	*11.2%*
Total (fully-diluted)	**164,513,389**	**196,565,631**	**–**	**100.0%**

Notes:

1. The Top Hat will employ an exchange ratio of four new securities issued for every one existing security. All pre-allotment figures in this table, and in the notes above, are expressed following the application of that exchange ratio.
2. Does not include any Shares which may be applied for under the Offer, or Shares to be issued to Pioneer or Styris Investments Limited (which is owned by Mr Styris' family trust (C & A Styris Family Trust)) pursuant to the Note Conversion, which are dealt with elsewhere in this table.
3. Figures relating to the conversion of interest are based on the assumption that the Note Conversion will occur on the Allotment Date.
4. Includes Shares that are to be issued assuming that all Eligible Employees take up their entitlement under the Employee Gift Offer.
5. Pre-allotment figures for Options take into account the 2,400,000 Options to be cancelled under the Legacy Option Replacement. Post-allotment figures for Options take into account the cancellation of those Options under the Legacy Option Replacement, as well as the 5,027,660 Options to be issued at or about the time of allotment (see Sections 7.5.2 and 7.5.3).
6. Assumes no Options are exercised or lapse before allotment (other than under the Legacy Option Replacement).
7. Assumes no Warrants are exercised or lapse before allotment.

The Company's free float (within the meaning of the Listing Rules) at the time of Listing will not be less than 20%.

Details of the securities that are expected to be subject to escrow arrangements are contained in Section 11.12.

8.5.2 Ownership Structure

The following table sets out the Company's ownership structure immediately prior to, and following allotment under, the Offer. The percentage figures are included on both undiluted and diluted bases.

	Pre-allotment			Post-allotment		
Holder	Securities	% of Shares (undiluted)	% of Securities (diluted)	Securities	% of Shares (undiluted)	% of Securities (diluted)
Pioneer	60,000,000 Shares 4,100,000 Convertible Notes	50.0%	39.1%	44,450,675 Shares	25.5%	22.6%
Gary and Robyn Rohloff	60,000,000 Shares 47,000 Convertible Notes	50.0%	36.5%	51,531,420 Shares 1,170,213 Options	29.5%	26.8%
Non-executive Directors	12,900 Convertible Notes	–	0.0%	11,543 Shares 400,000 Options	0.0%	0.2%
Other Employees, including other Key Managers	2,400,000 Options	–	1.5%	1,016,793 Shares 3,457,447 Options	0.6%	2.3%
Other Pre-IPO Investors	21,230,129 Convertible Notes	–	12.6%	20,676,632 Shares	11.9%	10.5%
Merchants	14,000,000 Options	–	8.5%	14,000,000 Options	–	7.1%
Victory Park	3,074,325 Warrants	–	1.9%	3,074,325 Warrants	–	1.6%
Subtotal (Existing Holders)	120,000,000 Shares 16,400,000 Options 25,390,029 Convertible Notes 3,074,325 Warrants	100.0%	100.0%	117,687,063 Shares 19,027,660 Options 3,074,325 Warrants	67.5%	71.1%
Shares to be issued under the Offer	–	–	–	28,407,789 Shares	16.3%	14.5%
Shares to be sold under the Offer	–	–	–	28,368,794 Shares	16.3%	14.4%
Total	**120,000,000 Shares** **16,400,000 Options** **25,390,029 Convertible Notes** **3,074,325 Warrants**	**100.0%**	**100.0%**	**174,463,646 Shares** **19,027,660 Options** **3,074,325 Warrants**	**100.0%**	**100.0%**

Notes:

1. Pre-allotment figures are calculated on the basis that the UK Transaction and the Top Hat (but not the Note Conversion or the Legacy Option Replacement) have occurred.
2. Post-allotment figures also take into account the Note Conversion (on the assumption it occurs on the Allotment Date), the Legacy Option Replacement, the issue of 5,027,660 Options to Directors and other employees as described in Sections 7.5.2 and 7.5.3, and assumes that all Eligible Employees take up their entitlement under the Employee Gift Offer. Shares to be issued under the Employee Gift Offer are included in "Shares to be issued under the Offer"; not "Other Employees, including other Key Managers".
3. The figures for "Non-executive Directors" and "Other Pre-IPO Investors" do not include securities held by Pioneer (with which Craig Styris is affiliated), and the figures for "Other Employees, including other Key Managers" do not include securities held by Gary and Robyn Rohloff, as their securities are set out separately.
4. Styris Investments Limited, a company owned by Mr Styris' family trust (C & A Styris Family Trust), holds 12,900 Convertible Notes pre-allotment, and will hold 11,543 Shares post-allotment. These securities are included in the figures for "Non-executive Directors" above; not Pioneer.
5. Each of the Non-executive Directors (or their spouses or associates) may apply for Shares under the Offer. If the Non-executive Directors (or their spouse or associate) do apply for, and are allocated, Shares under the Offer, the figures in the above table will be affected. The Company will notify ASX of the Directors' interests at the time of Listing in accordance with the Listing Rules.
6. The Top Hat will employ an exchange ratio of four new securities issued for every one existing security. All pre-allotment figures in this table are expressed following the application of that exchange ratio.

8.6 Terms and conditions of the Offer

What is the type of security being offered?	Ordinary Shares in the Company.
What are the rights and liabilities attached to the securities?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 11.8.
What is the Offer Price?	A$1.41 per Share.
What is the Offer Period?	The key dates, including details of the Offer Period relating to each component of the Offer, are set out on page 04. The timetable is indicative only and may change. All times are stated in AEST. The Company, in consultation with the Joint Lead Managers, reserves the right to amend any and all of these dates without notice (including, subject to the Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, to accept late Applications (either generally or in particular cases) or to cancel the Offer before Shares are issued by the Company). If the Offer is cancelled before the issue of Shares, then all Application Monies will be refunded in full (without interest).
Is the Offer underwritten?	Yes, the Offer is fully underwritten by the Joint Lead Managers (except the Employee Gift Offer). Please see Section 9.6 for a summary of the Underwriting Agreement.
Will the Offer be extended into New Zealand?	Yes. Investors in New Zealand should refer to the Important Notice Section under the heading 'Note to New Zealand residents – mutual recognition warning statements'.
What is the minimum and maximum Application size under the Offer?	Applications under the Broker Firm Offer must be for a minimum of 1,419 Shares (approximately A$2,000.79). There is no maximum number or value of Shares that may be applied for under the Broker Firm Offer. There is no minimum Application amount under the Chairman's List Offer. Under the Employee Gift Offer, Eligible Employees will be offered the opportunity to apply for 709 Shares (A$1,000 worth of Shares) at no cost (see Section 8.8.4). The Joint Lead Managers and the Company reserve the right to treat any Applications under the Broker Firm Offer that are from persons who they reasonably believe may be Institutional Investors, as bids in the Institutional Offer. The Joint Lead Managers and the Company also reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person.

8 Details of the Offer (continued)

When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on or about 8 September 2020.
When are the Shares expected to commence trading?	It is expected that trading of the Shares on the ASX will commence on or about 7 September 2020. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk. The Company, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, even if such person received confirmation of allocation from the Laybuy Offer Information Line, a broker or otherwise.
Are there any escrow arrangements?	Yes. Details are provided in Section 11.12.
Are there any tax considerations?	Yes. Refer to Section 10.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.
What should you do with any enquiries?	All enquiries in relation to this Prospectus should be directed to the Laybuy Offer Information Line on 1800 236 994 (within Australia) or +61 1800 236 994 (outside Australia) from 8:30am until 5:30pm AEST, Monday to Friday. All enquiries in relation to the Broker Firm Offer should be directed to your broker. If you are unclear in relation to any matter or are uncertain as to whether Laybuy is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.

8.7 Allocation policy

The allocation of Shares between the Institutional Offer, the Broker Firm Offer and the Chairman's List Offer will be determined by the Joint Lead Managers with the agreement of the Company.

The allocation of Shares under the Institutional Offer is determined by the Joint Lead Managers in consultation with the Company.

The factors that influence the allocation of Shares between each component of the Offer (other than the Employee Gift Offer) and under the Institutional Offer include but are not limited to:

- the number of Shares bid for by particular bidders;
- whether the Institutional Investor is an existing securityholder;
- the spread requirements under the Listing Rules;
- the timeliness of the bid by particular bidders;
- the Company's desire for an informed, active and liquid trading market following Listing;
- the Company's desire to establish a wide spread of both retail and institutional Shareholders,
- the size and type of funds under management of particular bidders;
- the likelihood that particular bidders will be long-term Shareholders;
- the likelihood that particular bidders will support the Company with aftermarket buying following Listing;
- overall level of demand under the Institutional Offer and the anticipated level of demand from brokers under the Broker Firm Offer and from participants under the Chairman's List Offer; and
- any other factors that the Company and the Joint Lead Managers consider appropriate.

For Broker Firm Offer participants, the relevant broker will decide how it allocates Shares among its retail clients, and it (and not the Company or the Joint Lead Managers) will be responsible for ensuring that retail clients who have received an allocation from it receive the relevant Shares.

The allocation of Shares under the Chairman's List Offer will be determined by the Company after consultation with the Joint Lead Managers.

Under the Employee Gift Offer, Eligible Employees will be offered the opportunity to apply for A$1,000 of Shares at no cost.

The Joint Lead Managers and the Company have absolute discretion regarding the allocation of Shares to Applicants under the Offer and the Joint Lead Managers may reject or scale-back an Application. If you are not issued any Shares, or you are issued fewer Shares than the number that you applied and paid for as a result of a scale back, all or some of your Application Monies (as applicable) will be refunded to you (without interest) in accordance with the Corporations Act. Amounts of A$2.00 or less will be retained by the Company.

8.8 How to apply under the Offer

8.8.1 Institutional Offer

The Joint Lead Managers will separately advise the Institutional Investors of the application procedures for the Institutional Offer.

8.8.2 Broker Firm Offer

Who may apply?

The Broker Firm Offer is open to persons who have received an allocation from their broker and who are residents of Australia or New Zealand. If you have been offered an allocation by a broker having a firm allocation, you will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. You should contact your broker to determine whether they may allocate Shares to you under the Broker Firm Offer.

How to apply

Investors who have received an allocation of Shares in the Broker Firm Offer must follow instructions provided by their broker.

Those Applicants must complete the Application Form attached to or accompanying this Prospectus or its electronic copy form which may be downloaded in its entirety from https://www.laybuyinvestors.com. By making an Application, you declare that you were given a copy of this Prospectus, together with an Application Form. Please contact your broker if you require further instructions.

Any Application Form for a Broker Firm Offer must be stamped by a broker so that the correct allocation of Shares is received.

How to pay

Applicants under the Broker Firm Offer should make payments in accordance with the directions of the broker from whom you received an allocation.

Timing for Applications and confirmation

Applicants under the Broker Firm Offer should send their completed Application Form and Application Monies to their broker by the Closing Date.

Please confirm with your broker the manner in which you should make your payment.

Laybuy, the Joint Lead Managers and the Share Registry take no responsibility for any acts or omissions committed by your broker in connection with your Application.

Closing Date for receipt of Applications

The Broker Firm Offer opens on 12 August 2020 and is expected to close on 25 August 2020. Laybuy may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer may be closed at any earlier date and time, without further notice. Your broker may also impose an earlier closing date.

Applicants applying for Shares using a paper form under the Broker Firm Offer are encouraged to submit an Application Form and Application Monies to their broker as early as possible in advance of the Closing Date and to allow a sufficient period for mail processing time.

How to obtain a copy of this Prospectus

Please contact your broker for instructions. You may also obtain a copy of this Prospectus as follows:

- download an electronic copy at https://www.laybuyinvestors.com; or
- request a copy from the Share Registry by calling the Laybuy Offer Information Line on 1800 236 994 (within Australia) or +61 1800 236 994 (outside Australia) between 8:30am and 5:30pm (AEST) Monday to Friday.

While you may obtain a copy of these documents as set out above, your Application will not be accepted under the Broker Firm Offer if it is not lodged through your broker.

8.8.3 Chairman's List Offer

The Chairman's List Offer is open to selected persons who receive a Chairman's List Invitation. Details of the application procedures under the Chairman's List Offer are provided in the Chairman's List Invitation.

There is no minimum or maximum number of Shares that may be applied for under the Chairman's List Offer. If Applications exceed the amount which is allocated under the Offer to the Chairman's List Offer, Applications will be scaled back at the discretion of the Company after consultation with the Joint Lead Managers.

Any questions about the Chairman's List Offer should be directed to the Company.

The Chairman's List Offer opens on 12 August 2020 and is expected to close on 25 August 2020.

8.8.4 Employee Gift Offer

Who may apply

All Eligible Employees (other than Gary Rohloff and Robyn Rohloff) are entitled to participate in the Employee Gift Offer. Eligible Employees are all permanent full-time and part-time employees of Laybuy or any other Group Member, who are:

- resident in Australia, New Zealand, or United Kingdom;
- employed by a Group Member as at the Original Prospectus Date;
- still employed by a Group Member as at 5.00pm on the Closing Date; and
- who have not, at that time, given or received notice that their employment will cease.

Gary Rohloff and Robyn Rohloff and employees resident outside of Australia, New Zealand and the United Kingdom are not eligible to participate in the Employee Gift Offer.

An invitation letter, together with access to this Prospectus and the Plan Rules, will be provided to Eligible Employees, detailing the terms of the Employee Gift Offer.

How to apply

To apply under the Employee Gift Offer, you must complete the Employee Gift Offer Application Form in accordance with the instructions provided by the Company.

Applications under the Employee Gift Offer must be received on or before 5.00pm on the Closing Date.

Payment method

No payment is required under the Employee Gift Offer and no proceeds will be raised from the Employee Gift Offer.

Allocation policy

Under the Employee Gift Offer, Eligible Employees will receive an allocation of 709 Shares, being A$1,000 worth of Shares (rounded down to the nearest whole Share based on the Offer Price).

Restrictions on sale of Shares allocated under the Employee Gift Offer

Eligible Employees who are allocated Shares under the Employee Gift Offer will be restricted from disposing of those Shares for a period of up to three years from the issue date of the Shares, subject to certain exemptions.

8.9 Fees and costs associated with the Offer

No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.

8.10 Application Monies

All Application Monies will be held by the broker, Laybuy's Share Registry or the Joint Lead Managers, on trust in a separate account, until Shares are issued to Successful Applicants.

Application Monies will be refunded in A$ to the extent that an Application is rejected or scaled back, or the Offer is withdrawn. Amounts of A$2.00 or less will be retained by the Company. No interest will be paid on refunded amounts. Laybuy will retain any interest earned on Application Monies.

8.11 Trading on the ASX

Laybuy has applied to the ASX for admission to the Official List of the ASX and for the Shares to be granted Official Quotation by the ASX. Laybuy is not currently seeking a listing of its Shares on any other stock exchange.

The admission of Laybuy to the Official List of the ASX and Official Quotation of the Shares is not to be taken in any way as an indication of the merits of Laybuy or the Shares offered for subscription under the Offer.

The ASX takes no responsibility for the contents of this Prospectus. Trading in Shares, if quotation is granted, will commence as soon as practicable after the issue of holding statements to Successful Applicants.

It is the responsibility of Applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive confirmation of their allotment may contravene the Listing Rules and do so at their own risk.

If permission for quotation of the Shares is not granted within three months after the date of the Original Prospectus, all Application Monies will be refunded without interest as soon as practicable.

Subject to the ASX granting approval for Laybuy to be admitted to the Official List of the ASX, Laybuy will issue the Shares to Successful Applicants as soon as practicable after the Closing Date. Commencement of trading on the ASX is expected to occur on 7 September 2020. Holding statements confirming Applicants' allocations under the Offer are expected to be sent to Successful Applicants on or around 8 September 2020. Applicants under the Offer will be able to call Laybuy's Offer Information Line on 1800 236 994 (within Australia) or +61 1800 236 994 (outside Australia) between 8:30am and 5:30pm AEST, from Monday to Friday to confirm their allocation.

If you sell Shares before receiving an initial holding statement, you may contravene the Listing Rules and do so at your own risk, even if you have obtained details of your holding from your broker or Laybuy's Offer Information Line.

8.12 Overseas Jurisdictions

This Prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer. No action has been taken to register or qualify the Shares or the Offer under this Prospectus, or to permit a public offering of Shares in any jurisdiction other than Australia and New Zealand.

The distribution of this Prospectus in jurisdictions outside of Australia or New Zealand may be restricted by law. It is the responsibility of any overseas Applicant to ensure compliance with all laws of any country relevant to their Application.

