

Xero Changes Arrangements with ClickSuper

SYDNEY, Monday 7 August 2017: Integrated Payments Technologies Limited (InPayTech) (ASX: IP1) provides the following chronology and business update:

Background

23 January 2017

'PayVu eliminates superannuation clearing house requirements for Australian small business owners' (InPayTech announcement)

Australian small businesses operating cloud-based accounting software can benefit from a unique software overlay system called PayVu that speeds up superannuation payments to the same day, and eliminates the current inefficiencies of employers needing to deal with third party clearing agencies.

- Giving employers a direct relationship to each employee's superannuation fund (and vice versa)
- Compliance with the Government's SuperStream reporting regime
- A potential dollar benefit to fund member (by having their retirement savings monies invested in their super account 4.2 days earlier)
- A benefit to super funds that are enabled to deal directly with the employer, not the clearing house, which is more efficient
- Payments returned from the superannuation fund will be paid to the employer's bank account for immediate action by the employer
- Currently, returned funds suffer delays through the Clearing House being paid, then being reconciled, before returning to the employer. This could further delay the investment in the retirement fund.

10 April 2017

Change in Technology on Clearing Houses (further announcement by InPayTech)

Australian superannuation funds and SME employers must move to embrace a digital, member direct model of contributions payment technology that is

gathering pace alongside the 2017 introduction of the Reserve Bank of Australia's New Payments Platform (NPP).

- The introduction of the NPP later this year heralds a change in the ground rules for payment processing, and provides a mechanism for 24 / 7 days a week settlement of superannuation payments.
- Employers and their staff could have their super invested at any time during the day 7 days a week by using NPP. Some funds, such as Industry Funds, declare a return at the end of the year and credit each member from the date they invested, so the earlier you invest the higher your retirement benefit could be.

“However, the current Direct Debit payment rules mean the traditional Clearing Houses must hold the contribution money in their trust account for an average of 4.2 days. New technology, available to SME's, securely bypasses this and reduces payments time to the *same* day,” Robin Beauchamp said.

Mr Beauchamp warned funds and employers to remain vigilant to the reluctance by Clearing Houses and those organisations that direct their employee super through them to enable new technology.

“These firms are reluctant to embrace any model that reduces their income - particularly one that removes the capacity to earn income for abiding by the Direct Debit rules,” he said. PayVu and the Employer Direct model provide an ideal opportunity for SME users of Clearing Houses to adopt an approach that delivers significant personal benefits to the SME owners and their staff. This latest technology approach is a clear disrupter and looks set to trigger the end of the traditional Clearing House solution for SME's”.

For the full details of the announcement and more details go to <https://inpaytech.com.au/media-coverage/>

Xero: Changed Arrangements

The company (Integrated Payment Technologies Limited) has been discussing the benefits of PayVu's employer direct model over the superannuation clearing house model with Xero since early this year.

The company offered PayVu to Xero at the same transaction price as our current ClickSuper service which meant the company would forego the interest income normally derived from payments being in our account for an average of 4.2 days while funds cleared through the direct debit system. PayVu payments are made directly from the employer bank account to the fund and settle the same day allowing the contributions to be invested by the superannuation fund sooner, and also enabling any returns from the fund to be paid directly into the employer's bank account.

The company understands that Xero has written to our joint customer base advising they are moving to another clearing house over the next month or so. This will have an impact on our income and costs.

For the year ended 30 June 2017 our unaudited transactional income (an average of 10c per contribution per employee) was \$250,245. However, our banking fees consumed a significant portion of that income.

*Example: An employer with 3 staff contributing to different funds would cost us 13 cents to debit their account and 13 cents to credit each super fund. If the employees all contributed to the same fund our income would be 30 cents (3 * 10 cents) and our banking fee 26 cents (13 cents to debit the employer account and 13 cents to credit the fund); a gross profit of 4 cents.*

A larger employer with 10 employees paying 5 different funds would deliver income of \$1 and banking fees of 78 cents (1 debit and 5 credits at 13 cents each = 78 cents); a gross profit of 22 cents.

Interest income is considerably lower from Xero than our other customers due to the lower salary levels of SME clients. The company is currently discussing with

Xero the possibility of continuing to provide services which will help offset the reduction in interest income.

The (approximately) 40,000 customers are joint clients of ClickSuper and Xero and subsequently we are free to market to them.

As an example, if PayVu was to be used by 5,000 of the existing Xero clients we would earn \$600,000 (at \$10 per month) or if they had multiple accounts and each paid \$8 per month income would be \$480,000. These numbers are not a forecast of possible income.

We expect the use of PayVu by existing clients will increase our gross income over the remainder of the financial year to June 2018.

The image shows two handwritten signatures in blue ink. The signature on the left is for Don Sharp, and the signature on the right is for Robin Beauchamp. The signatures are written in a cursive style.

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