8.12.1 New Zealand

The Offer is being extended to New Zealand investors. Investors in New Zealand should refer to the Important Notice Section under the heading 'Note to New Zealand residents – mutual recognition warning statements'. A copy of this Prospectus, other documents relating to the Offer and a copy of the Constitution have been, or will be, lodged with the New Zealand Companies Office and are, or will be, available at www.business.govt.nz/disclose. While the Offer is being extended to New Zealand investors under the New Zealand Mutual Recognition Regime, no application for listing and quotation is being made to NZX Limited.

8.12.2 United States

The securities being offered pursuant to this Prospectus have not been registered under the U.S. Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the U.S. Securities Act and applicable state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of these securities in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful. In addition, any hedging transactions involving these securities may not be conducted unless in compliance with the U.S. Securities Act. Accordingly, the Shares may not be offered or sold (i) in the United States except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws or (ii) outside the United States in "offshore transactions" (as such term is defined in Regulation S) in reliance on Regulation S.

8.12.3 United Kingdom

In relation to each Member State of the European Economic Area and the United Kingdom (each a "**Relevant State**"), no Shares have been offered or will be offered to the public in that Relevant State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation, except that it may make an offer to the public in that Relevant State of any Shares at any time under the following exemptions under the Prospectus Regulation:

(a) to any legal entity which is a qualified investor as defined under the Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of the Joint Lead Managers for any such offer; or

(c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation, provided that no such offer of the Shares shall require the Company or the Joint Lead Managers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to the Shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Shares, and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

8.12.4 Singapore

This Prospectus and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore ("**SFA**"), (ii) to a relevant person as defined under Section 275(2) and pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of any other applicable provision of the SFA.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly. In particular, where the Shares are subscribed for or purchased under Section 275 of the SFA by a relevant person which is:

(i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Shares under Section 275 of the SFA except:

   (a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

   (b) where no consideration is or will be given for the transfer;

   (c) where the transfer is by operation of law;

   (d) as specified in Section 276(7) of the SFA; or

   (e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

In addition, investors in Singapore should note that the Shares acquired by them are subject to resale and transfer restrictions specified under Section 276 of the SFA, and they, therefore, should seek their own legal advice before effecting any resale or transfer of their Shares.

The contents of this Prospectus have not been reviewed by any regulatory authority in Singapore. This Prospectus may not contain all the information that a Singapore registered prospectus is required to contain. In the event of any doubt about any of the contents of this Prospectus or as to your legal rights and obligations in connection with the Offer, please obtain appropriate professional advice.

8.12.5 Hong Kong

The Shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder, or in circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning thereof, and (ii) no advertisement, invitation or document relating to the Shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted under the securities laws of Hong Kong) other than with respect to the Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning ascribed to it in the Securities and Futures Ordinance and any rules made thereunder.

The contents of this Prospectus have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this Prospectus, you should obtain independent professional advice.

8.12.6 Canada

The Shares described in this Prospectus have not been and will not be offered, sold or distributed, directly or indirectly, in Canada or to or for the benefit of any resident of Canada, other than to a resident of the Provinces of British Columbia, Ontario, Alberta, Québec, Nova Scotia, New Brunswick, Saskatchewan, Manitoba, Prince Edward Island or Newfoundland and Labrador in compliance with applicable securities laws. This Prospectus or any other offering material in connection with the offer of the Shares has not been and will not be distributed or delivered in Canada other than to a resident of the Provinces of British Columbia, Ontario, Alberta, Québec, Nova Scotia, New Brunswick, Saskatchewan, Manitoba, Prince Edward Island or Newfoundland and Labrador in compliance with applicable securities laws.

The Shares will not be qualified for sale under the securities laws of any province or territory of Canada. The Shares may only be offered, sold or distributed, directly or indirectly, in or to or for the benefit of a resident of, the Provinces of British Columbia, Ontario, Alberta, Québec, Nova Scotia, New Brunswick, Saskatchewan, Manitoba, Prince Edward Island or Newfoundland and Labrador and only pursuant to an exemption from the requirement to file a prospectus in such provinces and only through a dealer duly registered under the applicable securities laws of such provinces in circumstances where no exemption from the applicable registered dealer requirement is available. Any resale of the Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

8.12.7 Chairman's List Offer – United Kingdom

The Chairman's List Offer and this Prospectus is directed only at selected persons in the United Kingdom, being members of the Company's common interest group (being in number fewer than 150), and other persons to whom this Prospectus may lawfully be directed. The Company's common interest group has been identified as having an existing and common interest with each other and the Company in the affairs of the Company, and what is done with the proceeds arising from the investments to which this Prospectus relates. The investments to which this Prospectus relates are available only to such persons, and this document must not be acted upon by any other person. There are in place proper controls and procedures to prevent recipients other than members of the common interest group, and other persons to whom this Prospectus may lawfully be directed, from engaging in the investment activity to which this Prospectus relates.

The Directors of the Company and the directors of SaleCo have taken all reasonable care to ensure that every statement of fact or opinion included in the communication is true and not misleading given the form and context in which it appears.

The Directors of the Company and the directors of SaleCo have not limited their liability with respect to the communication.

Any person who is in doubt about the investment to which this Prospectus relates should consult an authorised person specialising in advising on investments of the kind in question.

Any person who is a member of the common interest group of the Company who is considering subscribing for the investments in question should regard any subscription as made primarily to assist the furtherance of the Company's objectives (other than any purely financial objectives) and only secondarily, if at all, as an investment.

8.13 Discretion regarding the Offer

Laybuy may, in consultation with the Joint Lead Managers, withdraw the Offer, or any part of it, at any time before the allotment of Shares to Successful Applicants in the applicable part of the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded. No interest will be paid on unsuccessful Applications.

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

If the Company amends the Closing Date, any such amendment will be announced through the ASX.

8.14 Questions or further information

If you have any queries in relation to this Prospectus, including how to complete the Application Form or how to obtain additional copies, then you can:

- call the Laybuy Offer Information Line on 1800 236 994 (toll free within Australia) or +61 1800 236 994 (outside Australia) between 8:30am and 5:30pm (AEST), Monday to Friday; or
- visit https://www.laybuyinvestors.com to download an electronic copy of the Prospectus.

If you are unclear in relation to any matter or are uncertain as to whether Laybuy is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.

Section 9

Material Contracts

9 Material Contracts

9.1 Introduction

The Directors consider that the material contracts described below are those which an investor would reasonably regard as material and which investors and their professional advisers would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of an investment in the Company under the Offer.

This section contains a summary of the material contracts and arrangements and their substantive terms which are not otherwise disclosed elsewhere in this Prospectus.

9.2 Victory Park

On 24 July 2020, Laybuy UK entered into an English law governed Sterling term loan facility agreement with, among others, VPM as agent (the "**Agent**") and security agent (the "**Security Agent**") (the "**Facility Agreement**"). Subject to the terms of the Facility Agreement, the lenders, being entities affiliated with the Agent have made available to Laybuy UK a secured term loan facility of up to £80 million (the "**Total Commitments**"). The "Obligors" for the purposes of the Facility Agreement are Laybuy UK and Laybuy Holdings (UK) Limited ("**Laybuy Holdings UK**" or the "**Obligors' Agent**").

9.2.1 Purpose

The VP Facility is to be used by Laybuy UK for the purpose of financing the origination of certain receivables, as well as financing the costs and expenses incurred in connection with the Facility Agreement.

9.2.2 Conditions to drawdown

As at the date of this Prospectus, no loans have been drawn under the VP Facility.

The initial loan under the VP Facility will be made available subject to satisfaction of certain customary conditions precedent.

Provided that the customary conditions precedent are satisfied, the VP Facility is available to be drawn during the period from and including the date of the Facility Agreement to the earliest of:

(a) (where no loans have been advanced), the date which is 90 days from the date of the Facility Agreement;

(b) the date which is 57 months from the date of the Facility Agreement; and

(c) the loan being accelerated as a result of an Event of Default which has occurred and is continuing and the Agent giving written notice thereof,

(the "**Availability Period**").

The lenders will be obliged to make loans available to Laybuy UK during the Availability Period if the above-mentioned conditions are satisfied.

9.2.3 Term and repayment

The VP Facility is for a term of five years. All loans made available to Laybuy UK under the Facility Agreement must be paid on the maturity date.

Laybuy UK has agreed to pay a monthly maintenance fee for the duration of the Facility Agreement, commencing on the date falling one month after the first drawdown.

9.2.4 Prepayment

Mandatory prepayment

As is customary for an English law governed facility agreement, loans outstanding under the Facility Agreement will be required to be mandatorily prepaid upon the occurrence of certain events, including illegality (e.g. if it becomes unlawful for a lender to perform any of its obligations contemplated under the Facility Agreement) and a change of control.

Any mandatory prepayment will be paid together with accrued interest and subject to any prepayment fees and/or break costs.

Voluntary prepayment

Laybuy UK may prepay a loan in full (but not in part) on giving the Agent at least 30 business days' notice. A prepayment fee will apply if the prepayment is made after the occurrence of the "Prepayment Trigger Date" (being the date falling 12 months after the date on which the principal amount outstanding under the VP Facility first exceeds a specified amount). A fee, in an amount based on the percentage of aggregate loans outstanding, will be payable if the prepayment is made during the 12-month period commencing on the Prepayment Trigger Date and a reduced fee shall be payable if the prepayment is made in the 12-month period commencing on the first anniversary of the Prepayment Trigger Date.

For any prepayment prior to the Prepayment Trigger Event, this must be for a minimum amount as specified in the Facility Agreement.

9.2.5 Interest and borrowing costs

Interest under the VP Facility shall be cash paid monthly and shall accrue at a floating rate calculated as the greater of LIBOR or 2% per annum, plus a specified margin determined by the amount funded. As is customary, to the extent that any withholding tax is payable under or in connection with the Facility Agreement, Laybuy UK as borrower is required to gross up any interest payments due on account of that withholding tax.

As is customary, to the extent that any withholding tax is payable under or in connection with the Facility Agreement, Laybuy UK as borrower is required to gross up any interest payments due on account of that withholding tax.

Laybuy UK is also required to pay upfront fees, premium or transaction fees in respect of the underlying foreign exchange exposure of the lenders under the VP Facility between Sterling and U.S. dollars.

9.2.6 Representations and warranties

Laybuy UK and Laybuy Holdings UK as Obligors make various representations and warranties which are generally customary in the UK loan market and typical for a facility of this nature.

Where appropriate, the representations have been qualified by reference to materiality thresholds and legal reservations. The representations also include bespoke representations appropriate for the nature of the business of Laybuy UK and Laybuy Holdings UK.

9.2.7 Undertakings

As is also customary in the UK loan market, Laybuy UK and Laybuy Holdings UK as Obligors provide various undertakings. These undertakings are generally in line with the undertakings typically provided by obligors in connection with loan facilities similar to the VP Facility.

There are also certain restrictions around any corporate restructuring, though the Restructuring described in this Prospectus is permitted, subject to certain conditions.

9.2.8 Financial covenants

See Section 5.7.3.

9.2.9 Guarantees and security package

The VP Facility is guaranteed by Laybuy UK and Laybuy Holdings UK.

Laybuy UK and Laybuy Holdings UK have also granted various security interests pursuant to:

(a) an English law governed security agreement in respect of all of the assets of Laybuy UK and Laybuy Holdings UK;

(b) an English law governed share charge in respect of the shares in Laybuy Holdings UK to be given by its shareholders; and

(c) a New Zealand law governed security agreement in respect of Laybuy Holdings UK's rights under an intra-group IP and services agreement.

9.2.10 Events of default

The Facility Agreement lists certain events of default which are in line with those typically included in facility agreements of a nature similar to the Facility Agreement. The events of default are subject to materiality thresholds and grace periods, where appropriate.

Upon the occurrence of an event of default which is continuing (i.e. which has not been waived by the Agent), the Agent may terminate the Availability Period of the loan and (on notice) take certain customary acceleration steps including declaring all or part of the loans under the VP Facility immediately due and payable.

9.3 Kiwibank

Kiwibank has agreed to provide a NZ$20,000,000 multicurrency revolving credit facility ("**Kiwibank Facility**") to Laybuy Holdings pursuant to a facility agreement dated 24 July 2020 between (among others) Laybuy Holdings as borrower and Kiwibank as lender.

The Kiwibank Facility is to be used to refinance existing indebtedness of Laybuy Holdings and to fund the Group's working capital requirements. Each drawdown of the Kiwibank Facility is subject to certain conditions precedent, including that the 'Eligible Receivables Ratio' (as detailed in Section 5.7.3) is not in excess of 75%.

The maturity date of the Kiwibank Facility is 7 December 2021.

Laybuy Holdings, Laybuy NZ, Laybuy Australia and Laybuy Holdings UK each guarantee each other's obligations under the Kiwibank Facility, together they are referred to as the Obligors.

It has been agreed that, subject to certain conditions being met, on utilisation of the VP Facility Laybuy Holdings UK will be released from its obligations under the Kiwibank Facility and any security granted by it in support of the Kiwibank Facility. After its release it will no longer be an Obligor under the Kiwibank Facility.

9.3.1 Security

The Kiwibank Facility is secured by:

(a) a New Zealand law general security deed granted by Laybuy Holdings and Laybuy NZ in favour of Kiwibank over all of Laybuy Holdings' and Laybuy NZ's present and after acquired property;

(b) an Australian law general security deed granted by Laybuy Australia in favour of Kiwibank over all its present and after acquired property; and

(c) an English law debenture granted by Laybuy Holdings UK in favour of Kiwibank over all of its present and after acquired property.

9.3.2 Interest rates and payments

Each drawing under the Kiwibank Facility bears interest that is payable on the last day of each month. The interest rate is the combined aggregate of the 'Kiwibank Cost of Funds (KBCOF)' rate, as notified by Kiwibank and reset every 90 days, plus a specified margin.

The default interest rate is the applicable interest rate plus a specified percentage.

9.3.3 Financial covenants

See Section 5.7.3.

9.3.4 Other terms

The Kiwibank Facility contains representations, warranties, undertakings and events of default that are usual for facilities and business of this nature. Subject to specified remedy and cure periods, if an event of default occurs and subsists, Kiwibank will be able to terminate the Kiwibank Facility and declare all amounts outstanding to be due and payable in whole or in part.

The Kiwibank Facility also contains certain events of review, including if:

(a) Laybuy Holdings UK is not released from the Kiwibank Facility by 31 August 2020;

(b) the Listing does not occur by 31 October 2020;

(c) at any time after the Listing, the Company's shares are delisted or suspended for a period greater than 10 trading days in any 12 month rolling period, other than as a result of a trading halt required by the Company;

(d) at any time after the Listing, Gary Rohloff ceases to have a role with the management of the Group or is not, or ceases to be, a director of one or more members of the Group; or

(e) at any time after the Listing, a person (or a group of persons acting in concert) acquires control of, or owns (whether directly or indirectly) at least in aggregate 50% of all the paid up ordinary shares in the Company.

On the occurrence of an event of review, Laybuy Holdings and Kiwibank must negotiate for a period of not less than 30 days to agree a basis on which the Kiwibank Facility can continue. If agreement is not reached Kiwibank can require Laybuy Holdings to repay all outstanding amounts on not less than 30 days' notice.

9.4 Mastercard

9.4.1 Agreement with Mastercard Asia/Pacific Pte Ltd

As discussed in Section 3.5.5, Laybuy (NZ) Limited ("**Laybuy NZ**") has entered into an agreement with Mastercard Asia/Pacific Pte Ltd ("**MAPPL**") dated 16 December 2019 under which MAPPL will provide certain incentives to Laybuy in consideration of Laybuy NZ launching and maintaining all its prepaid, debit and credit card programs in New Zealand as Mastercard-exclusive programs during the term of the agreement (including all card programs exclusively using Mastercard branding). The scope of the contract relates to a direct partnership between Mastercard and Laybuy NZ.

Incentives are provided to launch and grow card programs. The agreement includes targets against which Laybuy NZ's performance will be assessed for the purposes of determining eligibility to receive incentives from MAPPL.

Laybuy Holdings has also entered into a licence agreement with Mastercard International Incorporated concerning the use of Mastercard's trade marks.

Although as at the date of this Prospectus the Mastercard arrangements do not generate any income for Laybuy, the arrangements have the potential to offer advantages to the business in the future if Laybuy's customers use the digital cards to purchase products in store.

9.4.2 Termination

The agreement contains certain targets which, if not met, allow Laybuy NZ, at its election, to either agree an extension of the agreement or to terminate the agreement (subject to paying an early termination payment so that MAPPL can recover some of its upfront investment).

Either party may terminate the agreement prior to its expiration, without any additional liability to the other, if the other party has breached any of its material commitments and not remedied the same within 14 days.

9.4.3 Other material terms

MAPPL may clawback from Laybuy NZ any amount advanced if it is later determined that Laybuy is not entitled to such amount due to non-performance, under-performance or breach of the agreement.

While the agreement contemplates Laybuy NZ may become an issuer of card programs in certain countries other than New Zealand, this will first require Mastercard's approval.

9.5 Merchant agreements

Refer to Section 3.11.1 for the terms commonly included in agreements with Merchants.

9.6 Underwriting Agreement

The Offer is being managed by the Joint Lead Managers and fully underwritten (except for the Employee Gift Offer) on a 50/50 basis pursuant to the Underwriting Agreement.

Laybuy, SaleCo and the Joint Lead Managers signed the Underwriting Agreement on 31 July 2020. Under the Underwriting Agreement, the Company and SaleCo have appointed the Joint Lead Managers to arrange and manage the Offer and to act as underwriter for the Offer. The following is a summary of the principal provisions of the Underwriting Agreement.

The Underwriting Agreement does not apply to the Employee Gift Offer. Accordingly, all references in this Section 9.6 to the Offer are to be read as if the Employee Gift Offer were excluded.

9.6.1 Fees and expenses

Subject to the Joint Lead Managers satisfying their underwriting obligations under the Underwriting Agreement, the Company and SaleCo have agreed to pay the Joint Lead Managers an underwriting fee of 4% of the total proceeds of the Offer (to be shared 50/50 between the Joint Lead Managers).

The Company and SaleCo may also, in their absolute discretion, determine to pay the Joint Lead Managers an incentive fee of up to 1% of the total proceeds of the Offer (to be shared between the Joint Lead Managers in such proportions as the Company and SaleCo determine).

The Company and SaleCo have also agreed to reimburse the Joint Lead Managers for costs and expenses incidental to the Offer, including all reasonable out of pocket expenses incurred by the Joint Lead Managers in respect of the Offer and legal fees up to a specified cap.

9.6.2 Representations, warranties and undertakings

The Underwriting Agreement contains certain standard representations, warranties and undertakings provided by the Company and SaleCo to the Joint Lead Managers. The representations and warranties relate to matters including power, incorporation and authorisations, compliance with applicable laws and Listing Rules, documents issued or published by or on behalf of the Company or SaleCo in respect of the Offer, the conduct of the Offer and the due diligence process, litigation, material contracts, solvency, intellectual property, insurance, internal controls, tax, ownership of assets, financing and financial information.

The Company and SaleCo provide undertakings under the Underwriting Agreement which include, but are not limited to, notifications of breach of any representation, warranty or undertaking given by them under the Underwriting Agreement, or the occurrence of a termination event, or the non-satisfaction of any condition.

The Company and SaleCo's undertakings also include that they will not, during the period following the date of the Underwriting Agreement until 90 days after the Allotment Date, issue or agree to issue any shares, equity securities or securities of any Group Member or securities that are convertible or exchangeable into equity without the consent of the Joint Lead Managers, other than pursuant to the Offer, the Underwriting Agreement, an employee share or incentive plan, or as contemplated under the Prospectus. The Company must also carry on its business and procure that each Group Member carries on its business in the ordinary course and not dispose of or charge, or agree to dispose of or charge, a Group Member's business, assets or property in whole or part, or enter into any material agreement or related commitment, except as disclosed to the Joint Lead Managers or as contemplated in this Prospectus or documents published or issued in connection with the Offer ("**Offer Documents**").

9.6.3 Indemnity

Subject to certain exclusions relating to, among other things, fraud, wilful misconduct or gross negligence by any indemnified party, the Company and SaleCo agree to indemnify and hold harmless the Joint Lead Managers and their respective indemnified parties (for example, their related bodies corporate and each of their respective directors, officers, employees, agents and advisers) against all losses directly or indirectly suffered or incurred by them in connection with the Offer or otherwise in connection with the Underwriting Agreement.

9.6.4 Termination events

Each Joint Lead Manager may terminate the Underwriting Agreement without cost or liability by notice to the Company and SaleCo if certain events occur at any time on or before 4.00pm on the settlement date of the Offer, including the following:

(a) (**disclosures in Prospectus**) a statement contained in the Prospectus is misleading or deceptive (including by omission), is likely to mislead or deceive or becomes misleading or deceptive, or a material matter is omitted from the Prospectus;

(b) (**ASX approval**) approval is refused or not granted, or approval is granted subject to conditions other than customary conditions, in relation to:

(i) the Company's admission to the official list of ASX;

(ii) the quotation of all of the Shares on ASX, or

(iii) any ASX waivers, confirmations or other approvals required to be obtained by the Company or SaleCo to enable the Company or SaleCo to conduct the Offer,

or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;

(c) (**withdrawal**) the Company or SaleCo withdraws the Prospectus, or the Offer;

(d) (**supplementary or replacement prospectus**) the Joint Lead Managers reasonably form the view that a supplementary prospectus must be lodged with ASIC under section 719 of the Corporations Act and the Company and SaleCo do not lodge that prospectus with ASIC in the form and with the content, and within the time, reasonably required by the Joint Lead Managers;

(e) (**regulatory action**) a prescribed regulatory action is brought in relation to the Offer or the Prospectus or other Offer Documents;

(f) (**section 730 notice**) a person (other than a Joint Lead Manager) gives a notice under section 730 of the Corporations Act in relation to the Prospectus;

(g) (**market fall**) at any time the S&P/ASX 200 closes at a level that is 90% or less of the level as at the close of trading on the business day immediately prior to the date of the Underwriting Agreement and remains below that level:

(i) at the close of trading on ASX for two consecutive business days; or

(ii) at the close of trading on ASX on the business day immediately prior to the Settlement Date;

(h) (**repayment of application money**) any circumstance arises after lodgement of the Prospectus that results or will result in the Company either repaying the Application Monies received from Applicants or offering Applicants an opportunity to withdraw their applications for Shares and be repaid their Application Monies;

(i) (**insolvency**) the Company or any material Group Member becomes insolvent or suffers a prescribed insolvency event;

(j) (**certificates**) the Company or SaleCo does not provides a certificate required by the Underwriting Agreement as and when required by the Underwriting Agreement or a statement in any such certificate is false, misleading, inaccurate or untrue or incorrect;

(k) (**directors, executives and public action**) any of the following occur:

(i) a Director or senior executive of the Company is charged with an indictable offence;

(ii) any government agency commences any public action against a Group Member, a member of management of the Group or any of a Group Member's directors, or announces that it intends to take that action;

(iii) any Director is disqualified from managing a corporation under Part 2D.6 of the Corporations Act; or

(iv) a director or senior executive of a Group Member engages in any fraudulent conduct or activity;

(l) (**change in management**) a change to the Board of Directors or the Managing Director or the CFO occurs or is announced;

(m) (**failure to issue**) the Company or SaleCo is or becomes unable, for any reason, to issue or transfer the New Shares or Sale Shares (as applicable) on the Allotment Date;

(n) (**consent withdrawn**) any person (other than a Joint Lead Manager) gives a notice under section 733(3) of the Corporations Act or any person who has previously consented to the inclusion of its name in the Prospectus withdraws that consent;

(o) (**material contracts**) a material contract (defined as the VP Facility referred to in Section 9.2, the Kiwibank Facility referred to in Section 9.3, the Sell Down Deeds referred to in section 11.6, unless otherwise agreed, and the voluntary escrow deeds referred to in Section 11.12):

(i) is without the prior written consent of the Joint Lead Managers amended or varied;

(ii) is breached;

(iii) is terminated (whether by breach or otherwise);

(iv) ceases to have effect, otherwise than in accordance with its terms; or

(v) is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, rescinded or avoided or of limited force and affect, or its performance is or becomes illegal;

(p) (**timetable delay**) any event set out in the timetable in this Prospectus is delayed for more than two business days, unless the Joint Lead Managers consent to a variation; or

(q) (**change of control**) a third party acquires a direct or indirect legal or beneficial interest in all or substantially all of the Company's shares or assets (and the Company has a reciprocal termination right).

In addition, if one of the following events occurs and a Joint Lead Manager believes on reasonable grounds that the event: (a) has had (or is likely to have) a materially adverse effect on: (i) the marketing, success, outcome or settlement of the Offer, the willingness of investors to subscribe for New Shares or Sale Shares, or the subsequent market for the Shares; or (ii) the condition, trading, financial position, performance, profits and losses, results, business or operations of the Company or the Group from those expressly disclosed in this Prospectus or other Offer Documents; or (b) has (or is likely to) give rise to a contravention by a Joint Lead Manager of, or a Joint Lead Manager being involved in a contravention of, any regulatory requirement or applicable law, then the Joint Lead Manager may at any time on or before 4.00pm on the settlement date of the Offer, terminate the Underwriting Agreement, without cost or liability, by notice to the Company:

(a) (**offer documents does not comply**) the Prospectus or other Offer Documents on the date this Prospectus is lodged with ASIC do not comply with (as applicable):

(i) the Corporations Act;

(ii) the Listing Rules; or

(iii) any other applicable law;

(b) (**adverse change**) any adverse change occurs in or affecting the general affairs, management, assets, liabilities, financial position or performance, profits, losses, prospects or condition, financial or otherwise of the Group, including:

(i) any change in the nature of the business conducted by the Group or proposed to be conducted by the Group; or

(ii) in the earnings, prospects or forecasts, assets, liabilities, financial position or performance, profits, losses of the Group from those respectively disclosed in this Prospectus or other Offer Documents;

(c) (**disclosures in Offer Documents other than Prospectus**) a statement contained in Offer Documents is misleading or deceptive (including by omission) or likely to mislead or deceive, or becomes misleading or deceptive, or a material matter is omitted from the Offer Documents;

(d) (**new circumstance**) a new circumstance occurs in relation to the Company, SaleCo or the business of the Group that would have been required to be included in this Prospectus if it had arisen before this Prospectus was lodged with ASIC;

(e) (**forward looking statement incapable of being met**) any forward looking statement in this Prospectus or other Offer Documents becomes incapable of being met or unlikely to be met in the projected time;

(f) (**change in laws**) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State or Territory of Australia, a new law, or ASIC, any of its delegates or the Reserve Bank of Australia, adopts any regulation or policy, which does or is likely to prohibit, regulate or restrict the Offer or reduce the level or likely level of valid Applications under the Offer;

(g) (**force majeure**) there is an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) the effect of which makes it impractical or inadvisable (in the reasonable opinion of a terminating Joint Lead Manager) to satisfy an obligation under the Underwriting Agreement, or to market, promote or settle the Offer;

(h) (**breach of law or regulations**) the Company or SaleCo contravenes the Corporations Act, its constitution, the ASIC Act, the Listing Rules, the *Competition & Consumer Act 2010* (Cth) or any other applicable law or regulation;

(i) (**warranties or representation untrue**) any of the warranties or representations by the Company in the Underwriting Agreement are or become untrue or incorrect;

(j) (**breach**) the Company or SaleCo defaults on or breaches one or more of its obligations under the Underwriting Agreement;

(k) (**restricted activities**) without the prior consent of the Joint Lead Managers, the Company, SaleCo or any other member of the Group:

(i) disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property other than a certain permitted transaction or as contemplated in this Prospectus;

(ii) ceases or threatens to cease to carry on business;

(iii) alters its capital structure (debt or equity), other than as contemplated in the Prospectus or the Underwriting Agreement;

(iv) amends the Constitution; or

(v) amends the terms of issue of the New Shares or Sale Shares;

(l) (**adverse change in financial markets**) any of the following occurs:

(i) a general moratorium on commercial banking activities in Australia, the United States of America, the United Kingdom, Russia, France, German, Italy, Spain, New Zealand, Japan, the People's Republic of China, Singapore and Hong Kong is declared by the relevant authority in any of those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;

(ii) trading in securities generally quoted or listed on ASX, the London Stock Exchange, the Hong Kong Stock Exchange, the New York Stock Exchange or the NASDAQ is suspended or limited in a material respect for at least one day on which that exchange is open for trading;

(iii) any adverse change or disruption to the existing financial markets, political or economic conditions of, or currency exchange rates or controls in, Australia, the United States of America, the United Kingdom, Russia, France, Germany, Italy, Spain, New Zealand, Japan, the People's Republic of China, Singapore and Hong Kong or the international financial markets or any adverse change in national or international political, financial or economic conditions; or

(iv) a change or development involving a prospective adverse change in taxation affecting the Group or the Offer occurs;

(m) (**hostilities**) there is an outbreak of hostilities (whether or not war or a national emergency has been declared) not presently existing, or a major escalation in existing hostilities occurs, or a major act of terrorism occurs in or involving any one or more of Australia, the United States of America, the United Kingdom, Russia, France, Germany, Italy, Spain, New Zealand, Japan, the People's Republic of China, Singapore and Hong Kong or involving any diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world;

(n) (**disclosures in due diligence**) the due diligence report or any other information supplied by or on behalf of the Group to the Joint Lead Managers in relation to the due diligence process in connection with the Offer in relation to that process, the New Shares or Sale Shares, the Group, the Offer, or related documents is or becomes untrue, incorrect, misleading or deceptive (including by omission);

(o) (**Government Agency action**) ASIC or any other government agency commences or threatens to commence any hearing, inquiry, investigation, proceedings or prosecution, or takes any regulatory action or seeks any remedy, in connection with the Company, SaleCo, a director or senior executive of the Company or SaleCo, the Offer, the Prospectus or other Offer Documents; or

(p) (**Proceedings – persons other than ASIC**) a person other than ASIC commences any enquiry, investigation or proceedings, or takes any regulatory action or seeks any remedy, in connection with the Company, SaleCo, the Offer, the Prospectus or other Offer Documents and the enquiry, investigation or proceeding is not disposed of or withdrawn to the Joint Lead Managers' reasonable satisfaction on or before the 5th business day following commencement.

Section 10

Taxation

10 Taxation

The following comments provide a general summary of Australian and New Zealand tax issues for potential Australian and New Zealand tax resident Shareholders who acquire Shares under this Prospectus.

The categories of Shareholders considered in this summary are limited to individuals, certain companies, trusts, partnerships and complying superannuation funds, each of whom hold their shares on capital account.

This summary does not consider the consequences for non-Australian or non-New Zealand tax resident Shareholders, or Australian or New Zealand tax resident Shareholders who are insurance companies, banks, Shareholders that hold their shares on revenue account or carry on a business of trading in shares, or Shareholders who are exempt from Australian or New Zealand tax or subject to concessional tax regimes (for example the Australian Investment Manager Regime). This summary also does not cover the consequences for Australian tax resident Shareholders who are subject to Division 230 of the *Income Tax Assessment Act 1997* (the Taxation of Financial Arrangements or "TOFA" regime).

This summary is based on the law in Australia and New Zealand in force at the time of issue of this Prospectus. This summary does not take into account the tax law of countries other than Australia and New Zealand. This summary is general in nature and is not intended to be an authoritative or a complete statement of the applicable law. The taxation laws of Australia and New Zealand or their interpretation may change. The precise implications of ownership or disposal of the Shares will depend upon each Shareholder's specific circumstances.

Investors should obtain their own advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

10.1 Australian Taxation

10.1.1 Tax residency of Laybuy

The Company is incorporated in New Zealand and registered as a foreign company in Australia. Generally, a foreign company is a resident of Australia if it carries on business in Australia and has either its central management or control in Australia or its voting controlled by shareholders who are residents of Australia. The Company should not be an Australian resident for Australian income tax purposes.

10.1.2 Receipt of dividends on Shares

(a) Trans-Tasman Imputation

The Trans-Tasman imputation regime allows Australian and New Zealand companies to form a Trans-Tasman imputation group, thereby allowing a New Zealand tax resident company to operate an Australian franking account and pass on the benefit of franking credits to its Australian Shareholders when it pays a dividend, relative to their proportionate ownership. The Company has not elected to enter into the Trans-Tasman imputation regime. Should the Company elect to enter the regime, it may in the future be in a position to frank dividends for Australian tax purposes in the year of election and later income years.

(b) Individuals and complying superannuation entities

Where dividends on a Share are distributed by the Company, those dividends will constitute assessable income of an Australian tax resident Shareholder.

Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid. On the basis that the Company is not an Australian tax resident company, dividends paid will be unfranked (unless the Company elects to enter the Trans-Tasman imputation regime). Accordingly, franking credits will not attach to any dividend paid by the Company to Australian resident individuals and complying superannuation entities and such Shareholders will generally be taxed at their prevailing marginal rate on the dividend received with no franking offset.

Australian tax resident Shareholders receiving dividends will generally be subject to New Zealand non-resident withholding tax (refer to Section 10.2.4 for a summary of the relevant withholding tax rates). To the extent dividend withholding tax is withheld on dividend payments to individuals and complying superannuation entities and no refund is available, Australian foreign income tax offsets ("**FITO**") may be available. For Australian income tax purposes the amount of the dividend included in the Shareholder's assessable income is to be grossed up for any withholding tax deducted in New Zealand. A corresponding FITO may be available to the Shareholder for the withholding tax deducted in relation to the dividend paid. Broadly, a FITO should reduce the Australian tax payable on foreign income that has been subject to foreign income tax. The amount of FITO available to the Shareholder is equal to the foreign income tax paid, subject to a limit. The FITO limit is the greater of A$1,000 and the Australian tax that would be payable on the Shareholder's assessable foreign income for the year. Excess FITOs are not able to be carried forward and claimed in later income years.

Any additional supplementary dividend paid by the Company under the New Zealand foreign investor tax credit ("**FITC**") regime (refer to Section 10.2.4) to offset the New Zealand non-resident withholding tax on the dividend, should also be included in the Shareholder's assessable income.

(c) Corporate entities

Australian tax resident Shareholders who are corporate entities will ordinarily be required to include any dividend income in their assessable income.

An Australian tax resident corporate Shareholder which, broadly speaking, holds a relevant interest of at least 10% in the Company, may not be required to include dividends it receives on Shares in its assessable income.

Franking credits will not attach to any dividend paid by the Company to the Australian tax resident corporate Shareholder (unless the Company elects to enter the Trans-Tasman imputation regime). Accordingly, such Shareholders will be taxed at the applicable company income tax rate on the dividend received with no franking offset.

To the extent New Zealand dividend withholding tax is withheld on dividend payments to Australian tax resident corporate Shareholders and no refund is available, Australian FITOs may be available. For Australian income tax purposes the amount of the dividend included in the corporate Shareholder's assessable income is to be grossed up for any withholding tax deducted in New Zealand (refer to Section 10.2.4 for a summary of the relevant withholding tax rates). A corresponding FITO may be available to the Shareholder for the withholding tax deducted in relation to the dividend paid. Broadly, a FITO should reduce the Australian tax payable on foreign income that has been subject to foreign income tax. The amount of FITO available to the corporate Shareholder is equal to the foreign income tax paid, subject to a limit. The FITO limit is the greater of A$1,000 and the Australian tax that would be payable on the corporate Shareholder's assessable foreign income for the year. Excess FITOs are not able to be carried forward and claimed in later income years.

Any additional supplementary dividend paid by the Company under the New Zealand FITC regime (refer to Section 10.2.4) to offset the New Zealand non-resident withholding tax on the dividend, should also be included in the corporate Shareholder's assessable income.

(d) Trusts and partnerships

Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include the dividend in determining the net income of the trust or partnership. The relevant beneficiary or partner will be required to include in their assessable income the amount of the dividend to which they are presently entitled (for beneficiaries) or that is equal to their share of the dividend income (for partners).

Franking credits will not attach to any dividend paid by the Company to an Australian trust or partnership (unless the Company elects to enter the Trans-Tasman imputation regime). To the extent New Zealand dividend withholding tax is withheld on dividend payments to Australian resident Shareholders and no refund is available, Australian FITOs may be available. For Australian income tax purposes, the amount of the dividend included in the net income of the trust or partnership is to be grossed up for any withholding tax deducted in New Zealand (refer to Section 10.2.4 for a summary of the relevant withholding tax rates). A corresponding FITO may be available to the relevant Australian tax resident beneficiary or partner for the withholding tax deducted in relation to the dividend paid. Where the benefits of a FITO are passed through to the beneficiary or partner, the amount of the FITO available is limited to the greater of AUD 1,000 and the amount of the 'FITO limit', which is broadly the Australian tax that would be payable on the beneficiary or partner's assessable foreign income for the year. Excess FITOs are not able to be carried forward and claimed in later income years.

Any additional supplementary dividend paid by the Company under the New Zealand FITC regime (refer to Section 10.2.4) to offset the New Zealand non-resident withholding tax on the dividend, should also be included in the Shareholder's assessable income.

10.1.3 Disposal of Shares

A disposal of a Share by an Australian tax resident Shareholder who holds the Share on capital account will be a capital gains tax ("**CGT**") event. A capital gain will arise where the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus any transaction costs incurred in relation to the acquisition or disposal of the Share). In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds from the sale of the Share.

A CGT discount may be applied against the net capital gain where the Shareholder is an individual, complying superannuation entity or trustee, the Shares have been held for more than 12 months prior to the CGT event and certain other requirements have been met. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one third, after offsetting current year or prior year capital losses.

Where the Shareholder is the trustee of a trust that has held the Shares for more than 12 months before disposal the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

A capital loss will be realised where the reduced cost base of the Share exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the Shareholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

10.1.4 Goods and services tax ("GST") considerations

Shareholders should not be liable for GST in respect of their investment in Shares. Shareholders may not be entitled to claim full input tax credits in respect of any GST paid on costs incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by Shareholders in this respect.

10.1.5 Stamp duty considerations

No stamp duty should be payable by Shareholders on the acquisition of Shares under the Prospectus, unless they acquire, either alone with an associated/related person, an interest of 90% or more in the Company. Under current stamp duty legislation, no stamp duty would ordinarily be payable by Shareholders on any subsequent transfer of Shares provided the Shares remain quoted on the ASX.

Shareholders should seek their own advice as to the impact of stamp duty in their own particular circumstances.

10.2 New Zealand taxation

10.2.1 Receipt of dividends on Shares

A Shareholder's tax residence status will affect how New Zealand taxes apply to a return on their Shares. If a Shareholder is a New Zealand tax resident and is also a tax resident in another country, the following summary applying to New Zealand tax residents may not apply to the Shareholder, and the Shareholder should seek their own tax advice.

If the Shares are held through a tax transparent, fiscally transparent or hybrid entity, the following summary of the New Zealand tax implications may also not apply to the Shareholder, and the Shareholder should seek their own tax advice. For example, a New Zealand partnership is treated as a tax transparent entity under New Zealand tax law and, as a result, the Company may need to look through the partnership to determine what (if any) tax it must withhold on dividends. For Australian partnerships, protection under New Zealand's double tax treaty network and the application of New Zealand's withholding tax regime may depend on the tax residency of the partner(s).

Distributions received by a New Zealand tax resident Shareholder will generally be taxable dividends for New Zealand tax purposes. Some distributions a Shareholder receives from the Company may not be taxable dividends (for example, non-taxable bonus issues and certain returns of capital).

New Zealand operates an imputation regime under which income tax paid by the Company gives rise to credits, known as imputation credits, which may be attached to dividends it pays. Imputation credits attached to dividends may be used by New Zealand tax-resident Shareholders as a credit against their tax liability in respect of the dividends. The maximum ratio at which the Company can attach imputation credits to dividends is 28:72 (i.e. $28 of imputation credits to $72 of cash dividend).

10.2.2 Resident withholding tax

The Company will generally be required to withhold resident withholding tax ("**RWT**") from dividends it pays to New Zealand resident Shareholders. If the dividends are fully imputed then the RWT is approximately 5% of the cash dividend. If the dividend is unimputed then the RWT is 33% of the cash dividend.

If a Shareholder has registered with the Commissioner of Inland Revenue to be exempt from RWT, then the Shareholder should notify and provide its Inland Revenue number to the Company.

10.2.3 Filing an income tax return

If a Shareholder files a New Zealand income tax return, they must include in their taxable income not only the cash dividend they receive, but also any imputation credits attached to the dividend and any RWT withheld. This total amount included in a Shareholder's taxable income is referred to as the gross dividend. A New Zealand Shareholder should be able to use attached imputation credits and (subject to certain criteria) the RWT to satisfy (or partially satisfy) their tax liability on the gross dividend. If the attached imputation credits and RWT deducted exceed the amount of tax on the gross dividend, a Shareholder's tax liability on other income they earn may be reduced as a result of receiving the dividend.

To the extent that a Shareholder cannot use the credit for New Zealand RWT to satisfy (or partially satisfy) their tax liability, the Shareholder may get a refund of any excess RWT.

If the Shareholder does not file an income tax return, receiving dividends from the Company will not change that position. If the Shareholder is on a tax rate less than 33% you may be able to reduce your other tax liabilities, or get a refund of any RWT on dividends, by filing an income tax return.

10 Taxation (continued)

10.2.4 Non-resident withholding tax ("NRWT") and Foreign Investor Tax Credit ("FITC")

The below statements are made on the basis that Australian Shareholders are entitled to relief under the New Zealand – Australia double tax agreement. We recommend each Australian Shareholder obtain its own tax advice on this matter.

The Company will generally be required to withhold New Zealand non-resident dividend withholding tax from dividends it pays to Australian Shareholders. If the dividends are fully imputed and the Australian Shareholder holds at least 10% of the voting power in the Company then the NRWT rate is 0%. If the dividend is not fully imputed then the NRWT rate is 5% for companies and 15% for all other Shareholders (e.g. individuals or trusts).

If the Australian Shareholder holds less than 10% of the issued Shares of the Company, a 15% non-resident withholding tax will generally apply, regardless of whether the dividend is fully imputed or not. However, if the dividend is fully imputed the Company may pay such non-resident Shareholders an additional supplementary dividend to effectively offset the non-resident withholding tax on the dividend under the foreign investor tax credit regime.

10.2.5 Disposal of Shares

New Zealand does not have a comprehensive capital gains tax. As a result, Shareholders that hold Shares on capital account for New Zealand tax purposes should not be subject to New Zealand tax on any gain on disposal. Similarly a capital loss realised on disposal should not be deductible to Shareholders under New Zealand tax law.

Although New Zealand does not have a comprehensive capital gains tax, there are instances where a Shareholder will be subject to New Zealand tax on gains they make on the sale or disposal of their Shares or be allowed a deduction for any loss they make. A Shareholder must consider their individual circumstances to determine whether any gain on the sale or disposal of their Shares will be taxable (or loss deductible).

Generally, a Shareholder will be subject to tax on any gain (or allowed to deduct any loss) arising from the sale or disposal of their Shares if they:

- are in the business of dealing in shares;
- acquire their Shares as part of a profit-making undertaking or scheme; or
- acquire their Shares with the dominant purpose of selling them.

As noted above, we have not considered the consequences for investors who hold their investment on revenue account or as trading stock.

If the Shareholder is Australian resident then the New Zealand Inland Revenue may generally not be entitled to tax any income you derive from the sale of shares in the Company, unless you have a 'permanent establishment' in New Zealand through which the shares are held and/or the Company is 'land rich' (which it currently is not).

10.2.6 Goods and services tax considerations

New Zealand GST should not apply to a Shareholder's investment in Shares.

Section 11

Additional Information

11 Additional Information

11.1 Incorporation and registration as foreign company

The Company was incorporated in New Zealand on 16 June 2020 and was registered as a foreign company in Australia on 29 June 2020.

Laybuy Australia Pty Ltd has been appointed as local agent of the Company under the Corporations Act. Jonathan Swain of Company Matters Pty Ltd has been engaged to act as the person responsible for communications with the ASX under Listing Rule 12.6 and has been appointed as Australian company secretary.

11.2 Company tax status and financial year

The Company has a balance date of 31 March. The Company is a tax resident in New Zealand and subject to New Zealand income tax at a current rate of 28%.

11.3 Convertible Notes

Between March 2020 and July 2020, Laybuy Holdings issued convertible notes with an aggregate principal amount of approximately A$25.39 million (NZ$27.05 million) ("**Convertible Notes**"). The Convertible Notes accrue interest at 8% per annum (compounding quarterly) and are denominated in Australian dollars. On or before the allotment of the Shares under the Offer, the principal and accrued interest on each parcel of Convertible Notes will convert into Shares at a rate of either A$0.99 or A$1.128 per Share, depending on when the parcel was issued.

If the Note Conversion occurs on the Allotment Date, then a total of 25,039,064 Shares will be issued pursuant to the Note Conversion. If the Note Conversion occurs on a different date, the number of Shares will be different, reflecting the effect of the interest accruing on a daily basis.

11.4 Options

Following completion of the Restructuring, the Company will have a total of 19,027,660 Options on issue, comprised of 5,027,660 Options held by employees and Directors, and 14 million Options on issue to Merchants.

The key terms of the Options will be as follows. For additional information about the Options to be held by employees and Directors, refer to Sections 7.5.2 and 7.5.3.

Holder	Number of Options	Vesting schedule	Exercise price per Share	Expiry
Non-executive Directors	400,000	33.3% on first anniversary of grant; remainder vesting in equal quarterly instalments over the following 24 months	A$1.41 (i.e. Offer Price)	No more than 15 years from date of grant
Employees, including Gary Rohloff	4,627,660	Upon release of FY23 results, based on continuity of service, absolute TSR and revenue CAGR conditions; refer to Section 7.5.2 for more information	Nil	No more than 15 years from date of grant
Merchants	14,000,000	6,800,000 Options will be vested upon issue A total of 7,200,000 Options will vest over tranches based on meeting certain cumulative GMV thresholds	A$1.557	16 March 2023 (for 12,000,000 Options) and 22 July 2024 (for 2,000,000 Options)
Total	**19,027,660**			

11.5 Warrants

Following completion of the Restructuring the Company will have a total of 3,074,325 Warrants on issue to Victory Park affiliates, with an exercise price per Share of A$1.41 (i.e. equal to the Offer Price assuming the Offer completes). Each Warrant expires on the fifth anniversary of the grant of the Warrants.

Each Warrant will be exercisable at any time (see Section 9.2) with a minimum of 100,000 Warrants to be exercised at a time.

11.6 Role of SaleCo

SaleCo is a special purpose vehicle which has been established to facilitate the sale of some of the Shares held by the Selling Shareholders following the Restructuring.

SaleCo was incorporated in New Zealand on 22 June 2020 and was registered as a foreign company in Australia on 1 July 2020. The shareholders of SaleCo are Gary Rohloff (50%) and Craig Styris (50%). Mr Rohloff and Mr Styris are also the directors of SaleCo.

Each of the Selling Shareholders, the Company and SaleCo has entered, or will enter, into a Sell Down Deed under which the Selling Shareholders agree to sell a nominated amount of their Shares (the "**Sale Shares**") to SaleCo, which will be sold by SaleCo into the Offer, free from encumbrances and third-party rights (the "**Sell Down**"). The Selling Shareholders have agreed to sell a total of 28,368,794 Shares to SaleCo, as shown in Section 8.5.2.

The Sale Shares will then be transferred to Successful Applicants at the Offer Price. The aggregate price payable by SaleCo to Selling Shareholders is the Offer Price multiplied by the number of Sale Shares, less the Joint Lead Managers' fees in respect of the Sale Shares. The Company will separately issue New Shares to Successful Applicants under the Offer.

SaleCo has no material assets, liabilities or operations other than its interests in and obligations under the Underwriting Agreement and its obligations under the indemnity described below.

The Company has indemnified SaleCo for any loss that SaleCo may incur as a consequence of the Offer.

11.7 Restructuring and corporate structure

11.7.1 Australia

The Laybuy business in Australia was originally conducted by Laybuy Holdings (Australia) Pty Limited ("**Laybuy Holdings Australia**"), an entity since divested from the Group. The Australian operations were established to support existing New Zealand retailers who also have an Australian presence and represented less than 10% of GMV for the Group in the quarter ended 30 June 2020.

The Group established a new Australian subsidiary named Laybuy Australia Pty Ltd ("**Laybuy Australia**") which acquired the assets of Laybuy Holdings Australia. Rather than serving as an Australian outpost to extend the reach of the New Zealand retailers, Laybuy Australia is better positioned to develop the Australian market from its inception including to ensure compliance with the due diligence requirements and other regulatory requirements under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) ("**Australian AML/CTF Act**"). Laybuy Holdings Australia, although operating under Laybuy's global AML/CTF program, had omitted to enrol as a reporting entity with the Australian Transaction Reports and Analysis Centre ("**AUSTRAC**"). Laybuy Australia however, has enrolled with AUSTRAC and has adopted an Australian-specific AML/CTF program (in addition to the global program) to comply with its obligations as a reporting entity.

One of the other reasons for establishing Laybuy Australia was to take advantage of a statutory defence to the linked credit liability provisions under the Australian Consumer Law. Under the linked credit provider liability provisions, a financier which takes regular referrals from a retailer will generally be characterised as a "linked credit provider" in relation to that retailer which means under the Australian Consumer Law that it will potentially be jointly and severally liable for loss or damage arising from the retailer's failure to supply goods or services financed by the linked credit provider and for breaches of certain statutory warranties and consumer guarantees, among other things.

These provisions generally only become important where the retailer is insolvent, because only in those circumstances, will the linked credit provider be unable to enforce a statutory right of subrogation to the consumer's rights against the insolvent retailer, which would otherwise be enforceable where the retailer is solvent. However, a statutory "due diligence" defence is available to the linked credit provider if, before becoming a linked credit provider, it established through due diligence enquiries, that the relevant retailer's financial standing and business conduct was good and that before the relevant transaction which gave rise to any loss or damage, the linked credit provider had no cause to suspect the customer might suffer loss or damage.

The retailer on-boarding processes followed by Laybuy Holdings Australia were not regarded by the Group as sufficient to clearly satisfy the requirements for the due diligence defence before they were on-boarded as required. By establishing Laybuy Australia as the new trading entity in Australia, it has been possible to conduct due diligence enquiries in relation to higher risk merchants before on-boarding them thereby allowing Laybuy Australia to rely upon the statutory due diligence defence for these retailers.

The transition of the Australian business to Laybuy Australia was for market value as determined by an independent valuer.

11 Additional Information (continued)

11.7.2 Restructuring

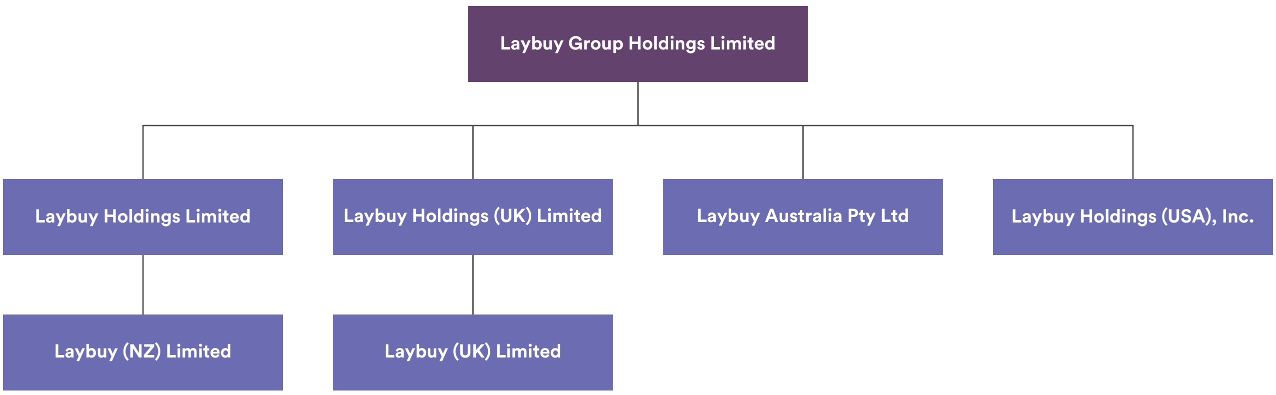
The Group intends to complete the Restructuring between the Closing Date and Listing. The Restructuring comprises the following steps:

1. **UK Transaction:** Gary Rohloff and Robyn Rohloff currently have direct shareholdings in Laybuy Holdings UK (representing approximately 1.8% of its shares on issue). They will transfer their respective shares in Laybuy Holdings UK to Laybuy Holdings Limited in consideration for the issue of new shares in Laybuy Holdings Limited, such that immediately following this "UK Transaction", Gary Rohloff and Robyn Rohloff will each hold 25% of the shares in Laybuy Holdings Limited. At the time of Listing, Laybuy Holdings Limited will therefore be the beneficial owner of all of the shares in Laybuy Holdings UK; however Laybuy Holdings UK will not be able to register Laybuy Holdings Limited as the holder of legal title to the transferred shares until HM Revenue & Customs in the United Kingdom has processed the associated stamp duty payment, which may not occur until shortly after Listing.
2. **Top Hat:** Upon the Company's incorporation, a total of four Shares were issued: one Share to each of Gary and Robyn Rohloff and two Shares to Pioneer. They remain the only shareholdings in the Company as at the date of this Prospectus. However, the Company will be interposed as the new holding company of Laybuy Holdings Limited by the Company acquiring all the shares in Laybuy Holdings Limited from its shareholders in exchange for issuing new Shares in the Company. In conjunction with this, the other securities issued by Laybuy Holdings Limited will be replaced with securities on substantially the same terms issued by the Company, other than the Convertible Notes which will be converted into Shares as discussed below, and the Legacy Options which will be cancelled and replaced with Shares as discussed below. In addition, the Company will acquire the intellectual property of Laybuy Holdings Limited, and will employ the senior management of, and operate the head office functions of, the Group shortly after Listing. For more information regarding the number of Shares on issue following this transaction, refer to Section 8.5.1.
3. **Transfer of subsidiaries:** The shares in the (current and proposed) immediate operating subsidiaries in the United Kingdom, Australia and the U.S. will be transferred from Laybuy Holdings Limited to the Company, resulting in the corporate structure shown in Figure 11.1 below.
4. **Sell-down shares:** SaleCo will acquire the Sale Shares from the Selling Shareholders as described in Section 11.6.
5. **Note Conversion:** The principal and accrued interest on the Convertible Notes will convert into Shares as described in Section 11.3.
6. **Legacy Option Replacement:** The Legacy Options issued by Laybuy Holdings Limited will be cancelled and Shares issued in lieu of them, as described in Section 7.5.6.
7. **Option grants:** The Company will grant the ZEPOs described in Section 7.5.2 to the Managing Director, CFO and other senior employees, and will issue the market-priced Options to the independent Non-executive Directors described in Section 7.5.3.

11.7.3 Corporate structure

Figure 11.1 shows the corporate structure of the Group on Listing (subject to the registration of the transfer of shares under the UK Transaction described above).

Figure 11.1: The corporate structure of the Group on completion of the Offer.



The following table summarises the companies in the Group on Listing:

Company name	Place of Incorporation	Nature of business
Laybuy Group Holdings Limited (company no. 8028865)	New Zealand	Group holding company
Laybuy Holdings Limited (company no. 6149287)	New Zealand	Operating company in NZ
Laybuy (NZ) Limited (company no. 6846013)	New Zealand	Holds third party contracts for certain services to the Group
Laybuy Australia Pty Ltd (ACN 640 349 971)	Australia	Operating company in Australia
Laybuy Holdings (UK) Limited (company no. 011156956)	UK	Operating company in the United Kingdom
Laybuy (UK) Limited (company no. 12712197)	UK	Special purpose financing vehicle for the Victory Park facility (see Section 9.2)
Laybuy Holdings (USA), Inc.	Delaware, U.S.	Proposed U.S. operating company

11.8 Constitution and rights attaching to Shares

Given that the Company is incorporated under the laws of New Zealand, the rights and liabilities attaching to the Shares are governed by New Zealand law and the Constitution. Once listed on the ASX, the Company will also become subject to the Listing Rules.

A summary of the key rights, liabilities and obligations attaching to the Shares and a description of certain provisions of the Constitution are set out below. This summary is not an exhaustive statement of all relevant laws, rules, regulations and the Constitution, nor does it constitute a definitive statement of the rights and liabilities of Shareholders. It is intended as a general guide only.

The summary assumes that the Company is admitted to the Official List of the ASX.

11.8.1 Voting at a general meeting

At a meeting of the Company, every Shareholder present in person or by proxy, or representative has one vote on a show of hands or by voice and, on a poll, one vote for each Share held (with adjusted voting rights for partly paid Shares).

11.8.2 Meetings of Shareholders

Each Shareholder is entitled to receive notice of, attend and vote at meetings of Shareholders of the Company and to receive all notices, reports and financial statements required to be sent to Shareholders under the Constitution, Companies Act and Listing Rules. The Company must give at least 10 working days' written notice of a meeting of Shareholders.

11.8.3 Dividends

Each Share has the right to receive dividends. Subject to the Companies Act, dividends may be declared by the Board.

11.8.4 Transfer of Shares

Subject to Listing Rules and the ASX Settlement Operating Rules, the Companies Act, the Constitution and any restrictions under law, the Shares are freely transferrable. Under the Constitution, the Board may decline to register, or prevent registration of, any paper-based transfer of Shares or apply a holding lock to prevent a transfer in certain circumstances if permitted to do so by the Listing Rules.

11.8.5 Issue of further Shares and changes in share capital

The Board may, subject to the Constitution, Companies Act and the Listing Rules issue, new Shares or other securities which rank equally with, or in priority to, the Shares, whether as to voting rights, distributions, dividends or otherwise. In addition, subject to the Listing Rules, the Company may consolidate and subdivide its share capital.

11.8.6 Winding up

Subject to the Constitution, the Companies Act and any rights or restrictions attached to any securities in the Company, upon the liquidation of the Company, any surplus assets of the Company must be distributed among the Shareholders in proportion to the number of Shares held by them. If the Company is wound up, the liquidator may, with the approval of an ordinary resolution, divide among the Shareholders the whole or any part of the Company's surplus assets and decide how the division is to be carried out as between Shareholders or different classes of Shareholders.

11.8.7 Non-marketable parcels

In accordance with the Listing Rules, the Board may sell Shares that constitute less than a marketable parcel by following the procedures set out in the Constitution. A marketable parcel of shares is defined in the Listing Rules.

11.8.8 Variation of class rights

The Companies Act allows the rights attaching to a Share to be negated, altered or added to by the terms of the Constitution or in accordance with the terms that they are issued. The Company must not take action that affects the rights attached to Shares unless that action has been approved by a special resolution of each interest group.

11.8.9 Directors – appointment and retirement

Under the Constitution, the Board is comprised of a minimum of three directors and, subject to that limitation, the number of directors to hold office shall be fixed from time to time by the Board. Directors are elected or re-elected at annual meetings of the Company.

Retirement will occur on a rotational basis so that no Director (excluding any managing director) may hold office without re-election beyond the third annual meeting following the meeting at which the Director was last elected or re-elected, or for more than three years (whichever is longer). The Board may also appoint any eligible person to be a Director either as an addition to the existing Directors or to fill a casual vacancy, who will not hold office (without re-election) until past the next annual meeting of the Company.

11.8.10 Directors – voting

Questions arising at a meeting of the Board must be decided by a majority of votes cast by the Directors present and entitled to vote on the matter.

A written resolution of the Board may be passed without holding a meeting of the Board, if it is signed or assented to by a majority of the Directors entitled to vote on that resolution.

11.8.11 Directors – remuneration

The Board may, subject to the Listing Rules, authorise the remuneration and other benefits to and for Directors.

Directors are entitled to be paid for all reasonable travelling, accommodation and other expenses they incur in connection with their attendance at meetings or otherwise in connection with the Company's business. The Board may authorise special remuneration to any Director who is or has been engaged by a Group Member to carry out any work or perform any services which is not in the capacity of a Director of the Company or another Group Member. Directors' remuneration is discussed in Section 7.4.

11.8.12 Powers and duties of Directors

The Board has the rights, powers, duties and obligations set out in the Companies Act except to the extent that, as permitted by the Companies Act, they are negated or modified by the Constitution.

Under the Companies Act, the directors owe certain duties and obligations to the Company, including duties to act in good faith and in the best interests of the Company, to exercise powers as a director for a proper purpose, not to trade recklessly, not to agree to certain obligations (unless the director believes on reasonable grounds that the Company will be able to perform the obligation when it is required to do so) and a duty of care when exercising powers or performing duties as a director.

11.8.13 Indemnities

Under the Constitution, the Company may indemnify each Director and employee of the Company or a related company for certain liability or costs for which a director or employee may be indemnified under the Companies Act. See Section 7.4.7 for the terms of the indemnities provided to the Directors.

The Company may, with the prior approval of the Board, effect insurance for each Director or employee of the Company or a related company in respect of certain liability or costs for which a company may effect insurance under the Companies Act.

11.8.14 Access to records

Except as provided for in the Companies Act, or unless the Board determines otherwise, Shareholders are not entitled to inspect any records, books, papers, correspondence or documents of the Company or require or receive any information concerning the Company's business, trading or customers, or any trade secret or secret process of or used by the Company.

11.8.15 Amendment

Under the Companies Act, the Constitution can be altered or revoked by special resolution (being a resolution approved by Shareholders holding at least 75% of Shares).

11.8.16 Share buy back

The Company may, in accordance with the Companies Act and the Listing Rules, purchase or acquire its own Shares.

11.9 Comparison of Australian and New Zealand Laws

The Company is a company incorporated in New Zealand and it is principally governed by New Zealand laws. In Australia, the Company is registered with ASIC as a foreign company under Division 2 of Chapter 5B.2 of the Corporations Act. As the Company is not incorporated in Australia, only some limited corporate activities (including any offering of securities in Australia) are regulated by the Corporations Act and ASIC. The Company is primarily regulated by New Zealand legislation, including the Companies Act, the Financial Markets Conduct Act and the New Zealand Financial Markets Authority and Registrar of Companies.

The table below summarises the key features of the laws that apply to the Company as a New Zealand company (under New Zealand law) compared with the laws that apply to Australian incorporated publicly listed companies generally. This summary is not a complete review of all matters of New Zealand law applicable to companies and does not purport to highlight all provisions that may differ from the equivalent provisions in Australia.

Unless otherwise stated, the Corporations Act provisions referred to below do not apply to the Company as a foreign company.

Feature	New Zealand Law	Australian Law
Transactions requiring shareholder approval	Under the Companies Act, principal transactions or actions which require shareholder approval include: • adopting or altering the constitution of a company; • appointing or removing a director or auditor; • 'major transactions' – being transactions involving the acquisition or disposition (whether contingent or not) of assets, the value of which is more than half the value of the company's assets, or the acquisition of rights or interests or the incurring of obligations or liabilities (including contingent liabilities), the value of which is more than half the value of the company's total assets; • putting the company into liquidation (however, liquidation can also occur other than by shareholder approval); and • changes to the rights attached to shares.	Under the Corporations Act, shareholder approval is required for altering a company's constitution, appointing or removing directors, putting the company into liquidation, changes to the rights attaching to shares and certain transactions affecting share capital (e.g. share buybacks, share splits and share capital reductions). Generally, there is no shareholder approval requirement for 'major transactions' under the Corporations Act, except that certain related party transactions require shareholder approval. Under the Listing Rules, which will apply to the Company following Listing, shareholder approval is required for, amongst other things: • increases in the total amount of non-executive directors' fees; • directors' termination benefits in certain circumstances; • certain transactions with related parties and parties of influence; • certain issues of shares; and • if a company proposes to make a significant change to the nature or scale of its activities or proposes to dispose of its main undertaking.
Changes in the rights attaching to shares	Under the Companies Act, a company must not take action that affects the rights attached to shares, unless that action has been approved by a special resolution of each interest group of shareholders. An 'interest group' in relation to an action or proposal affecting the rights attached to shares means a group of shareholders whose affected rights are identical and whose rights are affected by the action or proposal in the same way and who comprise the holders of one or more classes of shares in the company.	The Corporations Act allows a company to set out in its constitution the procedure for varying or cancelling rights attached to shares in a class of shares. Under the Corporations Act, if a company does not have a constitution, or has a constitution that does not set out such a procedure, such rights may only be varied or cancelled by: • a special resolution of the company; and • a special resolution passed at a meeting of the class of members holding shares in the class; or • a written consent of members with at least 75% of the votes in the class.
Shareholder protections against oppressive conduct	Under the Companies Act, a shareholder or former shareholder of a company (or any other person who holds any rights and powers of a shareholder under the constitution) who considers that the affairs of a company have been (or are being, or are likely to be) conducted in a manner that is (or any act or acts of the company have been, or are, or are likely to be) oppressive, unfairly discriminatory, or unfairly prejudicial to him or her in any capacity may apply to the court for relief. The court may, if it thinks it is just and equitable to do so, make such orders as it thinks fit.	Under the Corporations Act, shareholders have statutory remedies for oppressive or unfair conduct of the company's affairs and the court can make such orders as it considers appropriate.

11 Additional Information (continued)

Feature	New Zealand Law	Australian Law
Shareholders' rights to request a meeting	Under the Companies Act, a shareholder or shareholders holding shares carrying at least 5% of the voting rights may make a request for a meeting of shareholders.	Under the Corporations Act, shareholders have a right to request a meeting through two methods: • Shareholders with at least 5% of the votes that may be cast at a general meeting have a right to call and arrange a general meeting at their own expense. • The board is required to call and arrange a general meeting on the request of shareholders with at least 5% of the votes that may be cast at the general meeting.
Shareholders' right of appointment of proxies	Shareholders have the right to appoint a proxy to attend and vote at meetings on their behalf under the Companies Act. The proxy must be appointed by notice in writing signed by the shareholder or, in the case of an electronic notice, sent by the shareholder to the company. The notice of appointment must specify whether the appointment is for a particular meeting or a specified term.	Under the Corporations Act, a shareholder of a company who is entitled to attend and cast a vote at a meeting of the company's members may appoint a proxy to attend and vote.
Shareholders' rights to bring or intervene in legal proceedings on behalf of the company	Under the Companies Act, a court may, on the application of a shareholder or director of a company, grant leave to that shareholder or director to bring proceedings in the name and on behalf of the company or any related company, or intervene in proceedings to which the company or any related company is a party, for the purpose of continuing, defending or discontinuing the proceedings on behalf of the company or related company.	The Corporations Act permits a shareholder to apply to the court for leave to bring proceedings on behalf of the company, or to intervene in proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for those proceedings, or for a particular step in those proceedings.
Remuneration reports and the "2 strikes" rule	There is no equivalent of the "2 strikes" rule in relation to remuneration reports in New Zealand. New Zealand companies are not required to publish remuneration reports. There is however, an obligation to state in the company's annual report, in respect of each director or former director of the company, the total remuneration and the value of other benefits received by that director or former director from the company during the relevant accounting period. There is also an obligation to disclose the number of employees or former employees of the company, not being directors of the company, who received remuneration and any other benefits in their capacity as employees during the relevant accounting period, the value of which was NZ$100,000 per annum or greater, stated in brackets of NZ$10,000.	The Corporations Act requires that an Australian listed public company's annual report must include a report by the directors on the company's remuneration framework (called a remuneration report). The Corporations Act applies a "2 strikes" rule to Australian listed public companies. The "2 strikes" rule applies if at two consecutive AGMs of the company, at least 25% of the votes cast on a resolution that the remuneration report be adopted were against adoption of the report and a resolution was not put to the vote at the earlier AGM under an earlier application of section 250V of the Corporations Act. In this case, at the second AGM, there must be put to the vote a resolution (the spill resolution) that: • another general meeting (the spill meeting) be held within 90 days; and • all the company's directors who were directors when the resolution to make the director's report considered at the second AGM (and are not a managing director of the company who is entitled under the listing rules applicable to the company to hold office indefinitely) cease to hold office immediately before the end of the spill meeting; and • resolutions to appoint persons to offices that will be vacated be put to the vote at the spill meeting.

Feature	New Zealand Law	Australian Law
Disclosure of substantial holdings	The Financial Markets Conduct Act requires every person who is a 'substantial product holder' in a listed issuer to give notice to that listed issuer and NZX that they are a substantial product holder. However, this provision will not apply to the Company as the Company is not listed on NZX. Rather, the disclosure regime in the Listing Rules will apply.	The Corporations Act requires a person to notify, and give prescribed information in relation to their holding, to the listed company and to the ASX if: • the person begins to have, or ceases to have, a substantial holding in the company; • the person has a substantial holding in the company and there is a movement of at least 1% in their holding; or • the person makes a takeover bid for securities of the company. Under the Corporations Act, a person has a substantial holding if: • the total votes attached to voting shares in the company in which they or their associates have relevant interests (or would have a relevant interest but for s 609(6) (market traded options) or s 609(7) (conditional agreements)) is 5% or more of the total number of votes attached to voting shares in the company; or • the person has made a takeover bid for voting shares in the company and the bid period has started and not yet ended.
Regulation of Takeovers	The New Zealand position under the Takeovers Code is comparable to the Australian position in relation to the regulation of takeovers. For the purposes of the Takeovers Code, a "code company" is a company which is a listed issuer that has financial products that confer voting rights quoted on NZX or a company that has 50 or more shareholders and 50 or more parcels of shares and is at least medium-sized. A 20% threshold applies (under which a person may not become the holder or controller of an increased percentage of the voting rights in a code company unless, after the event, that person and their associates hold or control in total not more than 20% of the voting rights in the code company, or may not become the holder or controller of an increased percentage of voting rights if they already hold or control more than 20% of the voting rights). This is subject to certain exceptions, including full and partial offers, 5% creep over 12 months in the 50% to 90% range, and acquisitions with shareholder approval. Persons who hold or control 90% or more of the voting rights in a code company are permitted compulsory acquisitions.	The Corporations Act prohibits a person from acquiring a relevant interest in issued voting shares in a listed company, through a transaction entered into by or on behalf of the person acquiring the relevant interest, if the transaction would cause any person's voting power in the company to increase: • from 20% or below to greater than 20%; or • from a starting point that is above 20% and below 90%. Exceptions to the prohibition apply (e.g. acquisitions with shareholder approval, maximum 3% creep over 6 months and rights issues that satisfy prescribed conditions). Compulsory acquisitions are permitted by bidders under a takeover bid if by the end of the offer period the bidder and their associates have acquired at least 75% (by number) of the securities that the bidder had offered to acquire under the bid, and have relevant interests in at least 90% (by number) of the securities in the bid class.

11.10 Dividend policy

Payment of dividends by the Company is at the discretion of the Board. The Directors have not provided any assurance of the future amount of dividends to be paid. In determining whether to declare future dividends, the Directors will consider the general business environment, the operating results and the financial condition of the Company, future funding requirements, capital management initiatives, taxation considerations, any contractual, legal or regulatory restrictions on the payment of dividends by the Company and any other factors the Directors may consider relevant at the time of their decision.

11.11 Litigation

As far as the Directors are aware, there are no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which Laybuy is directly or indirectly concerned which are likely to have a material adverse effect on the business or financial position of Laybuy.

11 Additional Information (continued)

11.12 Escrow arrangements

Pioneer and the Rohloffs have agreed to voluntary restrictions applying to all of the Shares they hold at Listing. In addition, those members of the Company's management team who are receiving Shares as a result of the Legacy Option Replacement (see Section 7.5.6) have also agreed, or are expected to agree before the Opening Date, to voluntary restrictions applying to those Shares. The restrictions will be governed by voluntary escrow deeds which, for the period described below, will restrict their ability to dispose of, create any security interest in or transfer effective ownership or control of their Shares.

Escrowed party	End of escrow period	Number of Shares subject to escrow on completion of Offer
Pioneer	Until the release to ASX of Laybuy's FY22 financial results, subject to the early release conditions below	44,450,675
Gary Rohloff	Until the release to ASX of Laybuy's FY22 financial results, subject to the early release conditions below	25,744,681
Robyn Rohloff	Until the release to ASX of Laybuy's FY22 financial results, subject to the early release conditions below	25,786,739
Other senior management	12 months from Listing	1,016,793

11.12.1 Early release conditions

50% of Pioneer's Shares and 25% of the Rohloffs' Shares will be eligible for release from escrow following the publication of Laybuy's half year accounts for FY22 (circa November 2021) if:

- Laybuy's audited or audit reviewed revenue in the twelve months to 30 September 2021 is at least 2.5 times its revenue in the twelve months to 30 September 2020; or
- the VWAP of the Shares over any 15 trading days before the date of release of the Appendix 4D for the period ending 30 September 2021, was at least A$2.115.

11.12.2 Total number of Shares subject to escrow

It is expected that upon Listing, 96,998,888 Shares will be subject to voluntary escrow arrangements, being approximately 55.6% of all Shares following the Offer.

In addition, up to 38,995 Shares issued under the Employee Gift Offer will be subject to a holding lock for up to three years after the issue date.

11.13 Related party interests

11.13.1 Current and proposed transactions

Other than as set out below and elsewhere in this Prospectus (including the remuneration arrangements with the Directors described in Section 7.4), there are no existing agreements or arrangements and there are no currently proposed transactions in which Laybuy was, or is to be, a participant, and in which any related party had or will have a direct or indirect material interest.

- Gary and Robyn Rohloff's sons, James and Alex, are both employed by the Group, as Product Manager and Enterprise and Partnerships Executive, respectively. Alex Rohloff is currently seconded to Laybuy Holdings UK (see Section 7.4.6). In addition, James' and Alex's partners are employed by the Group. The terms of employment are on arm's length and ordinary commercial terms.
- As referred to in Section 7.4.4, the Company is a party to a Services Agreement with Pioneer Capital Management Limited in relation to board and advisory services. The annual fee payable for these services equal Mr Styris' director fees plus GST (if any). The agreement continues for so long as a person nominated by Pioneer Capital is a director of the Company.

11.13.2 Policy for approval of related party transactions

From Listing, the Audit and Risk Committee is responsible for reviewing and approving all transactions in which the Company is a participant and in which parties related to Laybuy, including its executive officers, Directors and certain other persons who the Board determines may be considered related parties of Laybuy (for the purposes of Chapter 2E of the Corporations Act), have or will have a material direct or indirect interest.

Certain transactions with related parties will also be subject to Shareholder approval under the Listing Rules.

11.14 Offer expenses

The total estimated costs to the Company in connection with the Offer, including advisory, legal, accounting, tax, listing and administrative fees as well as printing, advertising and other expenses are currently estimated to be approximately NZ$5.6 million or approximately A$5.3 million.

11.15 Consents

Each of the following parties has given and has not, before the issue of this Prospectus, withdrawn its written consent to being named in this Prospectus and to the inclusion, in the form and context in which it is included, of any information described below as being included with its consent.

Each of the parties referred to in the table below has not authorised or caused the issue of this Prospectus and, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than the reference to such party's name and any statement or report included in this Prospectus with the consent of that party as described below.

Name of entity	Named as	Reports or statements
Canaccord	Join Lead Manager and underwriter	–
Bell Potter	Joint Lead Manager and underwriter	–
Venture Advisory	Financial Advisor	–
PricewaterhouseCoopers Securities Ltd	Australian Investigating Accountant	Investigating Accountant's Report (Section 6)
PricewaterhouseCoopers	New Zealand Tax advisor and Auditor	–
Johnson Winter & Slattery	Australian legal advisor	–
Johnston Prichard Fee Limited	New Zealand legal advisor	–
Taylor Wessing	UK legal advisor	–
Link Market Services Limited	Share Registry	–
HWL Ebsworth	Australian financial services regulatory advisor	–
Chen Palmer	New Zealand regulatory advisor	–

Laybuy has included statements in this Prospectus made by, attributed to or based on statements made by the following parties:

(a) ASIC, REP 600 Review of buy now pay later arrangements, November 2018;

(b) Roy Morgan Single Source (Australia), October 2018 – September 2019;

(c) Reserve Bank of Australia, Review of Retail Payments Regulation, November 2019;

(d) Kearney, research on PoS credit finance market, 2019;

(e) New Zealand Post, 2019 New Zealand eCommerce Review, 2019;

(f) United Kingdom Office of National Statistics: Internet sales as a percentage of total retail sales (ratio) (%), June 2020; and

(g) Statista Global Consumer Survey, 2020.

The inclusion of statements made by, attributed to or based on statements made by these parties has not been consented to by the relevant party for the purpose of section 729 of the Corporations Act and are included in this Prospectus by Laybuy on the basis of ASIC Corporations (Consent to Statements) Instrument 2016/72 relief from the Corporations Act for statements used from books, journals or comparable publications.

11.16 ASIC relief

ASIC has made a declaration under subsection 741(1)(b) of the Corporations Act modifying subsections 707(3) and 707(4) so that the modified form of subsection 707(3) applies to sale offers, within 12 months of issue, of Shares issued:

(a) in connection with the Restructuring;

(b) to holders of Convertible Notes on conversion of the Convertible Notes;

(c) to holders of Options and Warrants issued prior to Listing on the exercise of those Options and Warrants;

(d) to certain employees in connection with the Legacy Option Replacement and to UK employees in connection with the Employee Gift Offer; and

(e) to QIBs and Eligible U.S. Fund Managers as part of the Institutional Offer.

The effect of the declaration is that sale offers of such Shares within 12 months after their issue will not need disclosure under Chapter 6D of the Corporations Act.

11.17 ASX waivers and confirmations

ASX has given the Company in-principle advice that the restrictions in clauses 1, 2, 3, 4, 7, 8 and 9 of Appendix 9B of the Listing Rules will not apply to Laybuy as it has a track record of revenue acceptable to ASX.

The Company has also sought a waiver from condition 12 of Listing Rule 1.1 (requiring each option to have an exercise price of at least 20 cents cash) to allow the Company to have on issue 4,627,660 ZEPOs at the time of Listing. The ZEPOs will be issued to the Managing Director, CFO and other senior employees under the OIP (see Section 7.5.2).

11.18 Electronic Prospectus

The use of electronic disclosure documents is permitted under Chapter 6D of the Corporations Act. If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Share Registry and the Share Registry will send to you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

Laybuy reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such a case, the Application Monies received will be dealt with in accordance with section 722 of the Corporations Act.

11.19 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications are governed by the laws applicable in New South Wales and each Applicant submits to the exclusive jurisdiction of the courts of New South Wales.

11.20 Statement of Directors

The Directors report that after due inquiries by them, in their opinion, since the date of the financial statements in the financial information in Section 5, there have not been any circumstances that have arisen or that have materially affected or will materially affect the assets and liabilities, financial position, profits or losses or prospects of Laybuy, other than as disclosed in this Prospectus.

Each Director has authorised and consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent before its lodgement with ASIC.

Section 12

Glossary

12 Glossary

Term	Definition
$ or NZ$	The lawful currency of New Zealand, unless otherwise stated
£, GBP or British pound or Sterling	The lawful currency of the United Kingdom
3DS	Three-Domain Secure
A$, AUD or Australian dollar	The lawful currency of Australia
Active Customer	A customer who has made a purchase through the Laybuy platform within the 12 months prior to the end of the relevant period
Active Merchant	A Merchant who has received payment for a purchase through the Laybuy platform within the 12 months prior to the end of the relevant period
AEST	Australian Eastern Standard Time
Allotment Date	The date on which Shares are allotted under the Offer, currently expected to be 3 September 2020
AML/CTF	Anti-money Laundering and Counter-terrorism Financing
Annualised	Unless stated otherwise, the actual number for the quarter referred to multiplied by four
Applicant	A person who submits a valid Application
Application	An application to subscribe for Shares under this Prospectus which is made on an Application Form and accompanied by the relevant Application Monies
Application Form	An application form attached to or accompanying this Prospectus (including any online Application Form, which can be accessed through https://www.laybuyinvestors.com) upon which Applicants may apply for Shares under the Broker Firm Offer, the Chairman's List Offer or the Employee Gift Offer (whichever is relevant to the Applicant)
Application Monies	The aggregate amount of money payable by an Applicant for Shares applied for under the Offer
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires
ASX Corporate Governance Principles and Recommendations	The *Corporate Governance Principles And Recommendations* of the ASX Corporate Governance Council
ASX Settlement	ASX Settlement Pty Limited (ABN 49 008 504 532)
ASX Settlement Operating Rules	The operating rules of the settlement facility provided by ASX Settlement
Australian AML/CTF Act	*Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth)
B2B	Business to Business
B2C	Business to Consumer
Bell Potter	Bell Potter Securities Limited (ACN 006 390 772)
Board or Board of Directors	The board of Directors of Laybuy
BNPL	Buy-now-pay-later

Term	Definition
Broker Firm Offer	The invitation to Australian and New Zealand resident Retail Investors and Sophisticated Investors who have received a firm allocation from their broker to acquire Shares under this Prospectus
CAGR	Compound annual growth rate
Canaccord	Canaccord Genuity (Australia) Limited (ACN 075 071 466)
CCCFA	*Credit Contract and Consumer Finance Act 2003* (NZ)
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGT	Capital Gains Tax
Chairman	The Chairman of the Board
Chairman's List Invitation	A personalised invitation to selected Australian and New Zealand resident investors, and UK investors forming part of the Company's common interest group (see Section 8.12.7) nominated by the Chairman of the Company to acquire Shares under this Prospectus
Chairman's List Offer	The offer to acquire Shares under this Prospectus to persons who receive a Chairman's List Invitation
Closing Date	The date on which the Offer closes, currently expected to be 5:00pm (AEST) on 25 August 2020
CNP	Card-not-present
Company	Laybuy Group Holdings Limited (NZ company number 8028865), a company incorporated under the laws of New Zealand and registered in Australia as a foreign company (ARBN 642 138 476)
Companies Act	Companies Act 1993 (NZ)
Constitution	The Constitution of the Company
Conversion Date	Has the meaning given in Section 7.5.4
Convertible Note	Convertible promissory notes issued by Laybuy and described in Section 11.3
Corporations Act	Corporations Act 2001 (Cth)
CRB	Credit Reference Bureaus
Director	A director of Laybuy
Eligible Employees	All permanent full-time and part-time employees of Laybuy or any other Group Member (other than Gary Rohloff and Robyn Rohloff), (a) who are resident in Australia, New Zealand or the United Kingdom, (b) who are employed as at the Original Prospectus Date and are still employed by a Group Member as at 5.00pm on the Closing Date, and (c) who have not, at that time, given or received notice that their employment will cease
Eligible U.S. Fund Manager	A dealer or other professional fiduciary organised, incorporated or (if an individual) resident in the United States that is acting solely for a discretionary or similar account (other than an estate or trust) held for the benefit or account of a person that is not a U.S. Person for which it has sole investment discretion
Employee Gift Offer	The offer of A$1,000 of Shares to each Eligible Employee, as described in Section 8.8.4
ESOP	Has the meaning given in Section 5.4.2
Existing Holder	A person holding Shares or other securities in Laybuy immediately prior to completion of the Offer

12 Glossary (continued)

Term	Definition
Exposure Period	The period between the date of this Prospectus and seven days after that date, or such later date (not exceeding 14 days after the date of this Prospectus) as ASIC may require
FAA	*Financial Advisers Act 2008* (NZ)
FCA	The United Kingdom's Financial Conduct Authority
Financial Information	Has the meaning given in Section 5.1
Financial Markets Conduct Act	Financial Markets Conduct Act 2013 (NZ)
Financial Year or FY	Year to 31 March
FITC	Foreign investor tax credit
FITO	Foreign income tax offset
FMCA	*Financial Markets Conduct Act 2013* (NZ)
GMV	Gross Merchandise Value
Group	All of the Group Members
Group Members	The entities listed in Section 11.7.3
GST	Goods and Services Tax
Historical Period	The financial years ended 31 March 2018, 31 March 2019 and 31 March 2020
IFRS	International Financial Reporting Standards
Indicative Exchange Rate	NZ$1.00 = A$0.9385 and £0.52, being the exchange rate relied upon when preparing this Prospectus
Institutional Investor	An investor to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus, registration or other formality (other than a formality which Laybuy is willing to comply with), including in Australia, persons to whom offers or invitations can be made without the need for a lodged prospectus under section 708 of the Corporations Act
Institutional Offer	The invitation to certain Institutional Investors in Australia, New Zealand, Canada, the United Kingdom, the United States, Singapore and Hong Kong to acquire Shares under this Prospectus
Investigating Accountant's Report	The report set out in Section 6
Joint Lead Managers or JLMs	Bell Potter and Canaccord
Key Managers	The Managing Director and senior management team of Laybuy
Kiwibank	Kiwibank Limited
Kiwibank Facility	Has the meaning given in Section 9.3
Laybuy	The corporate group described in Section 11.7 comprising the Company and each of the Group Members and, where relevant, means one or more of the Company or a Group Member, as the context requires
Laybuy Australia	Laybuy Australia Pty Ltd (ACN 640 349 971)
Laybuy Boost	A feature of the Laybuy platform which allows customers to make a purchase larger than their Laybuy transaction limit in one transaction using Laybuy, as described in Section 3.3.4

Term	Definition
Laybuy Global	A feature of the Laybuy platform which allows customers to purchase products online in their local currency with a Laybuy Merchant in a different country, as described in Section 3.3.4
Laybuy Holdings	Laybuy Holdings Limited (company no. 6149287), a company incorporated under the laws of New Zealand
Laybuy Holdings UK	Laybuy Holdings (UK) Limited (company no. 011156956), a limited company registered in England
Laybuy NZ	Laybuy (NZ) Limited (company no. 6846013), a company incorporated under the laws of New Zealand
Laybuy UK	Laybuy (UK) Limited (company no. 12712197), a limited company registered in England
Legacy Option Replacement	The process by which the options in Laybuy Holdings held by employees of the Group will be cancelled and Shares in the Company issued in lieu of them, as described in Section 7.5.6
Legacy Options	Has the meaning given in Section 7.5.6
Listing	Acceptance on the Official List
Listing Rules	The official listing rules of the ASX, as amended from time to time
LTI	Long term incentive
MAPPL	Mastercard Asia/Pacific Pte Ltd
MBIE	Ministry of Business, Innovation and Enterprise (NZ)
Merchant	Retail merchants who are party to a current contract with a Group Member of Laybuy, enabling it to offer the Laybuy platform to its customers
Merchant Fees	Has the meaning given in Section 3.4
NED Salary Sacrifice	Has the meaning given in Section 7.5.4
New Shares	Newly issued Shares offered for subscription by the Company under this Prospectus
Non-executive Director	A Director who is not a Key Manager
Note Conversion	The conversion of the Convertible Notes into Shares, as described in Section 11.3
NRWT	Non-resident withholding tax
NZ	New Zealand
NZ AML/CTF Act	*Anti-Money Laundering and Countering Financing of Terrorism Act 2009* (NZ)
NZ IFRS	New Zealand equivalents to International Financial Reporting Standards
NZASB	New Zealand Accounting Standards Board
NZD, NZ$ or NZ dollars	The lawful currency of New Zealand
Offer	The Broker Firm Offer, the Chairman's List Offer, the Institutional Offer and the Employee Gift Offer
Offer Period	The period from the Opening Date to the Closing Date (inclusive)
Offer Price	A$1.41 per Share, being the amount payable in respect of each Share under this Prospectus
Official List	The official list of entities that the ASX has admitted and not removed from listing on the ASX

12 Glossary (continued)

Term	Definition
Official Quotation	The official quotation of the Shares by the ASX
OIP	The Laybuy Omnibus Incentive Plan, as described in Section 7.5.1
Opening Date	The date on which the Offer opens, currently expected to be 9.00am (AEST) on 12 August 2020
Option	An option to acquire Shares (in this Prospectus, references to a particular number of Options are references to Options to acquire that number of Shares)
Original Prospectus	The prospectus dated 31 July 2020 and lodged with ASIC on that date, which this Prospectus replaces
Original Prospectus Date	The date on which the Original Prospectus was lodged with ASIC, being 31 July 2020
Pioneer	Pioneer Capital Ferdinand Limited
Pioneer Capital	A New Zealand-based growth equity firm operated by Pioneer Capital Management Limited
Plan Rules	The Omnibus Incentive Plan Rules, as described in Section 7.5.1
PoS	Point-of-sale
Pro Forma Historical Financial Information	Has the meaning given in Section 5.1
Prospectus	This document, dated 10 August 2020, including both hard copy and electronic versions, and any supplementary or replacement document
PwC	PricewaterhouseCoopers
PwCS	PricewaterhouseCoopers Securities Ltd
Q1 FY2021	The three months ended 30 June 2020
QIB	A "qualified institutional buyer" as defined in Rule 144A under the U.S. Securities Act
RAO	*Financial Services and Markets Act (Regulated Activities) Order 2001* (UK)
RBA	Reserve Bank of Australia
Regulation S	Regulation S under the U.S. Securities Act
Repeat Customer	A customer who has made more than one purchase through the Laybuy platform within the 12 months prior to the end of the relevant period
Repeat Merchant	A Merchant which has received payment for more than one purchase through Laybuy within the last 12 months prior to the end of the relevant period
Restructuring	The transactions to take place between the Closing Date and Listing, including the Top Hat and the Note Conversion, as described in Section 11.7
Retail Investor	An investor who is not an Institutional Investor
Sale Shares	Shares offered for sale by SaleCo under this Prospectus
SaleCo	Laybuy SaleCo Limited (NZ company number 8034581), a company incorporated in New Zealand and registered in Australia as a foreign company (ARBN 642 227 692), being a special purpose vehicle which has been established to facilitate the sale of Shares by the Selling Shareholders
Sell Down	The sale of a nominated number of the Shares held by the Selling Shareholders into the Offer, as described in Section 11.6

Term	Definition
Selling Shareholder	Those Existing Holders who will sell down Shares into the Offer as described in Section 11.6, being Gary Rohloff, Robyn Rohloff and Pioneer
Settlement Date	The date of settlement of the Shares the subject of the Offer occurring under the Underwriting Agreement
SFA	*Securities and Futures Act*, Chapter 289 of Singapore
Share	A fully paid ordinary share in the capital of Laybuy
Share Registry	Link Market Services Limited (ACN 083 214 537) or any other person or entity that Laybuy appoints to maintain the register of Shares, including any of its related bodies corporate responsible for the maintenance of the Share register
Shareholder	A holder of Shares
Sophisticated Investors	Investors who are persons in Australia who are 'sophisticated investors', 'experienced investors' or 'professional investors' under sections 708(8), 708(10) and 708(11) of the Corporations Act
Statutory Historical Financial Information	Has the meaning given in Section 5.1
Successful Applicant	An applicant who is allotted Shares under the Offer
Top Hat	The introduction of the Company as the new holding company of the Group prior to completion of the Offer, by existing securityholders exchanging their securities for equivalent securities in the Company, as described in Section 11.7
TSR	Total Shareholder Return
U.S. Person	Has the meaning given under Regulation S of the U.S. Securities Act
U.S. Securities Act	U.S. Securities Act of 1933 (as amended to date and the rules and regulations promulgated thereunder)
UK	United Kingdom
UK Transaction	The sale by Gary and Robyn Rohloff of their minority shareholding in Laybuy Holdings UK to Laybuy Holdings in exchange for the issue of shares in Laybuy Holdings (prior to the Top Hat), as described in Section 11.7
Underwriting Agreement	The underwriting agreement dated 31 July 2020 between Laybuy, SaleCo and the Joint Lead Managers under which the Joint Lead Managers have agreed to underwrite the Offer
Victory Park	VPM and its affiliates
VP Facility	Has the meaning given in Section 9.2
VPM	Victory Park Management, LLC, an affiliate of Victory Park Capital
Warrant	A warrant exercisable for Shares (in this Prospectus, references to a particular number of Warrants are references to Warrants to acquire that number of Shares)
ZEPO	Zero Exercise Price Option offered under the OIP

Appendix

Significant Accounting Policies

Appendix: Significant Accounting Policies

The principal accounting policies adopted in the preparation of the Financial Information included in Section 5 are set out below.

Critical accounting estimates and judgements:

(i) **Historical cost convention** The Financial Information has been prepared on a historical cost basis, except financial assets and liabilities (including derivative instruments) which have been measured at fair value.

(ii) **Critical accounting estimates and judgements** The preparation of the Financial Information requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Laybuy's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates which are significant to the Financial Information include fair value of consideration receivable; impairment of goodwill and non-current assets; provisions for employee benefits, financial assets and liabilities; and income tax expense and deferred tax balances.

1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The functional currency is determined for each entity based on factors such as the principal trading currency. The assets and liabilities of these entities are translated at exchange rates existing at balance date. Revenue and expenses are translated at rates approximating the exchange rates ruling at the dates of the transactions. The exchange gains or losses arising on translation are recorded in other comprehensive income and accumulated in the foreign currency translation reserve in equity.

2 Summary of significant accounting policies

2.1 Income

(a) Income

Income is derived from the difference between the consumer's underlying order value processed by the Laybuy platform and the amount paid to the Merchant by the Group. The Group pays Merchants upfront the net amount of the previous day orders less the Merchant transaction fee, which consists of fixed and variable rates set per individual Merchant agreements.

The Group then assumes all non-repayment risk from the consumer. There are no interest or fees charged by the Group to consumers, other than late fees which are incurred as described below.

Income is recognised in the consolidated statement of comprehensive income using the Effective Interest Rate (EIR) method in accordance with NZ IFRS 9 'Financial Instruments', accreting the income over the average period from initial payment to the Merchant by the Group to the final instalment paid by the consumer to the Group. The Group defers income over the average time it takes for the collection of the receivable to occur, with the current average weighted duration to recoup end-consumer payments being approximately 34 days or less.

(b) Late fees

Late fee charges are currently used as an incentive to encourage end consumer to pay their outstanding balances as and when they fall due. Late fees are applied after the consumer misses a scheduled instalment. Late fees are recognised when the late fees become payable (at a point in time) and it is probable the fee will be recovered.

2.2 Taxes

(a) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the Consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(c) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST and Value Added Tax ('GST' references cover both), except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable; and
- When receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

2.3 Foreign currencies

The Group's consolidated financial statements are presented in New Zealand dollars, which is also the Company's functional currency. For each entity, the Group determines the functional currency using the currency of the primary economic environment in which it operates and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in other profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

(b) Group companies

For the purpose of presenting consolidated financial statements, the assets and liabilities of foreign operations are translated to the presentational currency at period-end exchange rates and items of profit or loss are translated at the average exchange rates for the period. Exchange differences arising on translation for consolidation are recognised in OCI and accumulated in the foreign currency translation reserve within equity. On disposal of a foreign operation, the component of OCI relating to the foreign operation is reclassified to comprehensive income or loss.

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost is the value of consideration given to acquire the assets and the value of the other directly attributable costs incurred in bringing the assets to the location and condition necessary for their intended service.

Depreciation on property, plant and equipment is calculated on a diminishing value basis to write-off net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period. The following estimated depreciation rates are used in the calculation of depreciation:

- Computer equipment 30%-67%
- Furniture and fittings 10%-20%
- Motor vehicles 30%

(a) Disposal

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income when the asset is derecognised.

2.5 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Prior to 1 April 2019, all of the Groups leases were classified as operating leases. Operating lease payments were recognised as an operating expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

From 1 April 2019, leases are recognised as a right of use asset and a corresponding lease liability. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.6 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Borrowings are classified as non-current liabilities when the Group has an unconditional right to defer settlement for at least 12 months from the reporting date.

2.7 Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the Consolidated statement of comprehensive income in the period in which the expenditure is incurred. Costs that are directly associated with the development of software are recognised as an intangible asset when the Group can demonstrate: the technical feasibility of completion, the intention, and availability of resources, to complete and use or sell; how the asset will generate future economic benefits; and the ability to measure reliably the expenditure during development.

The useful lives of the Group's intangible assets are assessed as finite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each balance date. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of comprehensive income.

For capitalised development costs, amortisation of the asset begins when the development is complete and the asset is available for use. During the period of development, the asset is assessed annually for indicators of impairment.

The following policies are applied to the Group's intangible assets:

- Laybuy platform 40%, straight line
- Mobile application 40%, straight line

2.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All financial instruments are initially recognised at the fair value of the consideration received/transferred less, in the case of financial assets and liabilities not recorded at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost;
- Financial assets at fair value through OCI with recycling of cumulative gains and losses;
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition; and
- Financial assets at fair value through profit or loss.

(b) Financial assets at amortised cost

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when the rights to receive cash flows from the asset have expired.

Impairment of financial assets

The Group recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss as well as undrawn commitments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

(c) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, financial liabilities at amortised cost, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, borrowings including bank overdrafts, lease liabilities and convertible notes.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(d) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by NZ IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss within the consolidated statement of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in NZ IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

(e) Liabilities measured at amortised cost

This is the category most relevant to the Group. After initial recognition, interest-bearing loans, the debt portion of convertible notes and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of comprehensive income.

This category generally applies to borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

A financial liability is also derecognised when the obligation is converted to equity in exchange for shares in the Company. Where the exchange is with an existing shareholder, the difference in the respective carrying amount is treated as a deemed distribution in equity. Otherwise, the difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

(f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, cash in transit, deposits held on call at financial institutions, and other short-term highly liquid investments with original maturities of three months or less which are subject to an insignificant risk of changes in value.

(g) Embedded derivatives

Derivatives are initially recognised at fair value and are subsequently remeasured to their fair value at each reporting date.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host (convertible notes). Derivatives embedded in hybrid contracts that are financial liabilities are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to the host contract and the host contract is not measured at fair value through profit or loss.

2.9 Contributed equity

Ordinary shares issued by the Company are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds raised via the issue of new shares.

Where costs have been incurred in relation to the expected issue of new shares, these costs have been recognised on the consolidated statement of financial position as deferred costs. Upon the successful issue of new shares, the costs will be transferred to equity and shown as a deduction, net of tax, against the proceeds raised from the issue of new shares.

Where cash has been receipted in advance of the issuance of ordinary shares in the Company, this is classified as equity and assessment of basic earnings per share is performed on the total shares on issue as well as shares for which payment has been receipted.

2.10 Customer receivables

The Group's customer receivables balance represents amounts due from consumers for outstanding instalment payments on orders that were processed via the Laybuy platform.

The Group's business model is to hold the receivable balances with the objective to collect the future contractual cash flows. The contracts are determined to be solely payments of principal and interest. As such customer receivables are measured at amortised cost using the EIR method.

Customer receivables generally have a due date within 7 to 35 days.

(a) Classification and measurement

Under NZ IFRS 9, customer receivables are initially recognised at fair value upon recognition.

Subsequently, they are classified and measured at amortised cost as:

- The Group provides lines of credit to consumers, and the business model is to hold such accounts and collect contractual cash flows until the account is closed; and
- The contractual terms of the accounts give rise on specified dates to cash flows that are solely payments of principal and "effective interest" and permit consumers to vary the dates and frequency of payments.

(b) Impairment

NZ IFRS 9 requires recognition of ECLs based on unbiased forward-looking information and is applicable to all financial assets at amortised cost. The Group applies the general approach permitted under NZ IFRS 9 to account for ECLs on customer receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the Laybuy terms and all the cash flows that the Group expects to receive.

NZ IFRS 9 requires the Group to classify customer receivables into three stages, which measure the ECL based on credit migration between the stages. The Group has defined these stages as follows:

Receivables not yet due

While the customer receivables are not yet due (i.e. current), an ECL has been determined based on the probability of a default event occurring over the next 12 months. The "effective interest income" is calculated on the gross carrying value.

Receivables are overdue by 1 to 60 days

Although there is usually no objective evidence of impairment, when a consumer has not paid by the due date, it is an indication that credit risk has increased. As a result, an ECL has been determined based on the probability of a default event occurring over the life of the customer receivables. The "effective interest income" is still calculated on the gross carrying amount of the asset.

Receivables are overdue by more than 60 days

These are customer receivables where there is objective evidence of impairment at reporting date. Ageing greater than 60 days indicates objective evidence of impairment. For these assets, lifetime ECL are recognised and "effective interest income" is calculated on the net carrying amount.

(c) Provisioning Model

For each classification of receivable, the Group has applied historic loss rates (the percentage of receivables that reach 91 days overdue), averaged over a 6 months period given the short-term duration of customer terms which are a maximum of 35 days (five instalments at seven days per instalment). The Group's policy is to write-off balances that are outstanding for over 91 days in accordance with historical experience.

In calculating a provision for expected credit loss, an economic overlay is considered to take account of forward-looking macro-economic and regulatory factors (including GDP, unemployment rate, inflation rate, etc.) and modelling risks.

Significant increase in credit risk

The provisioning model utilises customer receivables 1 day past due as the absolute criteria to identify significant increases in credit risk since initial recognition.

Definition of default

A customer receivable is classified as in default where there is objective evidence of impairment. A customer receivable is considered to be in default at 61 days past due.

Appendix: Significant Accounting Policies (continued)

(d) Write-off

Customer receivables are written off in the consolidated statement of comprehensive income when the Group has no reasonable expectation of recovery, this is generally considered to be where the customer receivables are outstanding for 91 days. Any subsequent recoveries following write-off are credited to customer receivables impairment expense within the consolidated statement of comprehensive income in the periods in which they were recovered.

Undrawn balance provision

As part of the Groups ECL modelling, consideration is given to the available credit extended to customers. The Group carries a provision in relation to this undrawn exposure reflecting expected future credit losses. In accordance with the Groups credit management policy, consumers must still meet minimum terms and conditions before this balance can be utilised on the Laybuy platform. The provision for expected credit losses on undrawn balances takes account of the expected use of the available credit extended to customers and is calculated using the same methodology as the provision for expected credit losses on customer receivables.

2.11 Prepayments

Prepayments represent amounts that have been paid to third parties and Merchants but the related benefit or service has not been received at balance date. These are then recognised over the period to which the benefit is received, either at a point in time or on a straight line basis, dependant on the type of benefit or service and the obligation of the third party or merchant for this.

2.12 Convertible notes

Convertible notes are comprised of two elements: a debt note liability component and an embedded derivative component. At inception, the fair value of the host liability portion of convertible notes is determined as being the difference between the proceeds and the fair value of any identifiable derivative liabilities contained within the note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the notes.

The fair value of the embedded derivative component is calculated through a valuation model using a variety of assumptions, with the residual value assigned to the debt host components. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. No gain or loss on fair value changes is recognised on inception. Valuation of the embedded derivative is calculated at each year end, with any gain or loss recognised in the Profit and Loss statement.

The debt liability component is subsequently carried at amortised cost. Refer to Section 2.6 of this Appendix for further details.

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. Merchant payables are included in trade and other payables and relate to the amount owed to the Merchant from orders from the previous day.

2.14 Employee benefits

(a) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of balance date are recognised in respect of employees' services at balance date. They are measured at the amounts expected to be paid when the liabilities are settled.

2.15 Share based payments

Share based payments compensation benefits is promoted to certain employees and select external parties that provide services to the group. For share based payment transactions with external parties, as the fair value of the services received is not considered to be able to be reliably estimated, the fair value has been based on fair value of the instruments granted.

Fair values at grant date are independently determined using a Black-Scholes-Merton model that takes into account the exercise price, the term of the option, the market price and volatility.

The fair value of the options granted to the employees and the external parties is recognised as an expense, over the vesting period of the options, with a corresponding entry to the 'share based payment reserve'. The amount recognised as an expense is adjusted at each reporting date to reflect the extent to which the vesting period has expired and management's best estimate of the number share options that will ultimately vest. If the revision of the original estimates results in a change, this is recognised in profit or loss with a corresponding adjustment to the share based payment reserve.

2.16 Expenses

Expenses are those costs incurred by the Group in directly selling or marketing its services along with those incurred by the Group in running its business operations. Such costs include transaction costs, platform development and hosting expenses and, marketing and transaction expenses as well as employee costs.

2.17 Offsetting policy

Assets and liabilities, are offset and the net amount presented in the consolidated statement of financial position, when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group currently does not apply any offsetting in the financial statements.

3 New accounting standards and interpretations

The Group applied for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2019. The Group has not early adopted any standard, interpretation or amendments in the current year. Accounting policies set out in these financial statements are consistent for all periods presented in these financial statements except as identified below.

3.1 NZ IFRS 16 Leases

The Group adopted NZ IFRS 16 *Leases* with a date of initial application of 1 April 2019. The Group applied NZ IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019.

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to NZ IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with NZ IAS 17 Leases and *NZ IFRIC 4 Determining whether an Arrangement contains a Lease* will continue to be applied to those leases entered or changed before 1 April 2019.

The change in definition of a lease mainly relates to the concept of control. NZ IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in NZ IAS 17 and NZ IFRIC 4.

The Group applies the definition of a lease and related guidance set out in NZ IFRS 16 to all lease contracts entered into or changed on or after 1 April 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of NZ IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in NZ IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Former operating leases

NZ IFRS 16 changes how the Group accounts for leases previously classified as operating leases under NZ IAS 17, which were off balance sheet.

Applying NZ IFRS 16, for all leases (except as noted below), the Group:

- Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with NZ IFRS 16:C8(b)(ii);
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and
- Separates the total amount of cash paid into a principal portion and interest in the consolidated statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under NZ IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under NZ IFRS 16, right-of-use assets are tested for impairment in accordance with NZ IAS 36 *Impairment of Assets*.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by NZ IFRS 16. This expense is presented within 'other operating expenses' in the consolidated statement of comprehensive income.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying NZ IAS 17.

- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

Appendix: Significant Accounting Policies (continued)

(c) Former finance leases

The Group does not have any finance leases as per the definition under NZ IAS 17, and therefore there is no impact on the application of NZ IFRS 16 with respect to finance leases for the Group.

(d) Impact on lessor accounting

NZ IFRS 16 does not substantially change how a lessor accounts for leases. Further, the Group does not have any leases where is acts as a lessor and therefore is no impact on the application of NZ IFRS 16 with respect to lessor accounting for the Group.

(e) Financial impact of initial application of NZ IFRS 16

The Group has adopted NZ IFRS 16 using the modified retrospective approach. Upon implementation, the Group applied an incremental borrowing rate of 2.55% for buildings (the only type of lease at the date of implementation excluding those that are exempt under the implementation of the standard).

The following table shows the operating lease commitments disclosed applying NZ IAS 17 at 31 March 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application. On implementation, the Group recognised a right-of-use asset and lease liability of NZ$504,030.

	NZ$
Operating lease commitments at 31 March 2019	986,713
Exemption for short-term leases and leases of low-value assets	(466,869)
Effect of discounting the above amounts	(15,814)
Carrying amount of lease liabilities recognised at 1 April 2019	504,030

There was no impact on retained earnings as at 1 April 2019 from the implementation of NZ IFRS 16.

LAYBUY **LAYBUY GROUP HOLDINGS LIMITED**
ARBN 642 138 476

Broker Code

Adviser Code

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If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

A Shares applied for , , at Price per Share **A$1.41** **B** Application Monies **A$** , , .

(minimum 1,419 Shares)

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

C Applicant #1
Surname/Company Name

Title First Name Middle Name

Joint Applicant #2
Surname

Title First Name Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

D TFN/ABN/Exemption Code
First Applicant Joint Applicant #2 Joint Applicant #3

TFN/ABN type – if NOT an individual, please mark the appropriate box Company Partnership Trust Super Fund

E **PLEASE COMPLETE ADDRESS DETAILS**
PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

Unit Number/Level Street Number Street Name

Suburb/City or Town State Postcode

Email address (only for purpose of electronic communication of shareholder information)

F CHESS HIN
X

If you have a Broker Sponsored account and would like your securities to be allocated to this account, it is important that you enter your HIN at this step. Failure to do so will result in your securities being allocated to a new Issuer Sponsored account. You will not be able to change this until after the stock exchange listing takes place and you will need to request your broker to do this for you.

G Telephone Number where you can be contacted during Business Hours ( ) Contact Name (PRINT)

Cheques or bank drafts should be drawn up according to the instructions given by your Broker.

H Cheque or Bank Draft Number BSB - Account Number

Total Amount **A$** , , .

LODGEMENT INSTRUCTIONS
You must return your Application so it is received by your broker by the deadline set out in their offer to you.

LBY BRO001

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Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

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The Corporations Act 2001 (Cth) (**Corporations Act**) requires that a person who provides access to an application form (including an electronic application form) must provide access, by the same means and at the same time, to the relevant prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

Capitalised terms in this Application Form have the meanings given to those terms in the Prospectus.

A Insert the number of Shares you wish to apply for. The Application must be for a minimum of 1,419 Shares. You may be issued all of the Shares applied for or a lesser number.

B Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the Offer Price being A$1.41. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.

C Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.

D Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Laybuy will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.

E Please enter your postal address for all correspondence. All communications to you from Laybuy and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

F If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your Shares will be issued to Laybuy's issuer sponsored subregister.

G Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.

H Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.

If you receive a firm allocation of Shares from your broker make your cheque payable to your broker in accordance with their instructions.

ACKNOWLEDGEMENTS

By returning this Application Form with your Application Monies:

- you declare that this Application is completed in accordance with the Prospectus and the declarations/statements on this Application Form and in the Prospectus;
- you declare that you have received a full copy of the Prospectus, either in printed or electronic form;
- you declare that you have received this Application Form together with the Prospectus;
- you represent and warrant that you have read and understood the Prospectus and that you acknowledge the matters, and make the warranties and representations, contained in the Prospectus and this Application Form;
- you declare that all details and statements made by you are complete and accurate;
- you declare that each applicant, if a natural person, is at least 18 years old;
- you represent, warrant and agree that you not in the United States or a U.S. person (as defined in Rule 902(k) under Regulation S of the US Securities Act) and are not acting for the account of benefit of a U.S. Person;
- you represent, warrant and agree that you have not received the Prospectus outside Australia or New Zealand and are not acting on behalf of a person resident outside Australia and New Zealand;
- you represent and warrant that the law of any place does not prohibit you from being given the Prospectus and any supplementary or replacement prospectus or making an Application on this Application Form;
- you provide authorisation to be registered as the holder of Shares issued to you;
- you agree to be bound by and comply with the constitution of the Company and the Prospectus;
- you apply for the number of Shares set out on or determined in accordance with this Application Form and agree to be issued or transferred such number of Shares, a lesser number or none;
- you acknowledge that the information contained in the Prospectus (or any supplementary or replacement prospectus) is not investment advice or a recommendation that Shares are suitable for you, given your investment objectives, financial situation or particular needs and that the investment performance of Shares is not guaranteed by the Company or SaleCo;
- you acknowledge that your Application to acquire Shares is irrevocable and may not be varied or withdrawn except as allowed by law;
- you authorise the Company and SaleCo to do anything on your behalf necessary (including the completion and execution of documents) to enable the Shares to be issued or transferred to you (as the case may be);
- you acknowledge that an Application may be rejected without giving any reason, including where this Application Form is not properly completed or where a cheque submitted with this Application Form is dishonoured or for the wrong amount and you authorise the Company and SaleCo to complete or correct this Application Form; and
- you acknowledge that if you are not issued any Shares or you are issued fewer Shares than the number that you applied and paid for as a result of a scale back, all or some of your Application Monies (as applicable) will be refunded to you (without interest) in accordance with the Corporations Act. Amounts of A$2.00 or less will be retained by the Company.

CORRECT FORMS OF REGISTRABLE NAMES

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Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

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Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

Corporate Directory

Board Members

Steven Fisher, Chair and Non-executive Director
Gary Rohloff, Managing Director
Mark Haberlin, Non-executive Director
Craig Styris, Non-executive Director

Management Team

Gary Rohloff, Managing Director
Katrina Kirkcaldie, Chief Financial Officer
James Abbott, Chief Operating Officer
Robyn Rohloff, Global Brand Director
Justin Soong, Chief Technology Officer
Mel Quirk, Chief People Officer
Luke Flomo, Chief Revenue Officer (UK & Europe)
Tim Rennie, General Counsel
Virginia Ballantyne, Senior Risk and Compliance Manager

New Zealand Office and Headquarters

Laybuy Group Holdings Limited
Level 1, The B:HIVE, 74 Taharoto Road
Takapuna Auckland 0622
New Zealand
www.laybuy.com

Local Agent

Laybuy Australia Pty Ltd ACN 640 349 971

Australian Company Secretary

Jonathan Swain

Registered Address in Australia

Level 3, 100 Harris Street
Pyrmont NSW 2002
Australia

Australian Legal Advisor

Johnson Winter & Slattery
Level 25, 20 Bond Street
Sydney NSW 2000
Australia
Telephone: +61 2 8274 9555
www.jws.com.au

New Zealand Legal Advisor

Johnston Prichard Fee Limited
Level 8, Vero Centre
48 Shortland Street
Auckland 1010
New Zealand
Telephone: +64 9 303 3295
www.jpf.co.nz

Joint Lead Managers

Bell Potter Securities Limited

Level 29, 101 Collins Street
Melbourne VIC 3000
Australia
Telephone: 1300 023 557
www.bellpotter.com.au

Canaccord Genuity (Australia) Limited

Level 62, MLC Centre, 19 Martin Place
Sydney NSW 2000
Australia
Telephone: +61 2 9263 2700
www.canaccordgenuity.com

Investigating Accountant

PricewaterhouseCoopers Securities Ltd

One International Towers
Watermans Quay
Barangaroo NSW 2000
Australia
Telephone: +61 2 8266 0000
www.pwc.com.au

Tax Advisor and Auditor

PricewaterhouseCoopers

Level 22, 188 Quay Street
Auckland CBD
Auckland 1010
New Zealand
Telephone: +64 9355 8000
www.pwc.co.nz

Share Registry

Link Market Services Limited

Level 12, 680 George Street
Sydney NSW 2000
Australia
Telephone: 1300 554 474
www.linkmarketservices.com.au

Laybuy Offer Information Line

1800 236 994

Offer Website

https://www.laybuyinvestors.com

ASX Code

ASX:LBY

LAYBUY

Pay it, easy.